

An aerial photograph of a solar plane with a train nose. The plane is white with a black grid pattern on the wings. The nose of the train is visible, featuring logos for SOLVAY, Schindler, ABB, and OMEGA. The background shows a green landscape with a small town and a large yellow field.

 **Swiss Re**
Corporate Solutions

Captive Solutions

“Captives provide the best of both worlds. The potential savings associated with self-funding and the ability to mitigate risk through captive pooling with other like minded employers.”

- Ken Gumbiner
Head Accident & Health Sales North America

Swiss Re Corporate Solutions Accident & Health

- The Accident & Health Group of Swiss Re Corporate Solutions has been providing in depth product knowledge and solutions to our producers since 1975.
- Coverage is underwritten by Westport Insurance Corporation which is rated A+ (superior) by A. M. Best Company, AA- (stable) with Standard & Poor's and Aa3 (stable) with Moody's.
- Swiss Re Corporate Solutions has annual revenues of over 4.5 billion USD and we do not reinsure any of this business; we retain 100% of the risk.
- www.swissre.com/esl

Captive Solution team

- Planned Administrators Inc. (PAI)
- PAI Preferred Network
- PAI Health Management
- Swiss Re Corporate Solutions
- Innovative Captive Strategies (captive manager)

Innovative Captive Strategies (ICS)

- Responsible for the oversight and management of the captive and the employer members
- Founded in 1999 partnering with independent agency in Des Moines, IA
- Expertise in group captives (PC & EB), single parent captives, rental captives, 831b captives and consulting
- 7 current employee benefit captives
 - comprised of over 125 groups and 40,000 premium/lives
- 14 casualty captives
 - comprised of over 350 groups and \$150million premium/lives

Captive Solutions program

- Our Captive Solutions program affords an innovative means for qualified employer groups that understand the advantages of self-funding, to do so, with reduced volatility due to captive pooling with other self-funded groups. *Safety in numbers...*
- Initially, only qualified employers with **50 to 500 covered** employees who recognize the value of cost containment and wellness may qualify for the program.

Captive requirements & highlights

- Cost containment
 - Employer contribution difference for smokers with smoking cessation offered
 - Health risk assessment (HRA) including biometrics and disease management programs based on results
 - 1st year, employee only required to complete HRA, 2nd year employees and spouses must complete
- Cash collateral – members' financial commitment to the captive and assessed annually
- Group specific stop loss policy and plan of benefits
- 12/15 or 12/18 contracts
- Common renewal date

Market summary – 82% of 1,000+ life groups self-fund

Percentage of covered workers in partially or completely self-funded plans, by firm size, 1999-2015

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
3-199 workers	13%	15%	17%	13%	10%	10%	13%	13%	12%	12%	15%	16%	13%	15%	16%	15%	17%
200-999 workers	51	53	52	48	50	50	53	53	53	47	48	58*	50	52	58	55	56
1,000-4,999 workers	62	69	66	67	71	78	78	77	76	76	80	80	79	78	79	83	82
5,000 or more workers	62	72	70	72	79	80	82	89	86	89	88	93	96	93	94	91	94
ALL FIRMS	44%	49%	49%	49%	52%	54%	54%	55%	55%	55%	57%	59%	60%	60%	61%	61%	63%

* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

Note: Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in the averages in this exhibit for 2006. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2015.

Benefits of being self-funded

- **Control**

- Flexibility to design a benefit plan that is suitable to the employer and the employees
- Pre-empts benefits mandated by the state
- Best in class vendors for administration, provider networks, pharmacy benefit manager (PBM), cost containment and wellness
- **Access to data – *You can't manage what you can't measure!***

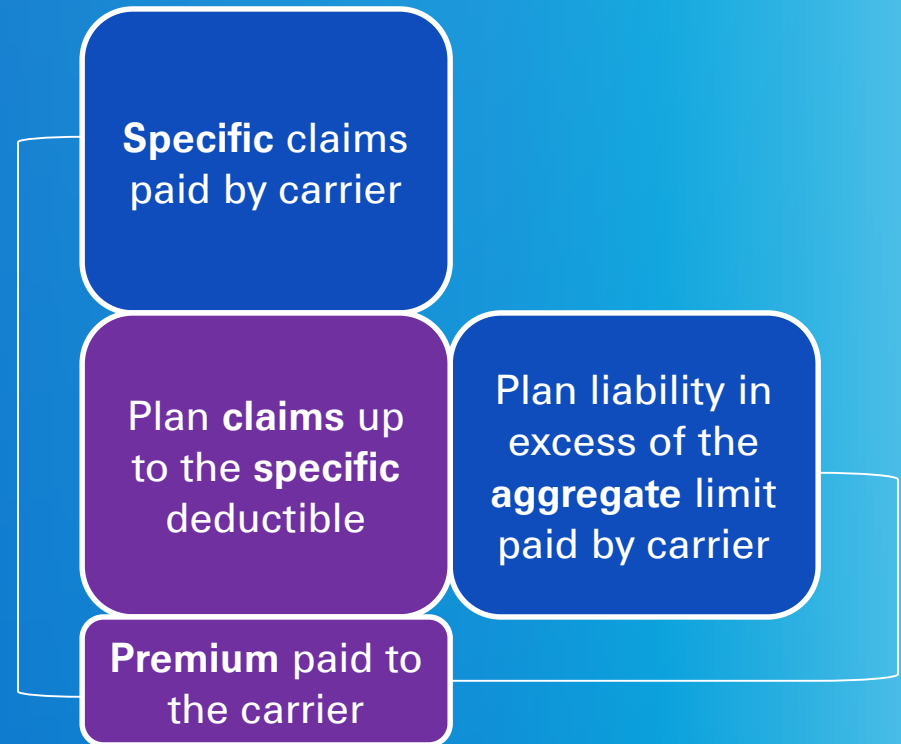
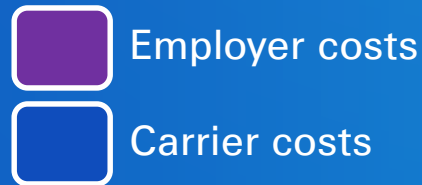
- **Cost savings**

- Employer keeps savings rather than the insurance carrier
- Premium taxes and carrier profits are minimized
- Improved cash flow and retention of reserve funds

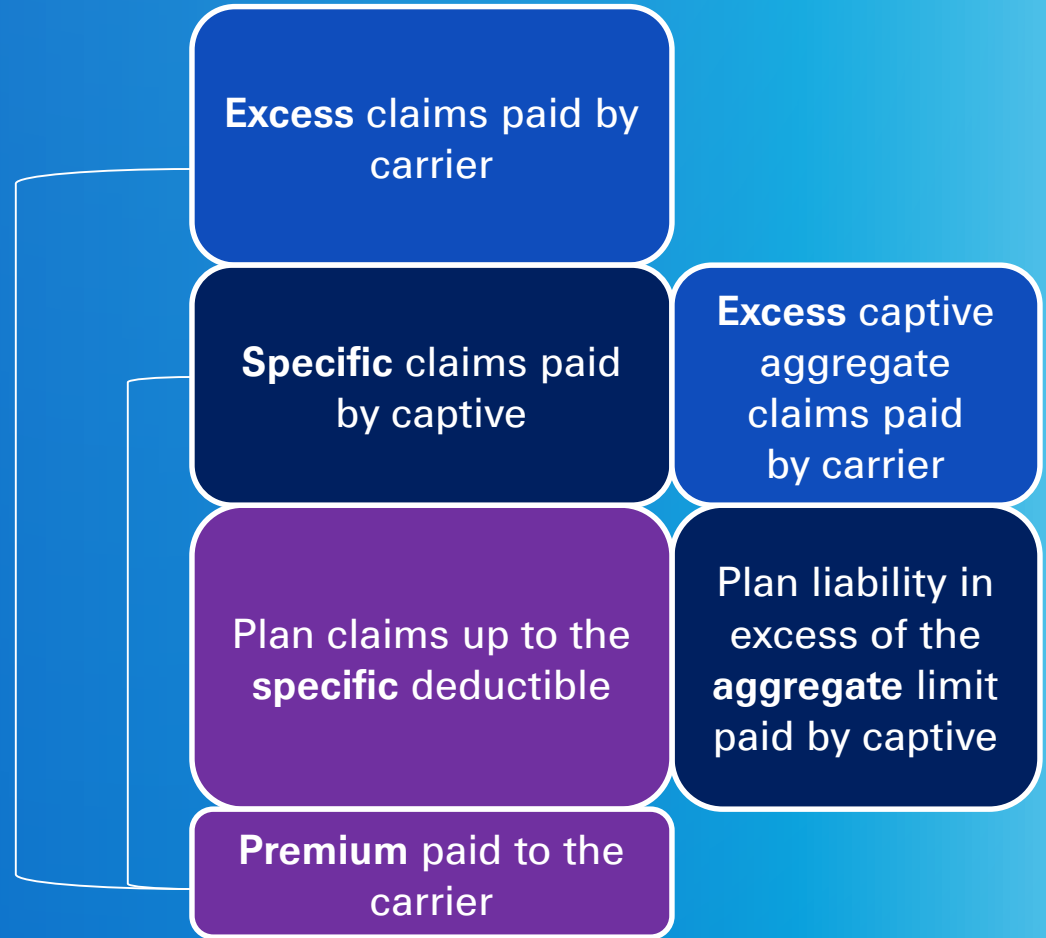
Benefits of self-funding in a captive structure

- By participating in captive, smaller employers obtain certain advantages enjoyed by larger employers, including:
 - ***Reduced volatility*** by being a part of a larger group which spreads the risk evenly through pooling
 - ***Profit distributions*** increase the potential for reduced fixed costs
 - ***Improved cost efficiencies*** by using the buying power of the larger group as a whole
- The captive itself is protected by the carrier against inordinate losses in any single year
- ***The captive is fully-funded and non-assessable!***

Traditional stop loss



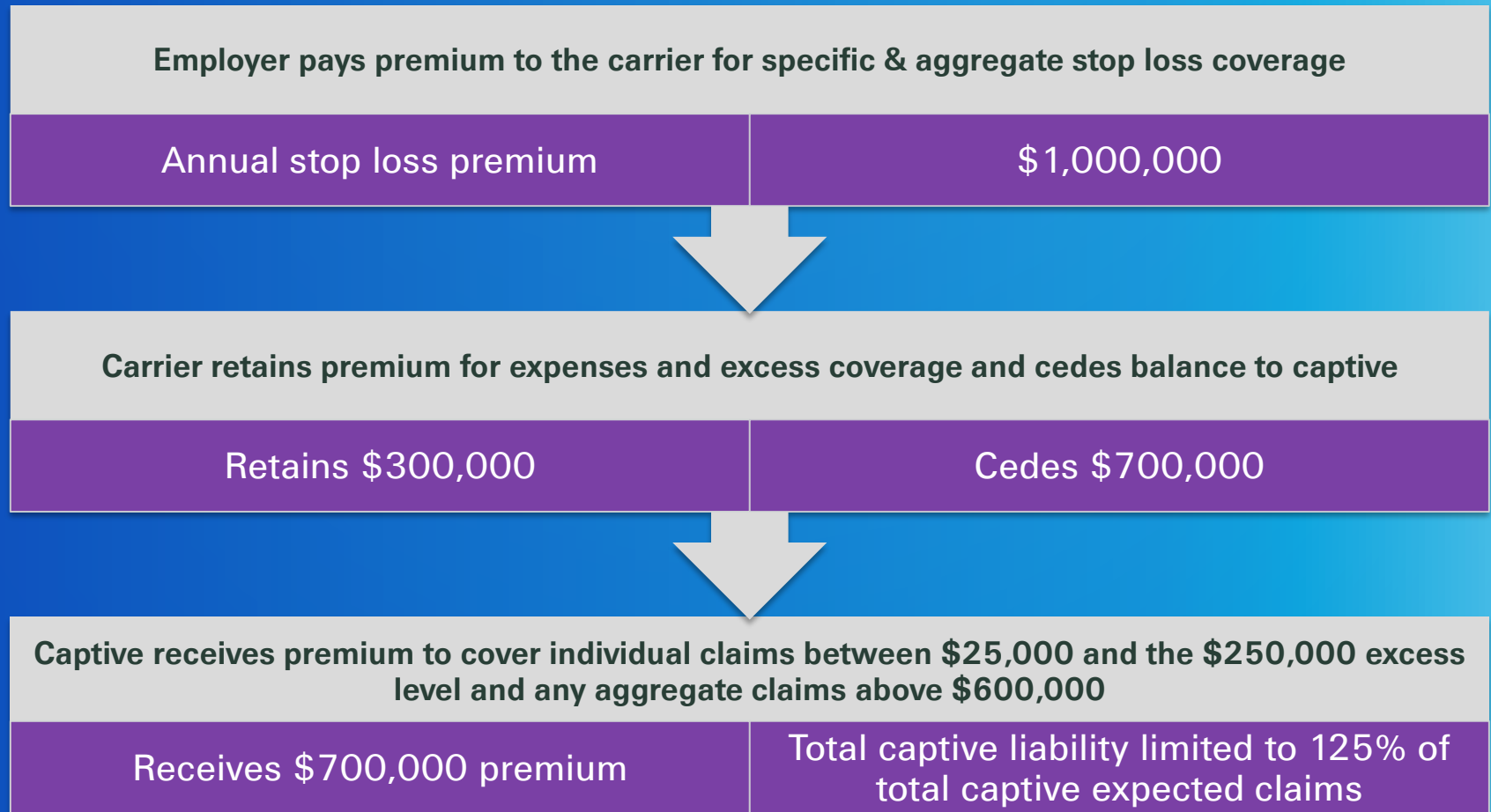
Captive Solutions model



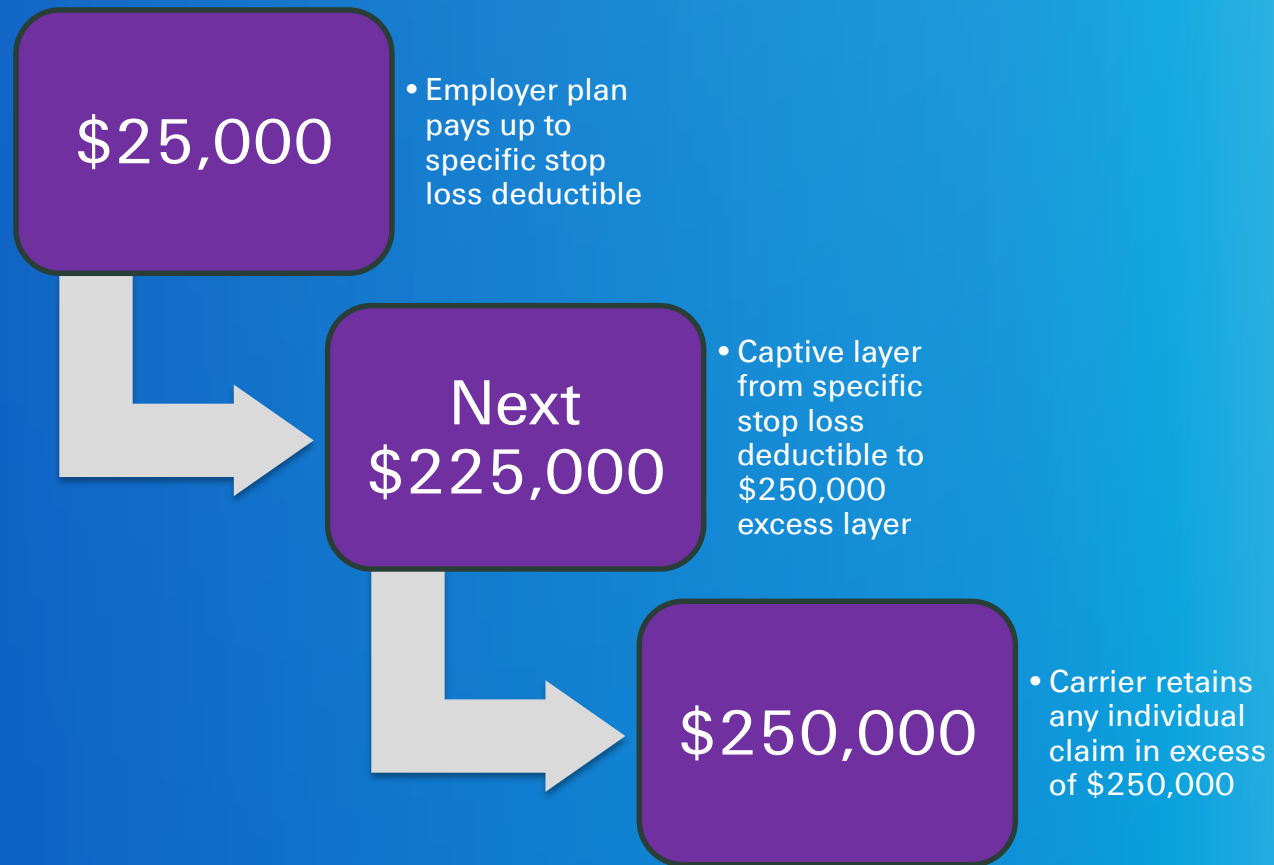
The Captive Solutions model - example

- On front end, it operates the same as any self-funded plan:
 - \$25,000 specific
 - \$600,000 aggregate attachment point
 - \$100,000 annual premium
- On back end, carrier cedes risk to the captive which is supervised by ICS:
 - Captive assumes risk for claims (PMPY) from \$25,000 to \$250,000 and for plan aggregate losses in excess of the attachment point - \$600,000.
 - Carrier retains risk for claim (PMPY) exceeding \$250,000 and claims in excess of the captives collateral and premium.
 - Employers captive liability equates to the premium and collateral costs.

The Captive Solutions model – premium flow (assumes 10 employer groups join captive)



The Captive Solutions model – claim flow (example- \$500,000 individual claim from one employer group)



The Captive Solutions model – case study

- 200 employee group
- Currently fully-insured
- Annual premium \$1,500,000 (\$1,200,000 expected claims)
- Joins captive program with \$25,000 specific and 125% aggregate stop loss coverage
- Converts \$1,500,000 fixed cost into variable cost structure
- Opportunity for significant savings if claims lower than expected

The Captive Solutions model – case study results

% of expected claims	% of expected claims levels		
	80%	100%	120%
Fully insured premium	1,500,000	1,500,000	1,500,000
Total claims	960,000	1,200,000	1,440,000
Claims below specific	681,600	852,000	1,022,400
Captive claims	240,000	300,000	360,000
Excess claims	38,400	48,000	57,600
Total fixed expenses	284,749	284,749	284,749
Carrier expenses & excess	170,297	170,297	170,297
TPA expenses	108,000	108,000	108,000
Captive expenses	6,452	6,452	6,452
Total variable expenses	375,000	375,000	375,000
Captive risk premium	322,581	322,581	322,581
Collateral	52,419	52,419	52,419
Total employer gross cost	1,341,349	1,511,749	1,682,149
Captive surplus	135,000	75,000	15,000
Net employer cost	1,206,349	1,436,749	1,667,149
Savings (including cap sur)	293,651	63,251	-167,149
Savings %	19.58%	4.22%	-11.14%

Average initial savings of Captive Solutions vs. fully-insured is -3% to -7%

Why our captive

- Experienced independent captive manager
- Captive is not owned by the carrier
- Majority of the board is comprised of the employers
- Compliant with U.S. tax code as it relates to insurance
- We assist in employer education
- Transparency of claims, reporting and renewals
- Offer heterogeneous aggregator cells
- No lasers at renewal
- Renewals include gapless feature
- ***Fully-funded and non-assessable!***

Qualifications and next steps

- To qualify, groups must fit a specific risk profile
 - Fully-insured with 50 to 500 employees (some self-funded groups)
 - Group buys into the captive concept
 - Group must agree to participate in cost containment programs proven to have a positive impact on long-term healthcare costs
- Next steps
 - Submit quote to captive manager for indication
 - three (3) years fully-insured carrier rate history including renewal (claims data if available)
 - plan design
 - current census
 - network
 - Present indication to group
 - Once group accepts indication, complete disclosure for stop loss proposal

Thank you

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