ALTERNATIVE RISK FINANCING VEHICLES

The health care industry has experienced three hard market cycles since the 1970s, requiring many insurance buyers to absorb large self-insured retentions. Many have turned to alternative risk transfer options: captive insurance companies, insurance trusts and risk retention groups that help create balance sheet solutions. In many of those cases, a Willis expert has been at their sides. The Willis Health Care Practice has been providing expertise in alternative risk transfer for health care providers for more than 30 years. If a new hard market is around the corner, we will be ready to help.

Our consulting services begin with an all-important feasibility study and stay with you through implementation, whether the plan calls for the use of new financial vehicles, existing programs or group and third-party alternatives.

FINANCIAL ANALYSIS AND PROGRAM DESIGN
No two organizations are alike. Willis’ team starts by analyzing your operational balance sheet, your risk profile and the philosophy and risk tolerance of your organization. We then apply that information to all available risk transfer options. Jurisdiction of operations, governmental compliance and state laws for insurance vehicles must all be considered. Recognizing the importance of obtaining board and related committee approvals, our team stands ready to assist with presentations and related materials.

Once an approved plan is in hand, implementation begins. Policy forms and coverage terms and conditions must be reviewed for compliance with regulations. Insurance and reinsurance coverage must align with the overall operation of the health care entity(ies) to be insured. The selected insurance portfolio must not create gaps that leave uninsured exposures.

MARRYING MARKET EXPERTISE WITH VEHICLE DESIGN
The insurance sector for health care risks is a very specialized marketplace led by underwriters who have formed strong relationships over the years with Willis’ Health Care insurance placement experts. Our familiarity with the insurance community is key to our providing the most efficient combination of vehicles to manage the total cost of risk – in any part of the insurance market cycle.
MANAGEMENT AND AUDIT SERVICES

If a captive or risk retention group is the appropriate vehicle to enhance your risk management program, we offer an array of services, including:

- **Full captive management services in all major captive domiciles**
  - Actuarial services
  - Record keeping
  - Claims
  - Underwriting analysis
  - Preparing financial statements – complete range of accounting and management information services
  - Regular managers’ reports
  - Liaising with financial and technical advisers

- **Captive management support**
  - Domestic consulting and oversight of the captive
  - Brokering, negotiation and placement of reinsurance and/or excess programs associated with the selected structure
  - Vendor management (manager, actuary, legal, tax, TPA, etc.)
  - Premium and loss allocation by coverage line
  - Drafting primary and reinsurance policies
  - Board meeting planning and logistics

- **Captive optimization services** – The changing dynamics of insurance and reinsurance markets create opportunities for new risk financing products. Tax codes and other regulations, both foreign and domestic, along with changes in your operations and the health care industry, require that your captive strategy be periodically reviewed in light of your evolving strategic risk financing goals.

AUDIT SERVICES

- **Governance Audit** – Assures your board and senior management that your captive is providing ongoing, effective risk management while delivering cost-effective coverage with an attractive rate of return.

- **Governance Review** – A review of key policies, practices, procedures and documents, including business plans, bylaws, meeting minutes, policy language, policy issuance, marketing, underwriting, premium flow, investment guidelines, annual audits and other governance materials; also includes a Directors & Officers Liability audit.

- **Performance Audit** – A review of key vendors (e.g., manager, actuary, claim handler, auditor, legal counsel). Is their work exceeding expectations, in line with expectations – or below? What are they doing now that could be done better in the future?

- **Domicile Review** – Has the domicile changed in a way that might limit its usefulness or offer opportunities for improvement? Has another domicile emerged that could better support your strategic business goals?

- **Financial Modeling and Analytics** – How is the program performing compared to the original model? What can be done to improve it? What is the surplus position and do any changes need to be made? Areas reviewed include capital management, loss reserve adequacy, funding levels and overall financial performance.

- **Marketplace Alternatives** – Are alternatives available to facilitate change and modify the risk financing vehicle structure or perhaps place the current program in run-off? What is the condition of the marketplace, and how does this impact your captive’s operations?

No matter where a health care organization operates or how you choose to manage your risk, Willis has cutting-edge, compliant solutions available.

CONTACT

Frank Castro
Willis Health Care Practice Leader
213 607 6304
frank.castro@willis.com

Willis North America • 02/12