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H.H.C. Group

Health Insurance Consultants



Providing Current Information on Health Insurance Industry Issues and Legislation

Captives are Coming!

Are They for You?

Captives are "Special Purpose Insurance Companies" created to serve the needs of a single corporation, members of homogeneous and heterogeneous groups, insurance program administrators, agent/brokers, TPAs and others. The captive's owner(s) dictate(s) its underwriting, risk management (pre and post loss) and investment policies. Twenty-nine (29) states and the District of Columbia have enacted laws that regulate these Special Purpose Insurance Companies differently, and argue more favorably than traditional commercial insurers.

Long utilized in other insurance industries, captive insurance may be the wave of the future in the group health arena. Captives are insurance companies that provide insurance or reinsurance coverage for the risk of its owners. Captives are capitalized, write insurance or reinsurance premiums and pay covered claims. Also assets, including loss reserves, are invested generating investment income for the captive.

An estimated 50% of employers presently finance a portion of their workers compensation, auto liability, property, general liability and employee benefits insurance risks through captives. Importantly, captives represent a viable and potential-

ly profitable alternative for all size organizations (large, medium and small) through the creation of group captives and Risk Retention Groups.

Advantages of captives include:

- Coverage availability and flexibility;
- Control of essential services; design cost and administration;
- Control of data;
- Predictability/security of insurance costs based on the owner's(s') own loss experience,
- Minimization of fluctuations year to year;
- Direct access to reinsurance market for better matching to the needs of the captive owner(s);
- Potential to capture underwriting profit and investment income;
- Providing a long-term fluid investment, and
- Ability to control level of risk/exposure.

Keys to creating and operating a successful captive are to have:

- Dedicated internal resources to manage the captive;
- Adequate capitalization;
- Involvement of an approved captive management company in most jurisdictions;
- In some jurisdictions, a fronting company to issue policies, and

- Availability of adequate funds in the event of worse than expected claims activity.

H.H.C. Group is actively forming captive cells at this time. **H.H.C. Group** partners with The Taft Companies, a leading captive management and consulting group, with respect to its captive program. If you are interested in learning more about captives or determining if they are right for your organization, please contact your **H.H.C. Group** sales representative or Joe Michaud, Executive Vice-President of Sales, at 301-973-0762 or via e-mail at j_michaud@hhcgroup.com.

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