

Alternative Risk Solutions

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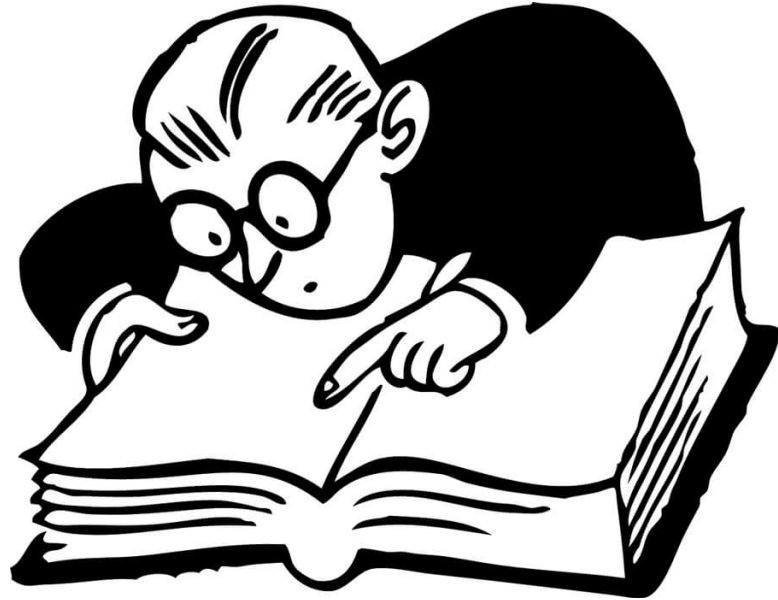
Alternative Risk

- What is an Alternative Risk?
 - Fronting
 - Matching Limit Deductible
 - Novation
 - Loss Portfolio Transfer



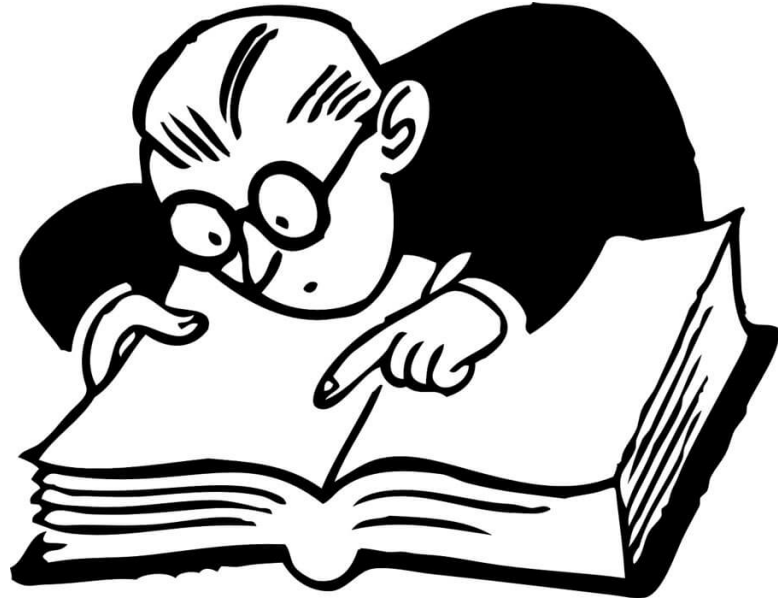
Terminology

- Captive Insurer
- Fronting Arrangement
 - Reinsurance
 - Matching Limit Deductible
- Collateral
- Loss Portfolio Transfer
- Novation



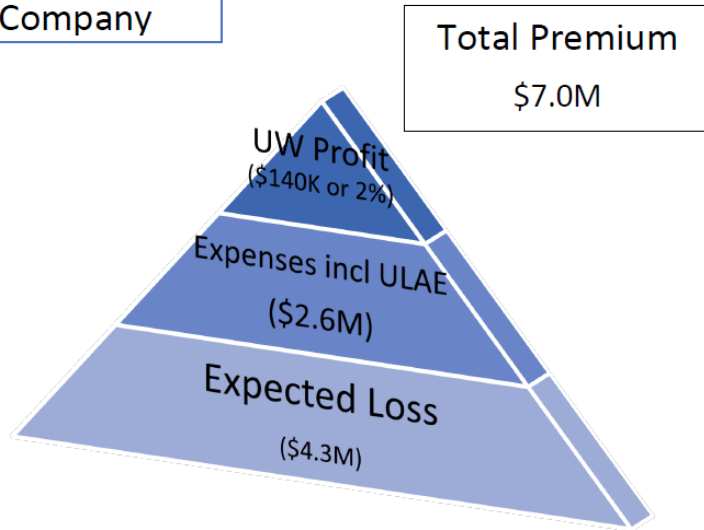
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Fronted vs. Risk Transfer Arrangements

Risk Transfer for
ABC Company

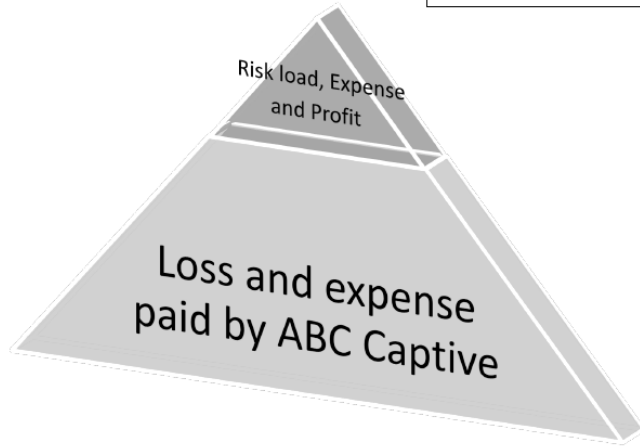


- Premium of \$7M paid to insurer and is a fix cost to the insured.
- Expected losses and expenses paid by insurer.
- Any variance in the expected losses or expenses impacts the profit of the insurer – both positive and negative
- The insurer benefits from investment income on the \$7M less commission paid to the agent/broker.

Fronted vs. Risk Transfer Arrangements Continued

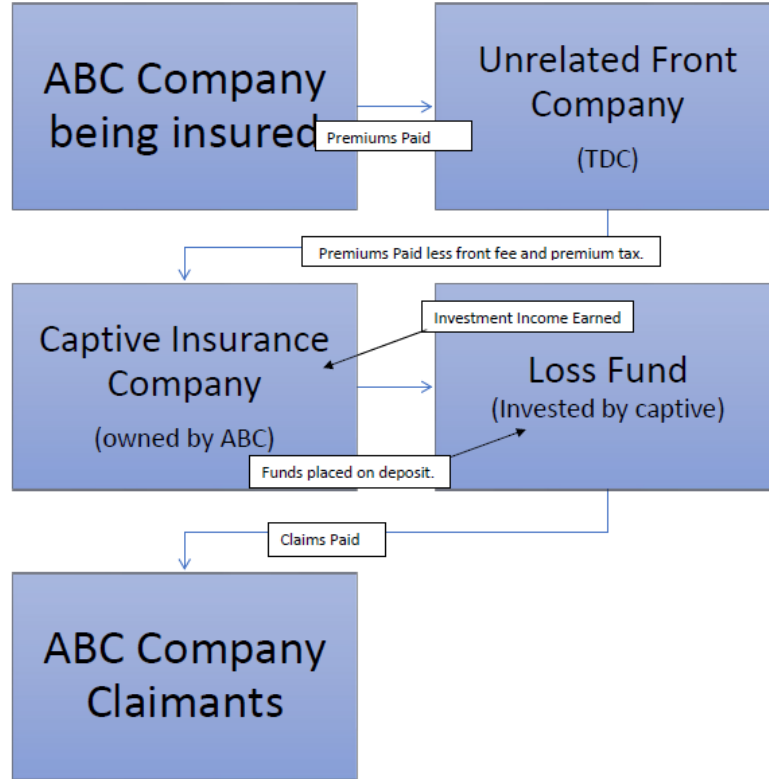
Fronted Policy for
ABC Company

Front Fee
\$320,000



- Premium paid to insurer and is ceded back to the ABC captive less the front fee and taxes.
- Insurer income is fixed at \$320,000 which pays for expenses and profit.
- Expected losses and expenses paid by the captive.
- Any variance in the expected losses or expenses impacts the profit of the captive – both positive and negative.
- The captive benefits from investment income on the premium ceded to the captive less the front fee.

Example of Fronting Arrangement



The Perfect Submission

- Submissions Should Include
 - Executive Summary
 - Complete loss runs from every carrier
 - Exposures that match years of loss data
 - Most recent audited financials
 - Current Actuarial Report
 - Copy of all policies if it is a Novation or LPT
 - Requested timelines – 60-90 days



Questions?

