Workers Compensation

CAPTIVE INSURANCE COMPANIES

Company Data:

Client:	The parent company provides staffing services to small-middle market employers throughout the United States. Their services allow employers to outsource Human Resource operations including payroll, benefits, compliance and workers compensation. The company administers $45,000,000 of payroll on an annual basis.
Premium:	$4,600,000 – Workers Compensation
Losses:	$900,000 – Average per year

Analysis:

To reduce cost on their $4,600,000 workers comp premium the company entered into a high deductible plan where they took the first $250,000 of each claim. This resulted in a lower premium, but the carrier required them to post a large amount of collateral.

Over a three year period the client had over $2,500,000 of letters of credit and cash collateral posted with the carrier. The insurance company was reluctant to release these funds.

Risk Management Advisors recommended that the client form a captive, pay the premium to their own insurance company and purchase re-insurance to cover any catastrophic claims.

Result:

Instead of paying obscene premiums or losing control of a large amount of cash and credit with traditional carriers the clients were able control the money in their own insurance company.

Premium		$	4,600,000
Fronting	7%	$	(322,000)
Premium ceded to Captive		$	4,278,000
Reinsurance	23%	$	(983,940)
Captive Loss Fund		$	3,294,060
Average Annual Losses		$	(900,000)
Captive Profit/Owner Savings		**$**	**2,394,060**