

# Blue Water Risk Advisors, LLC



- Risk Management Outsourcing
- Alternative Markets
- Captive Insurance
- Reinsurance

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**Captive Insurance  
and  
Alternative Risk Arrangements**

# Insurance 101

1. Risk Management – A rigorous and coordinated approach to assessing and responding to all risks that effect the achievement of an organization’s strategic and financial objectives.
2. Insurance – A Fund for future losses.
3. Insurance Premium – A payment to the fund. Consists of:
  - a) Risk charge (claim fund)
  - b) Claims handling
  - c) Overhead charge (loading)
  - d) State premium taxes, income taxes
  - e) Broker commission
  - f) Return on Investment

# Insurance 101 (cont)

4. First Dollar/Dollar One Insurance – Coverage with a zero or minimal deductible.
5. Deductible - Self-Insured Retention (SIR); Uninsured Retention; Retention; Burn Layer
6. High Deductible Program – A program designed to minimize insurance costs through significant retentions while continuing to purchase catastrophic risk coverage.
7. Hard Market – Expensive Insurance
8. Soft Market – Reasonable Insurance

# Insurance 101 (cont)

## Vertical Placement

### Occurrence

### Aggregate

\$1,000,000

\$5,000,000

Excess

Excess

\$100,000

\$300,000

Primary

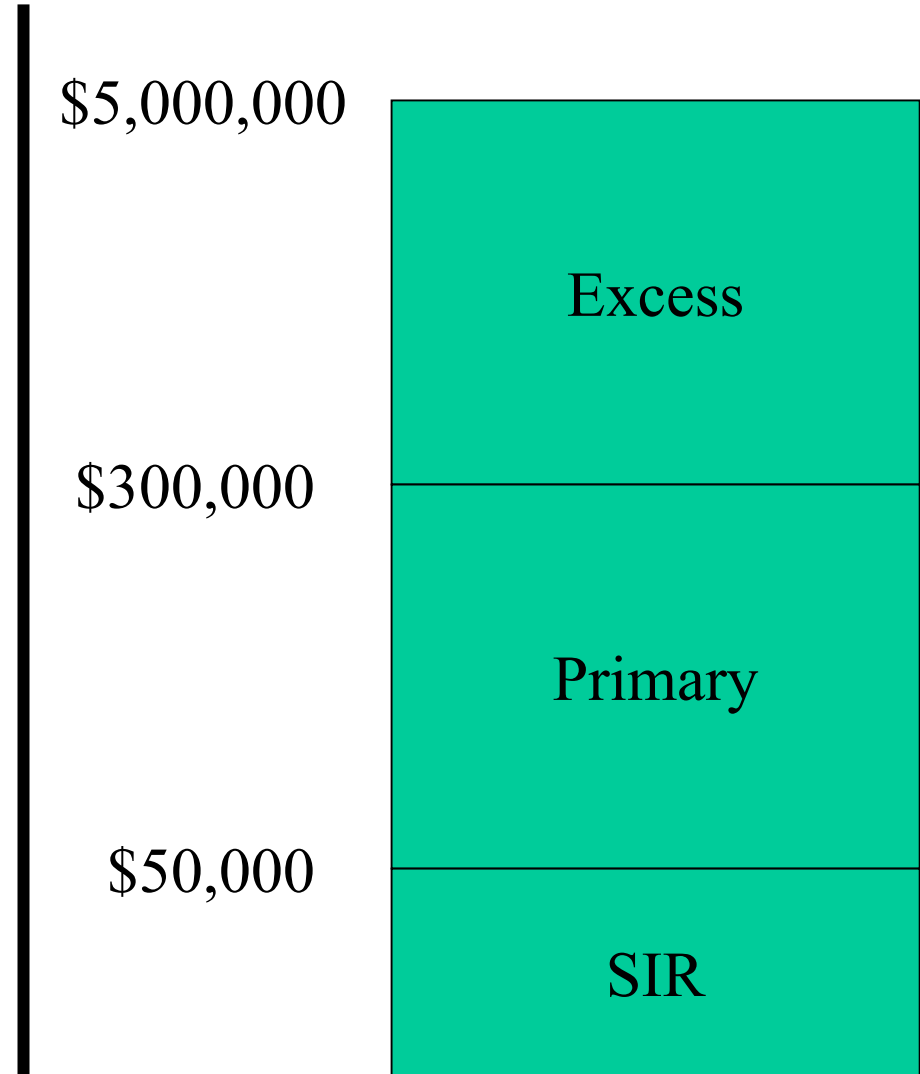
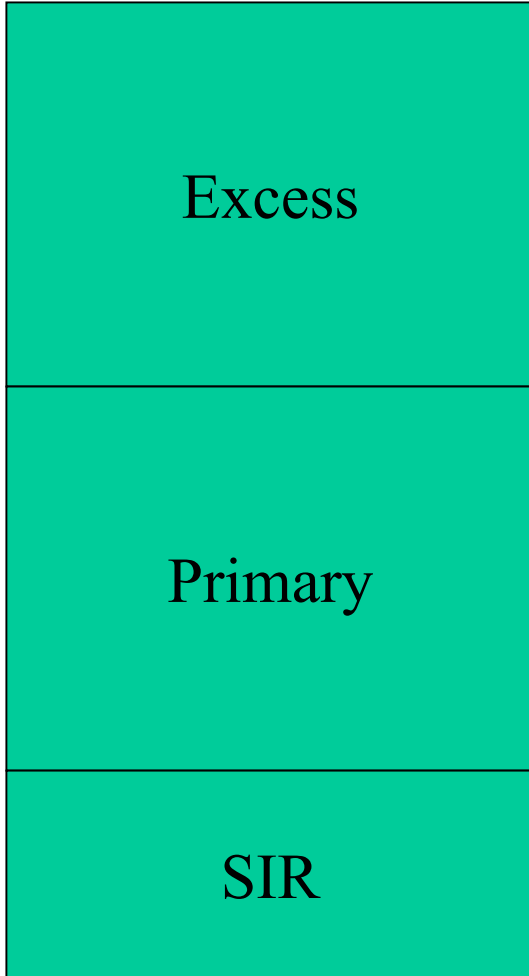
Primary

\$10,000

\$50,000

SIR

SIR



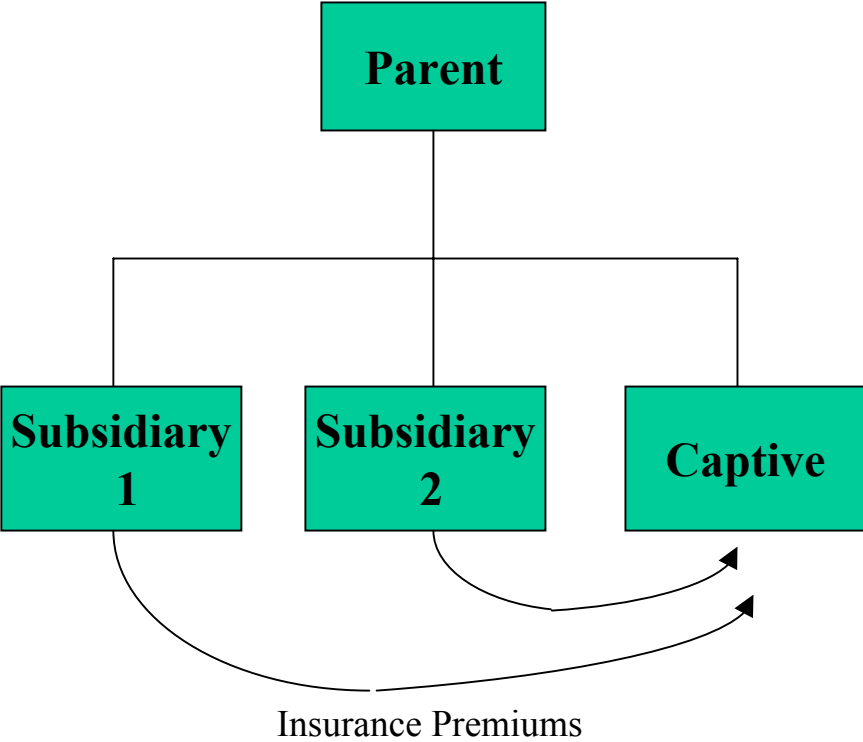
# Captive Insurance Company

Distinguishing characteristics:

- Generally owned through a common interest which is not primarily engaged in the business of insurance
- All or a significant portion of the risks are those of related parties

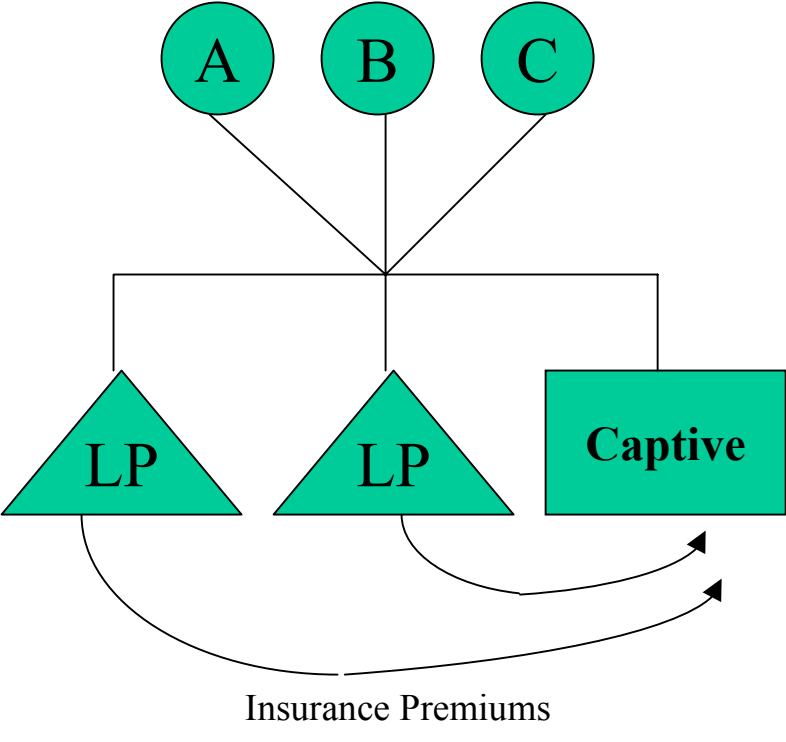
**For this discussion - A special purpose vehicle used to collateralize an SIR**

# Corporate Scenario



“Humana”

# Individual Scenario



“Malone & Hyde”

# Risks to be Insured

## **Traditional Risks**

1. Workers Compensation
2. Auto
3. Property/Liability
4. Deductibles

## **Non-Traditional Risks**

1. Earnings Fluctuation
2. Bad Debt/Receivables insurance
3. Price Hedging

Non-traditional risks are typically tailored to individual needs and include retro-ratings, Prospective ratings, multi-year and finite arrangements



# Un-Bundling Services

## Premium

- a) Risk charge (claim fund)
- b) Claims handling
- c) Overhead charge (loading)
- d) State premium taxes
- e) Broker commission
- f) Return on Investments

**Primary Function of High Deductible Programs**

# Vertical Placement

## Occurrence

## Aggregate

\$1,000,000

\$5,000,000

Excess

Excess

\$?????

\$?????

**Captive**

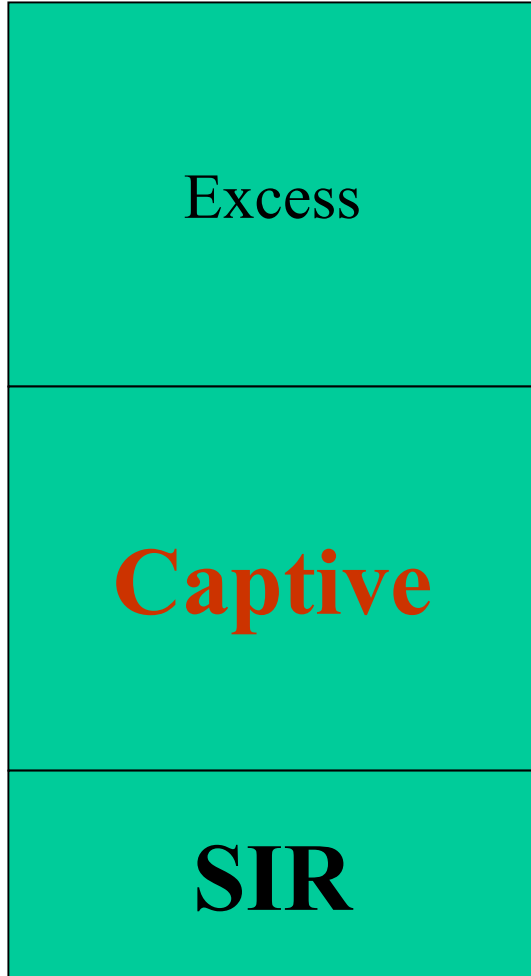
**Captive**

\$?????

\$?????

**SIR**

**SIR**



# Other Considerations

1. Domicile Selection
  - a) Domestic
  - b) Offshore
2. Actuarial/Pricing Considerations
3. Maintenance/Management
4. Regulatory/State Premium Taxes
5. Federal Income Tax

# Blue Water Risk Advisors, LLC

## Services

1. Captive Feasibility
2. Policy Creation
3. Actuarial/Pricing
4. Captive Management
5. Turn-key Coordination
  - a) Regulatory
  - b) Tax
  - c) Financial Statement Audit