

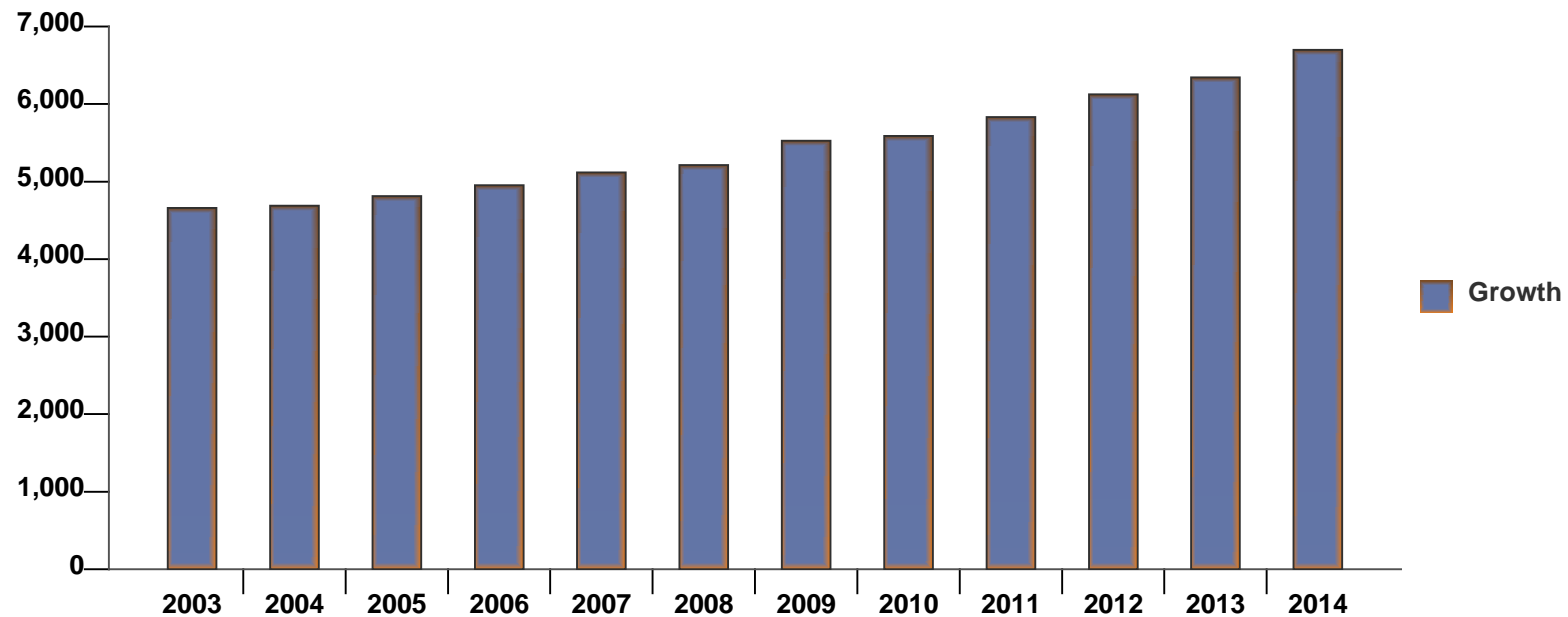


Introduction to Captive Insurance Companies

Captive Growth

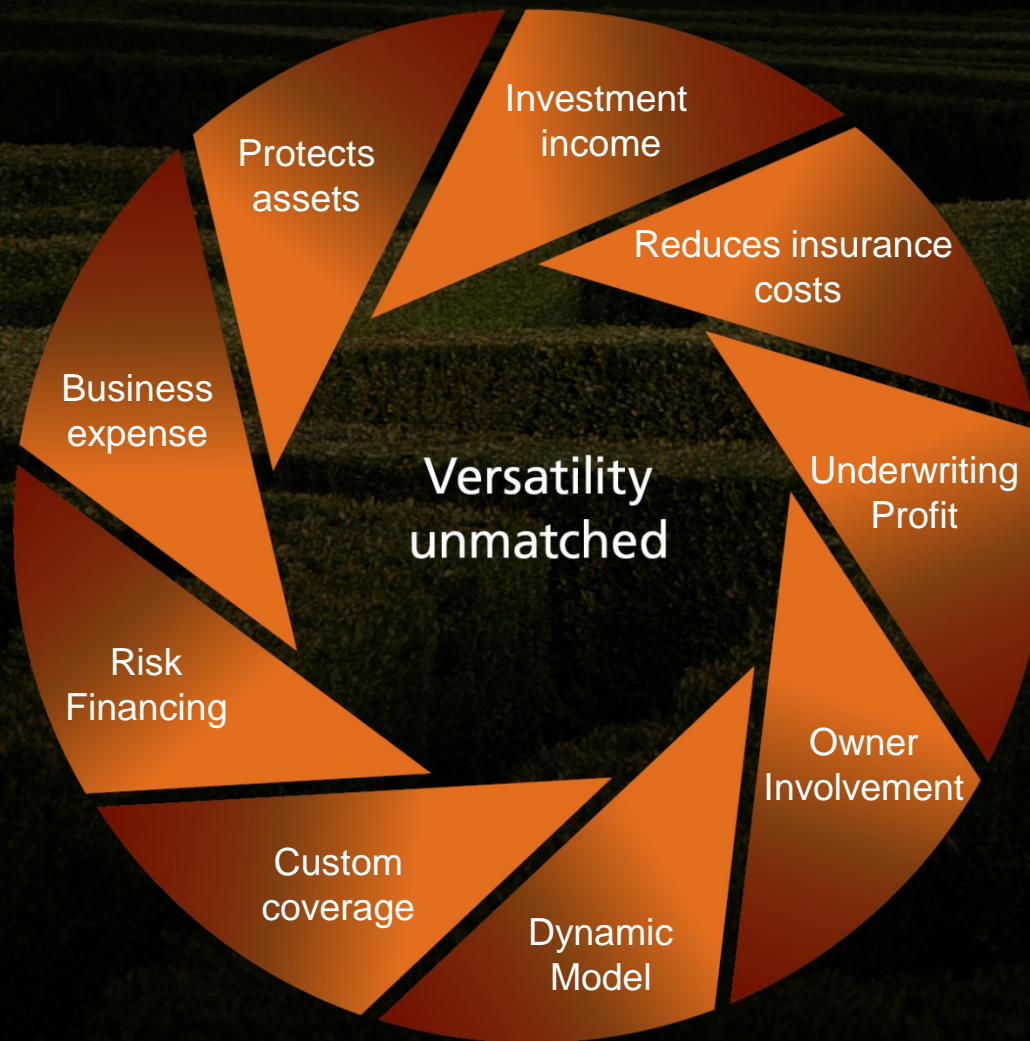
With the continued awareness and recognition of opportunity, the captive insurance company concept is now entering the middle market through the use of Captive Insurance Companies.

Continued Growth of Captives



Source: Business Insurance - March 17, 2014

Captive Insurance Company Benefits



Who Should Consider a Captive?

- Companies with significant uninsured risk
- Private/closely held organizations
- Companies with minimum gross revenue of \$5 million
- Companies that are consistently profitable
- Entrepreneurs
- Businesses with strong cash flow

Example Coverage Descriptions

Governmental Actions Protection

Reimbursement for costs/expenses paid by the Insured resulting from a Governmental Action, which includes hearings, review boards, or appeals resulting in assessments, penalties, fines, sanctions or any costs to ensure compliance with the rules, regulations and standards of any local, county, state or federal government agency. In addition, reimbursement for costs/expenses paid by the Insured for professional licenses mandated by any local, state or federal government as well as local, state or Federal Department of Health or Health Care Finance Administration and Medicare are covered.

Products & Services Reimbursement

Reimbursement for covered costs and expenses the Insured has paid resulting from loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal due to the Insured's product or the Insured's work.

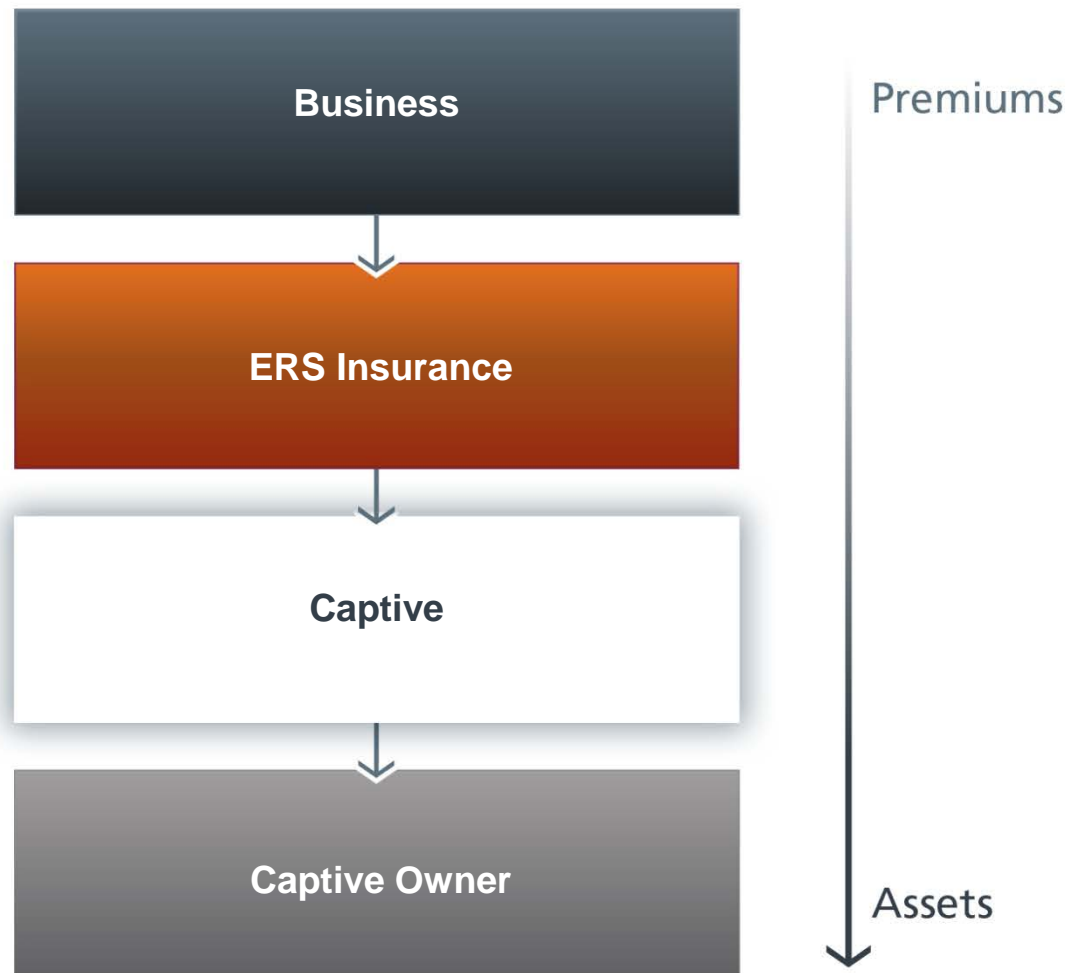
Supply Chain Interruption

Reimbursement for covered costs and expenses the Insured has paid and / or loss of business income resulting from the loss the Insured sustained due to the loss of a Critical Customer, Critical Employee, Critical Contract and/or Critical Supplier. The Insured will have the option under Supply Chain Interruption to take any or all of the Critical Coverages.

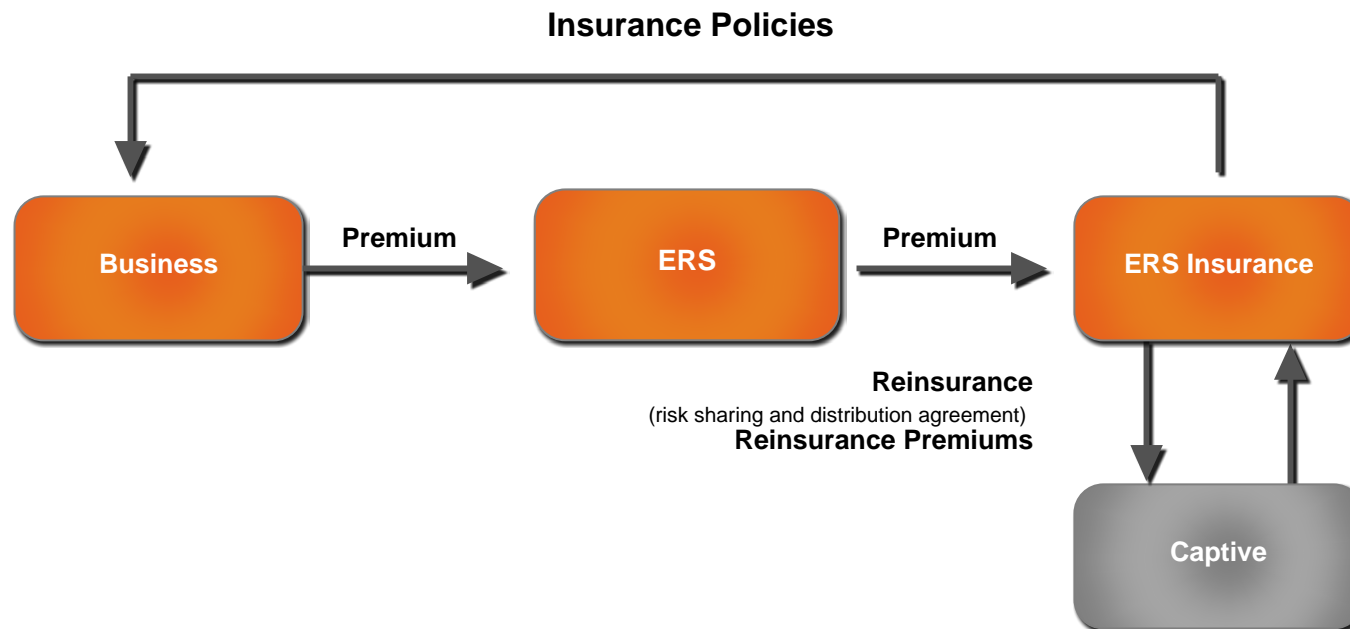
Who Can Own the Captive?

- Individuals
- Trusts/FLPs
- LLCs
- Partnerships
- Corporations

Captive Basic Concept



Basic Structure of Captive



Basic Risk Structure (Captive Reinsures ERSI)

Example of \$1M claim

Risk Pool: \$250K - \$1M

Risk pool distributes remaining
\$750K per quota-share pool participation:
 $\$750K \times 3\% \text{ (assumed)} = \$22,500$

Retention: \$0 - \$250K

Related company's captive responsible
for first \$250K

1. Facultative certificate = reinsure first \$250K layer of direct business risk
2. Quota-share certificate = assume 3% participation of each excess layer above \$250K

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