MARSH & McLENNAN AGENCY

BeneCap
Captivating Your Benefits

Business Overview

BeneCap is an end-to-end solution for reinsuring voluntary employee benefit programs through the captive insurance companies of Fortune 1000 or similar size organizations. A captive insurance company is typically a wholly owned subsidiary of a large public or private company, which is licensed as a non-admitted insurance company in its place of domicile. The business of the captive consists primarily of insuring or reinsuring the risk exposures of the parent company, the parent's affiliates, and/or other entities having an especially close business relationship to the parent. The majority of the captive's activity is related to the property and casualty insurance requirements of the parent company. In order to be eligible for lucrative tax considerations, the captive must receive at least 30% of its premium from unrelated third parties.

Employee benefits are considered an unrelated third party business. Traditionally, captive owners tend to only think about life and disability when considering whether to reinsure employee benefits. Usually, captive owners do not consider reinsuring voluntary employee benefits, which typically have much lower risk and loss ratios associated with them. This is primarily due to the risk and finance departments having no involvement in employee-paid ancillary benefits.

Voluntary benefits are 100% employee-paid, and designed to provide financial security by helping to protect covered employees from large medical deductibles, co-insurance, legal expenses, and other out-of-pocket expenses. The most common voluntary benefits are critical illness, hospital indemnity, accident, and legal insurance, with others including electronic product warranties, group auto and home, vision, dental, and pet insurance. Premiums for each line of coverage average $15-$30 dollars a month and are paid directly by employees through payroll deductions. Claims are paid directly to the policy holder, and typically do not exceed a few thousand dollars.

Stakeholder Benefits

- **Risk Management/Captive:** Diversification, low risk/high predictability, use of existing capital, third-party premium, short tail, ability to reduce medical claims severity, and increased return on investment.
- **Finance:** Cash flow, profits, decreased medical and workers' compensation claims, and potential tax benefits.
- **Human Resources:** Able to offer custom designed voluntary benefit plans not available in the marketplace, offer additional funding for new or existing employee programs, and becomes a key business partner to risk and finance.
- **Employees**: Enhanced benefits selection, increased coverage, reduced premiums, and improved financial security.

Why BeneCap?

Voluntary benefits coverage can help fill the financial gap of a high-deductible health plan (HDHP) for specific illnesses, such as cancer, heart attack, stroke, etc., on a guaranteed issue basis, up to a $30,000 limit, to cover unexpected financial loss and out-of-pocket costs. Additionally, a supplemental hospital indemnity policy might offer a $1,500 benefit if a covered individual is admitted to the hospital and $150 per day they remain hospitalized. For an employee who has a health plan with a $2,500 deductible, a three-day hospital stay would result in a $1,950 benefit. The benefit is paid directly to the employee and can be used to help offset the higher deductible, or any other expenses. In every one of our current opportunities, the premium for a company's HDHP, plus the premium of all three (accident, critical illness, hospital indemnity) supplemental voluntary medical plans, was lower than the premium for the company's PPO plan. The HDHP, combined with all three supplemental voluntary medical plans, provides richer coverage at a lower cost than the PPO plan alone.

trion™

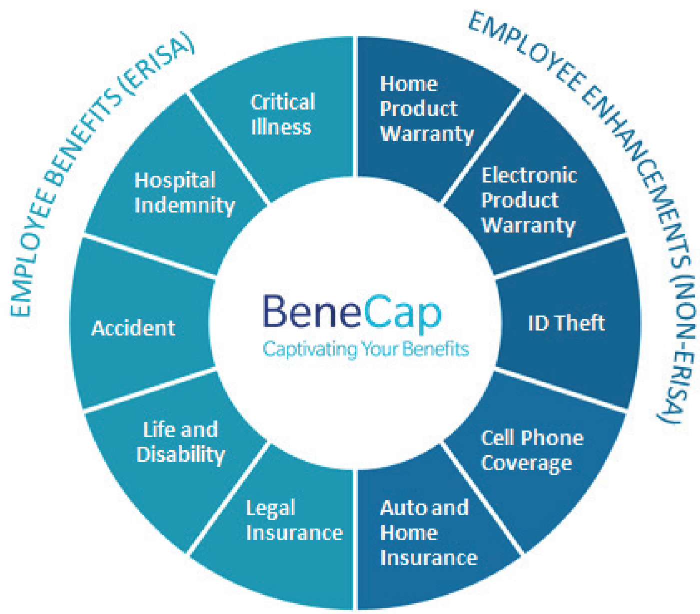
The proper mix of voluntary benefits can help migrate employees from more expensive PPO plans, to more cost effective HDHPs. Additionally, by including Health Screening and Wellness benefits, as part of the voluntary plan designs, we are able to reduce the potential severity of future medical claims through detecting and treating critical diseases in their earlier stages. Participating employees and their covered family members can receive an additional benefit of $50-$75 each, simply for having a preventive test completed. Many of the preventive tests are commonly included with an annual physical and/or biometric testing.

BeneCap utilizes the employer's existing benefits administration platform, while enhancing the methods of communication to the employee. The program focuses on the importance of educating the employee on the features, benefits, and cost savings associated with voluntary benefit products. All of the design, underwriting, servicing, regulatory requirements, and administration involved in running the program are provided by Marsh & McLennan Agency and our partners.

Financial Model

- Quota share to captive.
- Target loss ratio of 50%.
- Carrier and captive share the administrative expense.
- Carrier and captive share a program management expense.

Our Products



For additional information, please contact:
Kirk Watkins
Practice Leader - Captive Insurance Programs
Trion Group, a Marsh & McLennan Agency, LLC
Office 610 684 3416 │ Mobile 267 355 2060
kirk.watkins@trion-mma.com
www.trionbenecap.com

Disclaimer: This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Trion Group, a Marsh & McLennan Agency LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting or legal matters are based solely on our experience as consultants and are not to be relied upon as actuarial, accounting, tax or legal advice, for which you should consult your own professional advisors. Any modeling analytics or projections are subject to inherent uncertainty and the analysis could be materially affective if any underlying assumptions, conditions, information or factors are inaccurate or incomplete or should change.