Stop-Loss

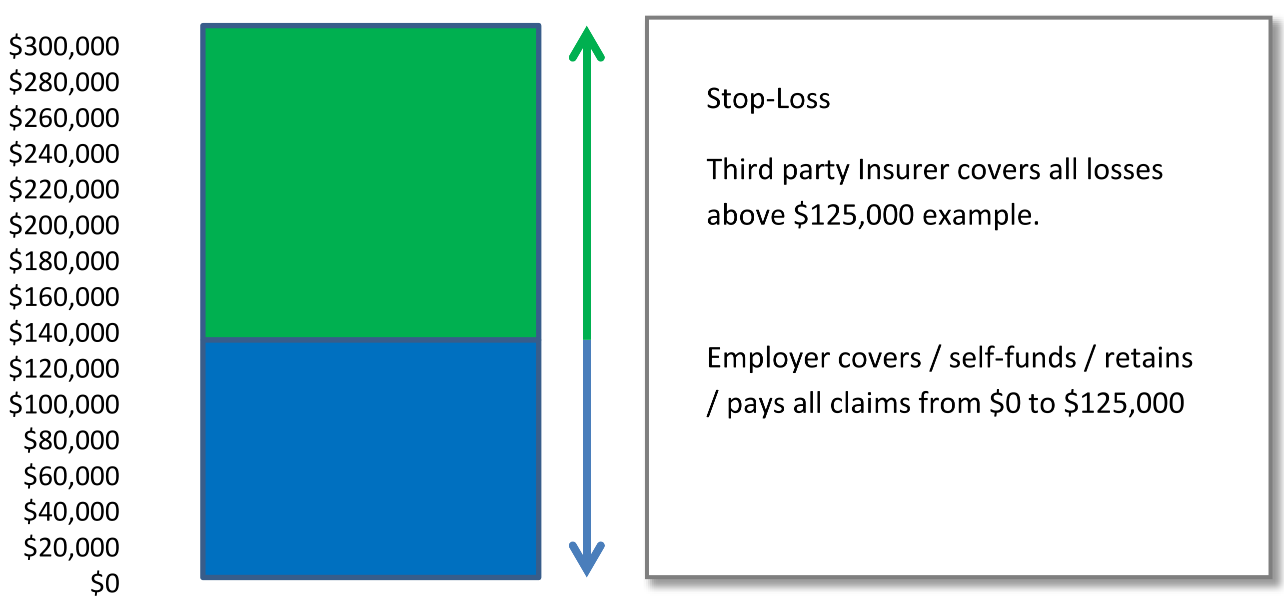
Stop-loss insurance provides protection against catastrophic or unpredictable losses. It is purchased by employers who self-fund their employee benefit plans such as medical or workman's comp. Under a stop-loss policy, the insurance company becomes liable for losses that exceed certain limits. The stop-loss market protects and insures against not only catastrophic, but any losses above the determined limit.

Specific Stop-Loss is the form of excess risk coverage that provides protection for the employer against a high claim on any one individual. This is protection against abnormal severity of a single claim rather than abnormal frequency of claims in total. Specific stop-loss is also known as individual stop-loss.

Aggregate Stop-Loss provides a ceiling on the dollar amount of eligible expenses that an employer would pay, in total, during a contract period. The carrier may reimburse the employer after the end of the contract period for aggregate claims.

While the largest employers have sufficient financial reserves to cover virtually any amount of health care costs, most self-insured employers purchase stop-loss insurance to reimburse them for claims above a specified dollar level as well as protection against catastrophic loss.

Self-funded Risk Retention

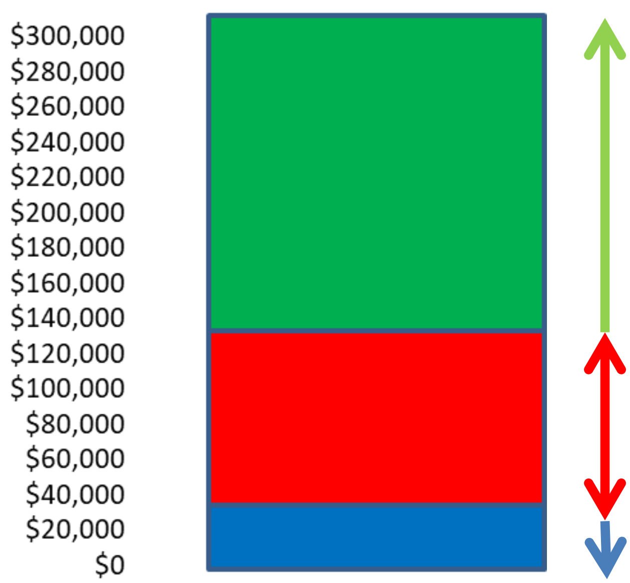


What about the financial reserves to cover losses under the traditional stop-loss threshold?

For business owners in a partially self-funded plan they take on the exposure, the risk of all claims under the specific stop-loss level. Business owners should set aside funds in reserve should these claims occur. The business is truly self-insuring this layer of risk……informally.

By **FORMALLY** insuring a layer of this exposure through the business's own Captive Insurance Company, the operating company/owner is no longer at a disadvantage. The business is still paying claims if or when a loss occurs from their Captive. However, to the extent there are not claims, the owner now may benefit by owning their own insurance company. In fact, surplus can be utilized as re-insurance to the business, additional lines of coverage may be added when appropriate, the captive insurance company should be profitable, and the Captive insurance company completes the risk management program of the operating company. In this scenario, there are two Stop-Loss policies in place, the first for claims above $125,000, and the second for claims between $25,000 & $125,000.

Self-funded Risk Retention including Captive Insurance



Stop-Loss

Third party Insurer covers all losses above $125,000

Employer still covers / self-funds / retains / pays all claims from $0 to $125,000

The owner's Captive insurance company covers losses from $25,000 to $125,000.

*The layer of risk insured through the Captive is determined by actuaries.

Your Link to Security!

Richard Ericson, President
ALINK Captive Insurance Services
• Direct: 720-213-0583 • Email: Rich@ALINKcis.com
www.ALINKcis.com