

CAYMAN ISLANDS.
CLEARLY BETTER BUSINESS.

TORT REFORM ONE CAPTIVE'S JOURNEY

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INTRODUCTION

Iowa Orthopaedic Center, P.C.

Group Information - 2017

- “ 45 Provider Group
 - 30 Surgeons & Physicians
 - 15 Mid-Level Providers

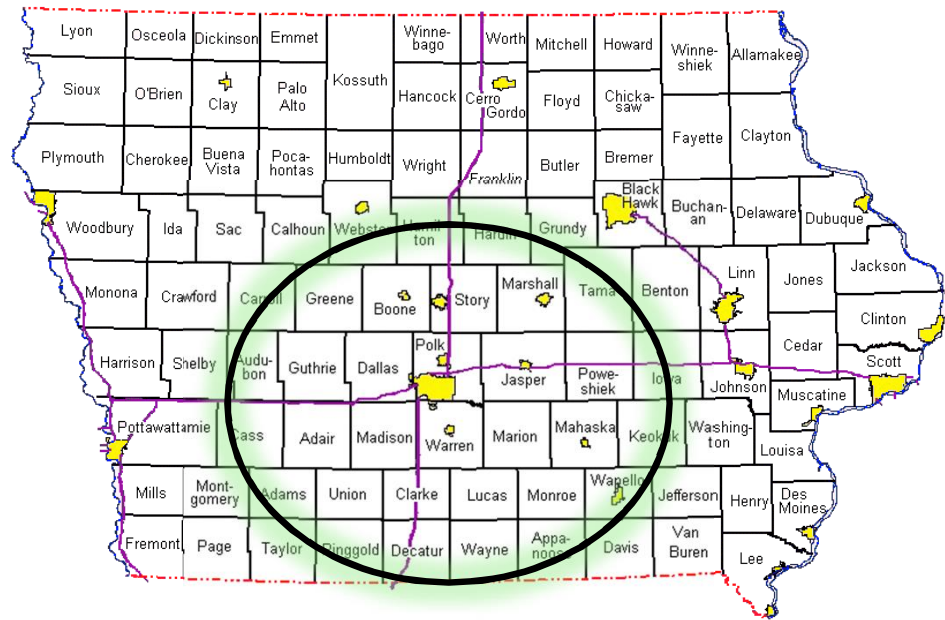
- “ Services Provided Include
 - Orthopedic Surgery (Including All Sub-Specialties Except Tumor Surgery)
 - Hand & Upper Extremity Surgery
 - Spine Surgery
 - Physical Medicine & Rehabilitation
 - Invasive Pain Management

INSUREDS

Iowa Orthopaedic Center, P.C.

Service Information

- “ State of Iowa
 - ~3,100,000 Residents
 - ~150 Orthopedic Surgeons
 - Ratio: 1 Surgeon to 20,000 Population
- “ Service Catchment
 - 20 of 99 Counties Served (20%)
 - ~1,000,000 People in Service Area
- “ Service Offerings
 - Surgery & Biologics
 - Imaging
 - DME



CAPTIVE

Two Rivers Assurance

Captive Formation 2006

- “ Circa 2004/2005 Insurance Market
 - Hard+Insurance Market
 - Specialists Adversely Rated
 - Expansion/Emergence of Specialty Risk Insurers

- “ Services Covered Include
 - Orthopedic Surgery (Including All Sub-Specialties Except Tumor Surgery)
 - Hand Surgery
 - Spine Surgery
 - Physical Medicine & Rehabilitation
 - Invasive Pain Management

CAPTIVE

Two Rivers Assurance

Captive Development - 2005

“ Captive Model Evaluation

- Single Parent Captive
- Rent-a Captive
- Group Captive
- Direct Captive

“ Captive Essentials

- Flexible Regulatory Regime
- Well Established Legal & Financial Constructs
- Reasonable Tax Treatment & Fee Approach
- Domicile Experience & Stability

CAPTIVE

Two Rivers Assurance

Captive Structure & Goals

- “ Direct Captive Structure Finalized
 - Independent 953(d) Class B Cayman Domiciled Insurer
 - No Parent Company / Subsidiary Relationship
 - No Financial Backstop via Insureds / Policy of Coverage

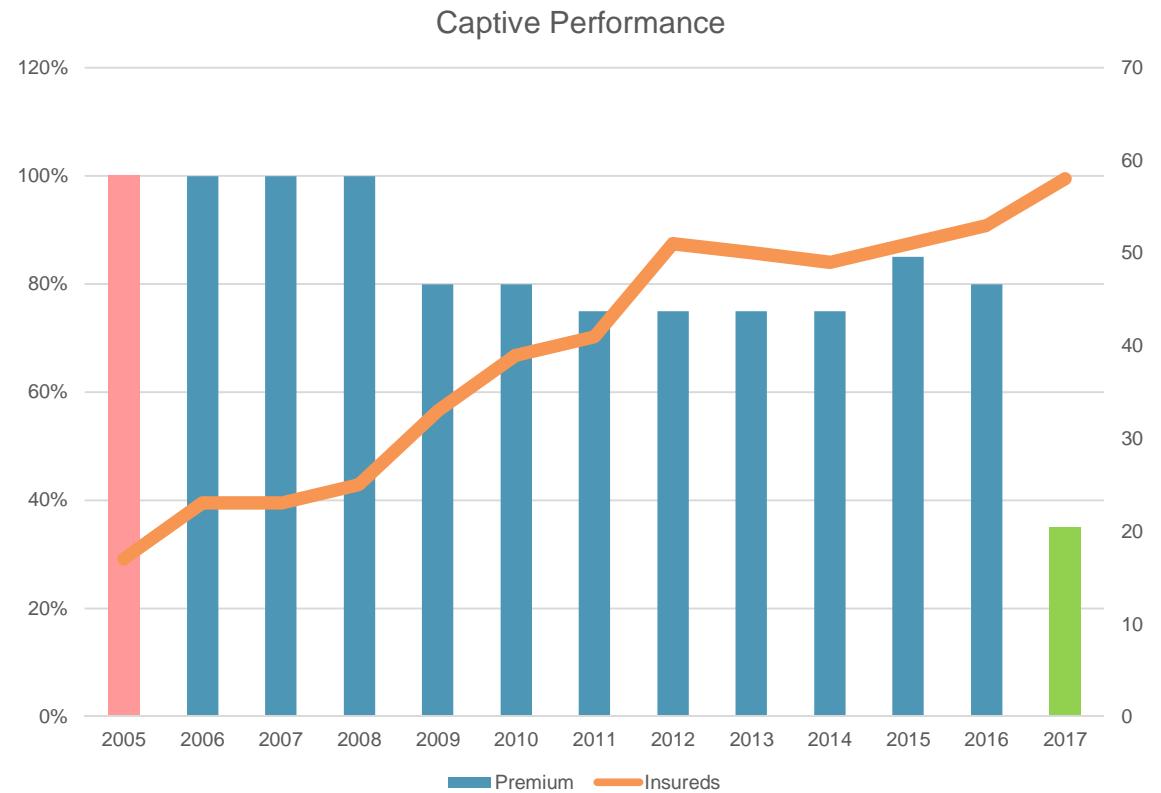
- “ Captive Goals
 - Elevate Insureds Risk Management Functions
 - Tailor Malpractice Policy to Insureds Specific Risks
 - Stabilize Malpractice Premium
 - Build a Long Term Reserve Structure
 - Entertain Future Maintenance Premium Models

CAPTIVE

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Captive Performance

- “ Sustained Performance
- “ Met Program Objectives
 - Consistent Coverage \$1M/\$3M
 - Premium Reduction
 - Participate in Defense Management
 - Program Flexibility



CAPTIVE

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Program Flexibility – **“Black Swan” Event**

- “ Iowa Tort Reform
 - SF465 / HF487
 - Signed into Law May 5, 2017

- “ Key Tort Reform Tenets
 - Adverse Incident Dialogue
 - Certificate of Merit
 - Expert Witness Certification
 - Non-Economic Damages Capped at \$250,000
 - 3 Caveats: Permanent Loss, Substantial Disfigurement, Death

CAPTIVE

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Captive Strategic Review Activities

- “ Where Are We in 2017
 - Tort Reform Is Law
 - Retrospective Assessment of Indiana & Texas Tort Reform
 - Conducted a Captive Strategic Assessment
 - Adjusted 2017 Premium
 - Reserve Structuring Activities (Detail on Next Slide)

- “ Where Do We Go . 2018 & Beyond
 - Evaluate Tort Reform Litigation
 - Maintain the Captive Program %As Is+
 - Assess Strategic Viability of Captive

CAPTIVE

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Actuarial Methodology

60.0% of losses from Indemnity

74.0% of Indemnity losses from Noneconomic Damages

25.0% of losses from Noneconomic Damages exempt from cap

35.0% Discount from capping Noneconomic Damages to \$250,000

11.7% Impact on Indemnity cost

40.0% of losses from Defense cost

50.0% Decrease in Defense cost

20.0% Impact on Defense cost

31.7% Impact of Iowa Tort Reform



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THANK YOU & QUESTIONS

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