



in partnership with



ARTBA EmCapSM

*an employee benefit
group captive solution.*



Transparency, Control, Stability, Reduced Costs.

Coverages are underwritten by Berkley Life and Health Insurance Company or StarNet Insurance Company, both are rated A+ by A.M. Best. Berkley Accident and Health, LLC, Berkley Life and Health Insurance Company, and StarNet Insurance Company are member companies of the W.R. Berkley Corporation.

USI Insurance Services LLC, the nation's 8th largest insurance broker will act as an independent advisor and will consult ARTBA EmCap employers on how well the strategy is driving behavior change and lowering claims cost.

The ARTBA EmCap health solution is managed by AllegeantSM, who provides claims decision support, billing and member services and population health management strategies for employers that participate in ARTBA EmCap.

ARTBA EmCapSM

an employee benefit group captive solution.

Headquartered today in Washington, DC, just blocks from the White House, American Road & Transportation Builders Association's (ARTBA) mission is simple. ARTBA is a federation whose primary goal is to aggressively grow and protect transportation infrastructure investment to meet the public and business demand for safe and efficient travel. In support of this mission, ARTBA also provides programs and services designed to give its 5,000+ public and private sector members a global competitive edge.

ARTBA members have consistently identified the rising cost of providing health insurance to their employees as one of their primary business challenges and a competitive disadvantage as they compete both domestically and internationally. As the cost of providing a health care plan continues to increase an average of 12% annually, many ARTBA members have tired of traditional, reactive approaches of dealing with these costs. Lowering benefits, absorbing the increased costs, charging employees more or frequent carrier changes in order to achieve one year cost savings are ultimately short term solutions and do not fundamentally address the problem.

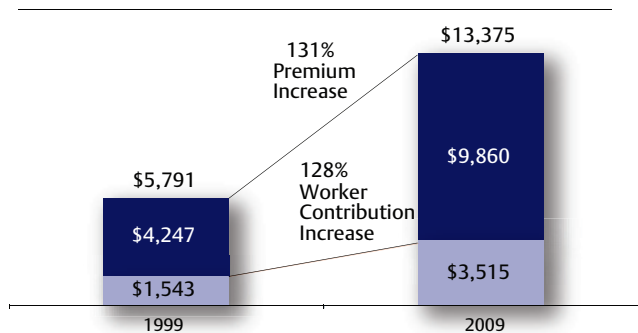
Yet many of our members do not have the size, resources, purchasing power or access to the right expertise to implement the solutions that many Fortune 500 companies have already done to manage health care costs. Until now! ARTBA is pleased to introduce an approach to managing your health insurance costs that leverages the purchasing power of other ARTBA members to deliver the expertise and solutions large companies have successfully utilized to control these costs.

ARTBA EmCapSM provides medium-sized employers with access to an alternative risk management tool typically utilized by large employers. Large employers use a combination of self-funded health benefit plans and stop loss insurance coverage to manage the cost of providing health care to their employees. The American Road & Transportation Builders Association (ARTBA) established ARTBA EmCap to provide its members with similar control over their health care benefit costs. ARTBA EmCap enables employers that would otherwise remain with a fully-insured health insurance an option to consider a self-funded health benefit plan. This innovative group captive provides ARTBA EmCap participants with greater **transparency** and **control** over their health benefit plans which yields **stability** and the opportunity to **reduce costs**.

Marketplace

For many fully-insured employers, the cost of health insurance continues to rise and is now the second largest expense item, trailing only payroll. The average annual cost per family is greater than \$13,000 per year.¹ Medium-sized employers are in a difficult position. They have few stop loss coverage options to manage catastrophic claims in a self-funded plan, and they have very little information or control over the drivers of their fully-insured premiums. They don't know what claims they have or where their premium dollars go. The lack of transparency inherent in a fully-insured plan prevents employers from taking control of the cost of providing health benefits. The only thing clear to employers is the annual increases they receive year after year.

Average Health Insurance Premiums and Worker Contributions for Family Coverage, 1999 - 2009



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009

■ Employer Contribution
■ Worker Contribution

Average health insurance costs for family

coverage is greater than \$13,000 per year.

¹ Employer Health Benefits 2009 Annual Survey", (#7936) The Henry J. Kaiser Family Foundation, September 2009



An ARTBA EmCap program affords employers the opportunity to reduce the volatility and cost associated with providing health benefits to their employees.

ARTBA EmCap Program

An ARTBA EmCap program assumes three separate and distinct contractual arrangements:

- 1) A separate stop loss policy issued to each ARTBA member by Berkley Life²,
- 2) A reinsurance agreement between Berkley Life and a group captive, and
- 3) An agreement between a group captive and each of the employers that elect to participate in ARTBA EmCap.

The stop loss policy is an insurance contract between Berkley Life and the ARTBA member. The policy does not provide any coverage or benefit to the employees of any employer. Each employer in ARTBA EmCap receives its own stop loss policy; there are no shared policies or shared limits between any employers. Each stop loss policy is individually underwritten based on the specific characteristics of the employer. There is no rating or underwriting of stop loss policies between employers. Employers that participate in an ARTBA EmCap program form or join a group captive. The group captive reinsures, or assumes, risk from each stop loss policy. Since the group captive reinsures the risk of multiple policies, the risk assumed by the group captive is a larger and more diverse risk, and, therefore, more predictable. Reinsuring the working layer of risk from multiple stop loss policies to a group captive is intended to replicate the experience of a larger single employer. In this way, an ARTBA EmCap program affords employers the opportunity to reduce the volatility and costs associated with providing health benefits to their employees.

ARTBA EmCap enables like-minded ARTBA members to come together as a multi-employer group in order to leverage the combined purchasing powers of those employers for the purpose of implementing a health care plan that will allow them to create stability and lower the costs of providing benefits to their employees.

Together ARTBA members can participate in the group captive and each group of employers can participate in the economic results of their group captive.

² Coverages are underwritten by Berkley Life and Health Insurance Company or StarNet Insurance Company, both are rated A+ by A.M. Best, and referred to as Berkley Life for illustrative purposes.

Ideal ARTBA EmCap employers have forward thinking management who are focused on control and are willing to lead change.



As we launch ARTBA EmCap there is a minimum requirement of three or more employers with a total of 400 or more employees. A minimum of 1,000 employees is suggested by the end of the first program year. A maximum of 30 employers will participate in the original captive. Additional ARTBA captives can be formed for other interested ARTBA members.

Ideal ARTBA EmCap Employers

ARTBA EmCap involves the sale of separate stop loss policies to medium-sized ARTBA members. An employer must have, or intend to establish, a self-funded health benefit plan and have more than 50 employees. The stop loss policy issued to an employer is partially reinsured to a group captive. The group captive is created and funded by a minimum of three (3) employers participating in the ARTBA EmCap program.

The ideal ARTBA EmCap employers are:

- Employers with 50 or more enrolled employees on the employee benefit plan.
- Employers with forward thinking management who are focused on control and are willing to lead change.
- Employers willing and able to communicate with their employees about the importance of being pro-active in lowering the costs of health care benefits.
- Employers currently purchasing fully-insured products.
- Employers with the financial resources to assume a portion of the risk associated with their employee benefit plan.
- Employers that understand promoting wellness by using integrated risk and cost management tools is the only way to truly lower costs.

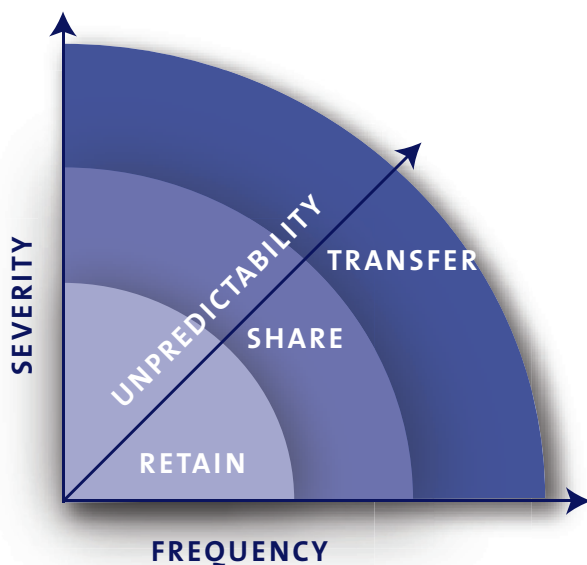
ARTBA Methodology

USI, Berkley A&H, and Allegeant designed ARTBA EmCap to allow an employer with a self-funded plan the ability to purchase a stop loss policy from an admitted insurance carrier. ARTBA EmCap also attempts to replicate the cost efficiency experienced by a larger employer by partially reinsuring a layer of risk to a group captive. The group captive is formed and funded by a minimum of three (3) employers participating in the ARTBA EmCap program. As a result, the risk retained by each employer is more manageable and less volatile.

ARTBA EmCap accomplishes this through a unique risk and reward structure:

Each employer retains its predictable portion of risk through a self-insured retention. The employer limits its risk by purchasing a stop loss policy, which provides both specific and aggregate coverage, from Berkley Life. Through the stop loss policy, each employer transfers the risk of unpredictable and catastrophic losses to the stop loss carrier.

The stop loss carrier reinsures a layer of risk to the captive. All employers within the ARTBA EmCap program share in the economic results of the layer of risk between each employer's specific and aggregate retentions in their stop loss policy and the group captive's specific and aggregate retention.



Self-Funding

Each employer in an ARTBA EmCap program has its own self-funded employee health benefit plan. In a self-funded employee benefit plan, the employer implements a customized plan that provides benefits to employees. The employer is responsible for paying benefits covered by the plan. The employer contracts with Allegeant to provide administrative services and health improvement strategies for participating ARTBA members. These services include, but are not limited to, customer service, enrollment, ID cards, network access (CIGNA ©), and claims adjudication.

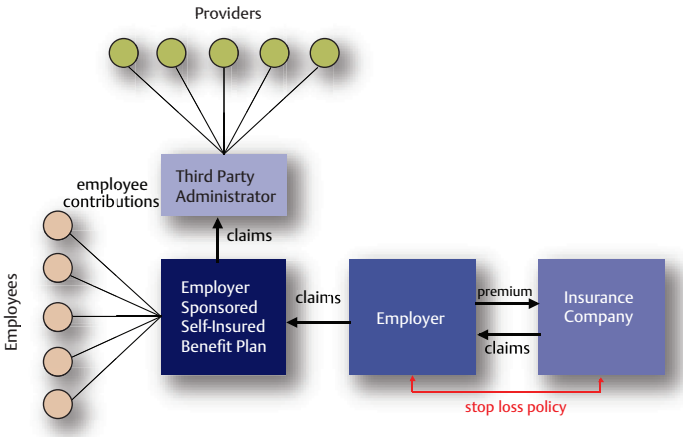
A self-funded plan has many advantages over a fully-insured plan, including:

- Employers can maintain a single plan across all states, potentially decreasing administrative costs.
- Employers have greater access to claim and behavioral data, in a HIPAA compliant manner, which allows them to promote healthy activities and decrease costs.
- ARTBA EmCap has assembled an 'all-star' team of vendors instead of being forced into the 'one size fits all' approach of the fully-insured market.
- Employers will pay lower state premium taxes in a self-funded plan.
- Employers may experience better cash flow.
- ARTBA EmCap has the ability to design a plan with exclusions and limitations to meet the employer's needs as opposed to including inefficient state mandated coverage's fully insured programs are subject to. This can translate to claims savings immediately. The ARTBA EmCap experts have already analyzed the most wasteful of these "mandated" benefits and have excluded them from the plan. Examples are In vitro-fertilization, message therapy, genetic testing, and hypnosis.
- Employers with a better than average risk profile often achieve additional savings.

A self-funded plan has many advantages over a fully-insured plan.

Stop Loss Options

In order to protect themselves from unexpected financial loss, most self-funded employers purchase a stop loss policy that provides them insurance against both large individual claims and an aggregation of small claims.



Many ARTBA EmCap medium-sized employers want the benefits of a self-funded plan, but dislike the inherent trade-offs associated with such plans. If a medium-sized employer elects to form a self-funded plan, the options and their trade-offs are often as follows:

- Purchase a stop loss policy with a low specific retention (e.g. \$25,000) which keeps the risk exposure manageable, but tends to be quite expensive and may not be widely available. Additionally, it means that most cost savings associated with moving to a self-funded plan will be realized by the stop loss carrier, and not by the employer.
- Purchase a stop loss policy with a high specific retention (e.g. \$150,000) which tends to be relatively inexpensive, but increases the risk exposure. Thus, the employer's costs of providing health care benefits can be extremely volatile.

For most medium-sized employers, both of these options have drawbacks. Therefore, they continue to purchase fully-insured products. Under ARTBA EmCap, participating employers with favorable claims experience will be able to enjoy the protection offered by a low specific retention (\$25,000 or \$40,000) and are eligible for a refund of stop loss premium if limited claims breach the specific or aggregate stop loss amounts.

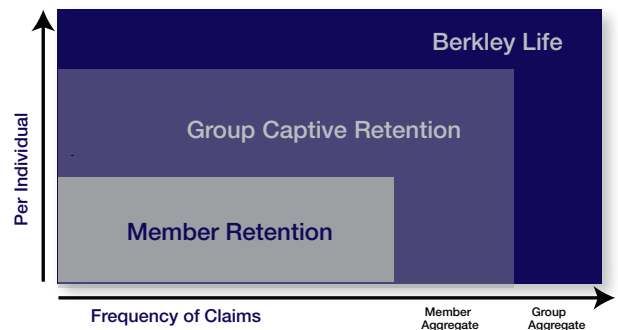
Captive

Employers participating in the ARTBA EmCap program can form their own wholly-owned captive. Berkley A&H will perform due diligence on the ARTBA EmCap and has the right to veto or exclude any captive. Each ARTBA EmCap program will have a specific retention of \$25,000 (members of less than 250 employees) or \$40,000 (members of 250 or more employees) and an aggregate retention point of 105-115% of expected claims. The stop loss carrier will cede a portion of the policy premium to the group captive. The premium for the layer between \$25,000 (or \$40,000) and \$250,000 per individual is a large portion of the overall stop loss policy premium. This also means that this layer will likely contain a large portion of any cost savings associated with a self-funded plan. In addition to the premium, the captive will be funded with collateral, or other non-premium funding, provided by the participating employers. The amount of collateral, or other non-premium funding, will vary for each individual employer. It is typically 15-20% of each employer's comparable fully-insured premium, and can be provided via letter of credit or cash. The collateral, or non-premium funding, is needed if the losses for the overall captive are worse than expected.

Unused funds in the captive are typically returned to the employers on a pro-rata premium basis.

The captive acts only as a reinsurer of the stop loss carrier. It is not a primary or direct insurer of any self-funded health benefit plan, the employees, or the employer.

In all situations, the stop loss carrier remains responsible for paying all covered claims under the stop loss policy. It then seeks reimbursement from the captive.



This brochure depicts a typical program. Since a variety of captives can be used, the actual terms and the timing of distributions will vary by program and/or captive.

Cost Savings

An insurance company typically charges an insured the losses it expects to pay, plus a risk premium. The risk premium is based on volatility; the more the actual losses can vary from the expected losses, the greater the risk premium. An insurance company collects risk premiums from multiple employers and insures uncorrelated risks. This diversification decreases the volatility that the insurance company assumes, and means that actual losses for the insurer are more likely to reflect expected losses. As the group size increases, the probability that actual losses approach expected losses increases, and the risk to the insurer decreases. Therefore, the risk premium charged by the insurer is more than the risk of its portfolio which is how the insurer makes money. From an individual employer's perspective, the decision to insure all claims over \$25,000 is fairly simple assuming losses above that threshold are unpredictable. Many employers will pay the risk premium to transfer the volatility to an insurance company, even though the cost for this risk transfer is significant.

The losses in the layer between \$25,000 and \$250,000 are unpredictable for an individual medium-sized employer, but are more predictable for either a large employer or a group captive that reinsures the risk of many medium-sized employers. By retaining both the premiums and the risk associated with this layer, the captive is able to retain the risk premium normally transferred to an insurance company in a fully-insured scenario. The employers participate in the unused premiums from this layer as long as the actual losses, plus expenses, do not exceed the combination of the expected losses and the risk premium they would have otherwise paid to the insurance company.

The real objectives are transparency, control, stability, and retention of cost savings. ARTBA EmCap can help achieve these objectives.

Individual Employer Perspective

Each employer within the ARTBA EmCap program will have its own self-funded health benefit plan and its own stop loss policy. The employers will have a common stop loss carrier (Berkley Life) and reinsurer (captive). The ARTBA members participate in the economic results of the captive, but

- There are no shared plans; each employer maintains its own single-employer plan.
- There are no group policies; each employer is issued its own stop loss policy.
- There are no group rates; each policy is individually underwritten.
- There is no co-mingling of plan assets; each employer is responsible for its own plan assets.
- There is no joint and several liability amongst employers for their self-insured retentions under the stop loss policy.
- The employers are not acting as reinsurers; they are participating in the economic results of a reinsurer (captive).

Value Proposition

The objective behind ARTBA EmCap is simple. Provide medium-sized ARTBA members with the advantages of self-funding their health benefit plans while potentially decreasing volatility, and their risk premium, for catastrophic claims.

Participation in ARTBA EmCap is a means to an end. The objectives are transparency, control, stability, and reduced costs through the retention of cost savings. ARTBA EmCap can help achieve these objectives.

Participation in ARTBA EmCap is not for all employers. Some employers may prefer to remain in a fully-insured product, while other employers may be perfectly comfortable with a stop loss policy.

ARTBA EmCap programs are not a panacea or miracle cure for the high costs of health care benefits. They are a tool to help employers gain more control over their cost of providing health benefits. Any self-funded health benefit plan must be coupled with a long-term commitment to reducing cost drivers.

Wellness Integrated Risk and Cost Management

Employers participating in ARTBA EmCap employ a dynamic and innovative plan design that allows Allegeant's care management and claim specialists to provide a different level of benefits based on the employee's willingness to engage with and use the resources and tools available to them to manage their care and control costs. This approach integrates plan design and claims payment into an overall Risk Management Strategy.

Participating employers sponsored health plans properly align benefits and incentives to maximize limited corporate resources to achieve effective health care utilization. This places "responsibility" back in the health care equation.

Medical benefit plans are characteristically unique as a cost center for American business. Traditional medical benefit plans insulate the employees, and their dependents, who spend the plan's health care dollars from the financial consequences of their health care decisions. These plans focus dollars on treating illness, instead keeping people healthy. Unfortunately, while many employees do not have the information, means, or support to make good choices, some are also willingly denying the existence of their health risks. Further, Employees (plan members) receive no tangible rewards for focusing on maintaining their health and productivity. As a result businesses have experienced rapid, inexplicable, and unsustainable cost increases.

ARTBA EmCap offers a new proposition: mutual acceptance from employers and employees for the responsibility of the future benefits that will be available to the company based on the decisions made today.

Employers participating in ARTBA EmCap will implement a Risk Management Strategy to address these issues which starts with risk identification and quantification. Allegeant develops an employee baseline using a prospective and retrospective collection methodology that identifies the costs an employer's plan will most likely face if the standard process stays in place.

Next, Allegeant's resident Risk Management Coordinators develop a risk profile analysis and create a priority list of plan members (employees or their dependents). The Coordinators job is to allocate the resources available to address each individual's risk in a coherent, methodical, and sensible

manner that keeps engagement at the highest level possible. As designed, ARTBA EmCap is expected to significantly reduce the risk in any given population over time which will directly influence the rate of future increases.

The employer creates a medical benefit plan that charges employees, or plan members, with participating in this process or their benefits will be affected. While it is okay for a participant to "go solo" on their health issues, we as a community participating in the cost of our health care can no longer support reimbursing this unilateral decision at a full level.

An employer who joins ARTBA EmCap makes the decision to address the root issues that drive the increases in their health plan costs. These employers recognize that while short term benefits will accrue to their benefit the ultimate goal is a long term sustainable cost structure. They are educating their employees that we are all in this together, and we have to change the way we have accessed health care if we want to have an attractive health benefit plan in the future. Accountability and responsibility as well as knowledgeable and timely services to aid in decision making will help us conserve our plan benefits while promoting healthy life choices and improving productivity.

Other Key Features of the ARTBA EmCap Program:

- **Emphasis on Primary Care.** Plan members should be deeply involved in their care and assume responsibility for their decisions, but most are not equipped to make these decisions by background or training. A good Primary Care/Patient relationship is uniquely positioned to provide the plan member with the support they need to move through the health care system. Primary Care services are nearly free in the ARTBA EmCap Program so no barriers to this type of care exist regardless of socio-economic status.
- **Prescription Drugs Program** that focuses on Generic Alternatives. A prescription drug benefit can often save a plan from the advent of a large claim, and aid an employee in keeping a condition in check.
- **Health Reimbursement Accounts**, designed for each employee, can provide accountability for health care spending without too much sting.

Frequently Asked Questions

1 Will each employer have its own self-funded benefit plan design?

Yes. Since each employer maintains its own self-funded health benefit plan, the plan designs can and usually do vary by employer. The employer designs its PPO plan to meet its objectives by selecting from deductible amounts (\$250, \$500, \$1000 or \$1500). Each employer can determine the amount that employees contribute and the manner in which they contribute to the plan.

In order to join the ARTBA EmCap program, member employers must take a common approach to preventative care and population health management programs.

Employer selected program benefits include a strong emphasis on meaningful financial incentives for medical management, prevention, and wellness. The potential changes should benefit employees: lower plan costs, lower employee contributions, improved service, and a greater commitment to improved health.

2 What TPAs are used in these programs?

The ARTBA EmCap health solution is managed by Allegeant, who provides claims decision support, billing and member services for employers that strive to incorporate effective services into their health plans that seamlessly align incentives to achieve better care at a lower cost. Members will have access to providers and use facilities that are in the CIGNA PPO. The staff at Allegeant have over a 30 year history of serving employers who want control and transparency within their benefit plan.

3 Who will provide guidance and advisory services to help ARTBA EmCap employers understand and implement this new health plan?

USI Insurance Services LLC is the nation's 8th largest insurance broker operating nationally out of 80 offices in 18 states. USI will act as an independent advisor that will implement this new health solution and will consult ARTBA EmCap employers on how well the strategy is driving behavior change and lowering claims cost.

4 Is pharmacy included in the program? Where can employees fill prescriptions?

CIGNA will be the pharmacy benefit manager for the ARTBA EmCap health program

5 Is a collateral or other non-premium funding contribution required?

Yes, each Member will be required to make a collateral, or other non-premium funding, contribution to the captive. This amount is typically 15-20% of previous fully insured premium.

6 Who is the stop loss insurance carrier?

The stop loss policies are issued by Berkley Life and Health Insurance Company or StarNet Insurance Company, both are member companies of W. R. Berkley Company and rated A+ by A. M. Best & Company, and referred to as Berkley Life for illustrative purposes.

7 Who underwrites the individual stop loss policies?

Each policy is underwritten by Berkley A&H, on behalf of Berkley Life. Coverages are subject to conditions, limitations, and exclusions as contained in the employer stop loss policy. Product availability and structure may vary, or may not be available, depending on state laws.

8 What prevents good employers from leaving the ARTBA EmCap program?

Each employer is individually underwritten so their premium should be reflective of their risk, and should therefore be market competitive. This decreases the odds of a large variance with another stop loss or fully insured carrier and, therefore, the financial incentive to leave the program. However, a group captive program typically requires continued employer participation, including the purchase of insurance from a ceding insurance carrier, for the employer to maintain a right to participate in any economic results of the group captive. Because each

employer is individually underwritten by Berkley A&H for stop loss coverage, there can be no assurances that any employer will continue to obtain stop loss insurance through Berkley Life or that the rates offered to employers in ARTBA EmCap are or will be competitive with the rates or terms that may be offered by other insurance carriers. Rates will vary.

9 What happens at renewal if an employer has a bad year?

Each employer is individually underwritten each year. Premiums are based on the expected losses of each employer, and there is no guaranteed renewal of coverage. It is important to note that actual losses can and do vary from expected losses and that the underwriting is based on expected losses. Said another way, just because an account has bad losses in a given year does not necessarily make them a bad account. Losses vary, which is why employers buy insurance.

10 Does the structure help stabilize the impact when a single employer has an unexpected large loss?

ARTBA, USI, Berkley A&H and Allegeant established ARTBA EmCap to provide medium sized Member employers with the advantages of self-funded health benefit plans while decreasing volatility normally associated with self-funding. By participating in the economic results of the captive, an employer may have lower costs in a year where it had a large claim than it would have had in a traditional self-funded plan.

11 How long does it take to form the ARTBA EmCap program?

There are many variables, but it typically takes three to six months to form the ARTBA EmCap program.



The concept behind ARTBA EmCap is simple: Provide medium-sized employers with the advantages of self-funded health benefit plans while decreasing volatility normally associated with self-funding.

Berkley Accident and Health, LLC is an innovative provider of insurance solutions, committed to delivering superior value to our insureds. With our broad market expertise and outstanding financial strength, we offer a diverse range of accident and health products tailored to the needs of our customers.

The Group Captive Division structures employee benefit group captives. The Group Captive Division was formed in 2010 to focus on this expanding niche in the marketplace.

USI Insurance Services LLC is the nation's 8th largest insurance broker operating nationally out of 80 offices in 18 states. USI will act as an independent advisor that will implement this new health solution and will consult ARTBA EmCap employers on how well the strategy is driving behavior change and lowering claims cost.

The ARTBA EmCap health solution is managed by Allegeant, who provides claims decision support, billing and member services for employers that strive to incorporate effective services into their health plans that seamlessly align incentives to achieve better care at a lower cost.



www.usi.biz

Contact Us

Group Captive Division
Berkley Accident and Health, LLC
2445 Kuser Road
Hamilton Square, NJ 08690
(609) 584-6990
www.benefitscaptives.com

For more information
on ARTBA EmCap visit
www.ARTBA.org