HUDSON INSURANCE GROUP®

ALTERNATIVE RISK SOLUTIONS

FREQUENTLY ASKED QUESTIONS

What is a Fully Funded Policy?

A Fully Funded Policy is structured for an insured who desires to assume and collateralize 100% of the risk of a specified line of coverage, such as general liability, professional liability, property, etc., utilizing one of the following as the risk assumption vehicle:

- Single Parent Captive
- Rent-a-Captive
- Regulation 114 Trust

Why Do Insureds Structure a Fully Funded Policy?

Examples of some of the most common reasons for structuring a Fully Funded Policy include:

- A capacity shortage in the insurance marketplace – insureds cannot find adequate limits at a reasonable cost.
- A certain coverage may be unavailable in the traditional marketplace.
- The insured requires a tailored policy to fit its unique situation.
- The up-front costs associated with a Fully Funded Policy may be significantly less than other approaches.
- The insured wants greater input and control over the claims handling process through self-administration or a third-party administrator.
- An insured utilizes a single-parent captive or rent-a-captive as part of their risk management program, and needs to show evidence of coverage to third parties from an "A" rated carrier.

Where Does This Policy Have Particular Appeal?

The Healthcare industry (Nursing Homes, Senior Care Centers, Assisted Living Facilities), Construction (Contractors, Home Builders), Manufacturing, Environmental and Technology industries may all have a need for a Fully Funded Policy.

How is a Typical Fully Funded Policy Structured?

- The insured remits a policy-issuing fee to Hudson.
- Collateral (cash/LOC/Trust) is provided in an amount equal to the aggregate limit of the policy, e.g., a $3M letter of credit for a $1M per occurrence/$3M aggregate policy.
- Hudson issues an "A" rated reimbursement policy to the insured with an aggregate limit equal to the collateral provided.
- Collateral is used to reimburse claims paid by the insured during the policy term until either the policy reaches its expiration date or the aggregate limit is exhausted.
- Upon policy expiration, any remaining funds, including net investment income earned on cash funds held, are either returned to the insured or rolled over into the next policy period.

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What Forms of Collateral are Acceptable for a Fully Funded Policy?

Insureds may provide cash and/or a letter of credit from a qualifying financial institution. Trust Agreements are utilized when the insured elects to use their preferred financial institution to host the collateral.

What Is Hudson's Experience in Writing Fully Funded Policies?

Hudson's Alternative Risk Solutions team of seasoned professionals has over 30 years of experience in writing Fully Funded Policies. It is that very experience that allows us to listen and then customize a Fully Funded Policy that is designed to meet an insured's needs.

What Type of Policy Forms Do You Offer?

A Fully Funded Policy can be written for non-statutory lines of coverage on claims made and paid or occurrence policy forms.

How Are Claims Handled?

The insured has autonomy over the claims handling process. Hudson reimburses the insured for those claims paid by the insured during the policy period.

How Do I Obtain a Fully Funded Policy Quotation?

All that is required is a completed ACORD Application, however, it is suggested that a producer should initially contact the Alternative Risk Solutions unit to discuss a particular opportunity.

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