

NEWS ALERT

Time Tested Quota Share Treaties Help Plans Meet or Improve Surplus Requirements

Rapidly growing health plans and insurers, including start up plans and plans with new product offerings or service area expansion are turning to quota share reinsurance to help spread the risk and meet or improve their surplus positions. This risk transfer insurance strategy not only provides much needed capital relief, it also comes with an army of actuaries and other experts working with plans they have partnered with to ensure their future success.

Quota share treaties are risk transfer products using pro-rata or an excess reinsurance structure. They can help to spread the risk for an organization, or provide much needed capital relief to organizations undertaking major, capital intensive projects and/or growth initiatives.

“Most entities enter into quota share agreements because they need it to meet or improve their surplus requirements, or to simply share their current risk with an experienced insurance carrier. It is an opportunity to rent capital without diluting equity or creating excessive debt,” said Charles Crispin, President & CEO of Evergreen Re.

For instance, a start-up MA health plan with 7,000 new lives needs up to \$7 million of additional surplus requirement. The plan could sell equity to raise the funds, borrow money or enter into a quota share treaty with an insurance company.

One of the clear advantages of a good quota share agreement is that the insurance company taking risk is motivated to help your company grow and maximize profitability therefore, will provide a high level of expertise to the health plan as a way of protecting their interest. Through such an arrangement, they take an “ownership” position in your risk; but not your equity structure.

Quota share agreements generally don't last forever, only as long as the organization seeking surplus relief wants it, although typically agreements are executed on an annual basis. The goal is to provide clients the opportunity to grow in a highly competitive environment until it no longer needs this risk-sharing partnership.

For more information about quota share reinsurance, please email to reinsure@evergreenre.com or visit our website www.evergreenre.com. Evergreen Re Incorporated is the nation's largest health plan reinsurance broker. Evergreen Re designs and administers managed care reinsurance programs, managed transplant carve-out programs and managed care liability coverage and other risk-reduction programs for health plans, including commercial, Medicare and Medicaid plans in more than 45 states.

