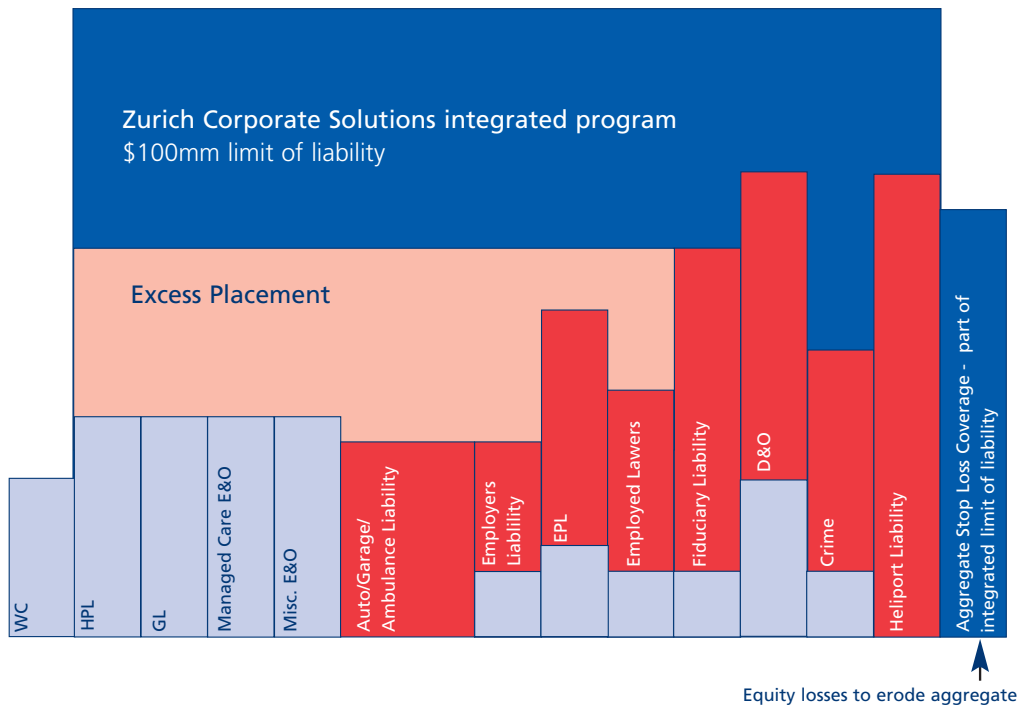


case study 3



In addition to the significant economic benefits, the solution enabled the company to budget for and plan its risk financing in a more stable manner going forward.

A large US hospital organization realized significant benefits from implementing an integrated risk program. Its specific interest was developing a risk financing solution that addressed its insurance and capital market risks. Like many others in its industry, this firm had a trust, with \$1 billion in assets, that was mainly invested in equities. The large gains in the stock market during the early 90's had nearly doubled the value of their endowments. Highly dependent on its investment returns, the organization sought to lock in the previous years' profits.

In addition, the organization felt it could absorb the impact of an insurance-related loss, and could even withstand equity losses within certain parameters, but knew it could not tolerate the two events occurring in the same accounting period.

ZCS designed a "dual trigger" solution to address the likelihood of both events occurring in a given period. A host of insurance coverages were included in the structure such as hospital professional liability, property, casualty, crime, employment practices, and aggregate stop protection. Limits were \$100 million per occurrence with \$200 million available over the three-year term. The equity coverage consisted of various market proxies including the S&P 500, Russell 2000 and an international index.

The ultimate structure saved the client in excess of \$10 million, in comparison to buying separate hedging instruments. In addition to the significant economic benefits, the solution enabled the company to budget for and plan its risk financing in a more stable manner going forward. Instead of worrying about annual cycles and coordinating the policies of different carriers, the company now has long-term limits, stable pricing and reduced frictional costs.

- ZCS Capacity
- Primary insurance placements
- Client retention
- Non-Zurich excess capacity