



*PCALIC*

Personal Care & Assisted Living Insurance Center

## **FREQUENTLY ASKED QUESTIONS (FAQ)**

### *About*

#### **PCH Mutual Insurance Company (PCH Mutual) A non-profit Risk Retention Group**

##### **1. What is PCH Mutual?**

PCH Mutual Insurance Company (PCH Mutual) is a non-profit special purpose insurance company providing claims made professional and general liability insurance to assisted living facilities in 9 states (PA, OH, MD, OK, WI, MT, NE, IA and IN). Prior Acts and Tail Coverages are available in conjunction with the claims made coverage

##### **2. What is a Risk Retention Group (RRG)?**

A RRG is a special purpose insurance company sanctioned under the Federal Risk Retention Act that permits companies in similar businesses to form an insurance company to write certain liability coverages. A RRG is owned and operated by its member insureds, although day-to-day operations are subbed out to contracted service providers (e.g., Personal Care Assisted Living Insurance Center for marketing, Casualty & Surety Inc. for underwriting and program management, Engle, Martin & Co. for claims and Risk Services for accounting.). The federal law allows the RRG to become licensed in one state and thereby become eligible to write insurance in the other 49 states through a simple registration process.

##### **3. Where is PCH Mutual licensed?**

PCH Mutual is licensed and fully regulated by the District of Columbia Department of Insurance as of May 15, 2004. The D.C. Department of Insurance required PCH Mutual to justify its rating structure by means of a submission of a business plan prepared by an actuary (Milliman USA) and to submit details regarding the proposed operation of the company, including full reports on the service providers. Each year PCH Mutual must submit an annual actuarial report and an audited financial statement to the D.C. Department of Insurance. The D.C. Department of Insurance must approve all rates and policy forms.



*PCALIC*

Personal Care & Assisted Living Insurance Center

#### **4. Who can become an insured in PCH Mutual?**

PCH Mutual was designed to assist small-to medium-sized assisted living facilities suffering from the lack of availability and excessive insurance rates in relatively non-litigious states. This means that PCH Mutual writes general and professional liability for assisted living facilities with at least 4 beds, but usually no more than 312 beds. Here are some other underwriting requirements:

- A. No bed-ridden residents:
- B. No more than 50% wheel chair and walker residents:
- C. Loss ratio not to exceed 60% in last 5 years:
- D. No more than 2 losses in last 3 years or 3 losses in last 5 years:
- E. All required licenses in place.

#### **5. What limits of insurance does PCH Mutual provide?**

The minimum limit is \$500,000 per occurrence and in the aggregate and the maximum is \$1,000,000 per occurrence and in the aggregate. Defense costs are outside the limits of insurance, which means they are covered completely without limitation.

#### **6. What are the minimum premiums?**

\$3,000 for a \$500,000 limit and \$3,500 for a \$1,000,000 limit.

#### **7. What about deductibles?**

The company usually writes on a first-dollar basis but will entertain deductibles up to \$25,000 per claim with strong financial statements. Rate credits are given for these deductibles.

#### **8. What are the average rates?**

The average rate is \$240 per bed subject to debits and credits. However, as an owner, the member insured must contribute—for the first year only—an additional 1/3 of the first year premium as a capital contribution.



*PCALIC*

Personal Care & Assisted Living Insurance Center

**9. What is the capital contribution for?**

The capital contribution becomes part of the surplus capital that backs the company as equity funding. It is there to keep the company going in the event of adverse underwriting results—so it is at risk. It grows as more member insureds join the company. It is carried by member insureds as an asset on their financial statements.

**10. Can I get my capital contribution back?**

If a member insured leaves the company during the first year, then the member insured is not entitled to any return of capital. Otherwise, the member insured can receive its capital contribution three years after departure from the company at whatever value the capital is worth at that time.

**11. Can the capital contribution increase in value?**

No, because the company is a non-profit entity. If profits are made, PCH Mutual either returns a pro-rata portion of the premium or reduces rates going forward, depending upon how the members vote to handle it at the annual meeting. It can also be applied to loss reserves in order to be conservative about the disposition of current claims.

**12. Does PCH Mutual provide any other services?**

Yes. PCH Mutual inspects every member insured to make sure it meets all underwriting and regulatory criteria. It also provides in-depth loss control services that are mandatory. Every member insured must pay an additional \$625 fee for the first year only for these services. TAGWEB, a nationally known ALF and nursing home loss control consultant provides the loss control services and NAPCHAA inspects all member/insureds. Loss control topics include medication management, required contracts and admission procedures and methods for discharging residents that are becoming incapable of caring for themselves.



*PCALIC*

Personal Care & Assisted Living Insurance Center

**13. It's easy to see the benefits—insurance availability, low rates and exceptional loss control and claims management—but what are the risks?**

PCH Mutual is a new company originally capitalized at only \$500,000. However, the company is very heavily reinsured (it lays off a substantial portion of the risk with what is called a reinsurer). If the service providers—the underwriting manager, the marketing manager, the claims handling company and the actuary—fail to perform as contracted for, each one of them could jeopardize the health and continuity of the company. This is why the company encourages participation in committee work, where member insureds can exert their voices directly. There is an underwriting committee, a claims committee, an executive committee and a loss control committee, each of which has five to thirteen seats available. We also try to get at least one member of the state association to sit on the board of directors. We also encourage attendance at the annual meeting held in D.C. All members receive a copy of the annual report and financial statement, which each member insured should study carefully.

**14. Does WALA endorse PCH Mutual?**

WALA does not endorse or support any insurance company. Providers should study and investigate insurance companies before making any decisions

**15. How do I become a member insured of PCH Mutual?**

First, you must be a member of WALA, your state association. Once that is the case, you contact Personal Care Assisted Living Center (PCALIC) in Hanover, PA, the exclusive marketing manager for this program. Call 800-673-2558 and ask for an application from Lita Horvath. You submit that, along with loss runs and other documents for a quote. You are also entitled to an Offering Circular at that time, which provides information about the company and the risks of joining in great detail. If you decide to bind coverage, you must sign a Member's Participation Agreement. You will also receive a copy of the company's by-laws. PCALIC can also provide property coverage through Lloyd's of London that is competitive.

**16. What about a payment plan?**

Both the premium and capital can be financed.



**PCALIC**

Personal Care & Assisted Living Insurance Center

**17. What else should I know?**

PCH Mutual is designed to be a long-term solution. If all you want is the cheapest quote for this year, PCH Mutual is not for you. If you want a risk-free alternative, PCH Mutual is not for you. Also, remember that you become a partial owner of the company (one vote per member insured, so larger insureds cannot dominate the company), and you should treat it as such.

**18. Does my current agent stay involved?**

We prefer to work with select brokers that specialize in Assisted Living Facilities. This provides members with brokers that are knowledgeable about Assisted Living Facilities and understand the needs and concerns of these facilities. If WALA wants PCH Mutual to deal with the members' brokers we will give this consideration.

**How?** The agent or broker would contact Personal Care Assisted Living Center (PCALIC) for an application or the member could provide the broker with the application PCALIC provides them. The broker would then forward the application to us for a quote. If all the information is provided we can turn around a quote within 24 hours. PCALIC will then fax the broker a quote with the necessary forms to bind coverage along with a broker agreement and kit.

**Do they have to?** No, the WALA member can call PCALIC toll free, e-mail PCALIC or simply return the completed application along with the additional requested documentation by fax to PCALIC. WALA members are welcome to call PCALIC toll free with any questions or assistance with the application or risk management tools. Remember, we have a companion property program through Lloyd's of London.

*Revised: September 3, 2004*