

HOSPITAL REINSURANCE EXAMPLE

The first dollar attachment point signifies the point at which reinsurance begins using the percentage reinsured. The second dollar attachment point signifies the point at which the reinsurance is increased. The PPG has selected a first attachment point of \$80,000. The PPG has selected a second attachment point of \$150,000.

Examples are as follows:

1. Becky Smith	Dates of Service 04/01/01 thru 05/01/01 \$.01 through \$80,000 \$80,000 through \$150,000 Charged to shared risk First Attachment Point: Second Point: (\$100,000 - \$80,000) x 20% Covered by Reinsurance \$100,000 - \$84,000	\$100,000 total claims Charged to shared risk Reinsurance @ 80% (20% is charged to shared risk) \$80,000 <u>4,000</u> <u>\$84,000</u> <u>\$16,000</u>
2. Karen Miller	Dates of Service 06/01/01 thru 09/01/01 \$.01 through \$80,000 \$80,000 through \$150,000 \$150,000 through \$250,000 Charged to shared risk First Attachment Point: Second Point (\$150,000 - \$80,000) x 20% (\$250,000 - \$150,000) x 10% Covered by Reinsurance \$250,000 - \$104,000	\$250,000 total claims Charged to shared risk Reinsured @ 80% (20% is charged to shared risk) Reinsured @ 90% (10% is charged to shared risk) \$80,000 \$14,000 <u>\$10,000</u> <u>\$104,000</u> <u>\$146,000</u>
3. John Jones	Dates of Service 01/01/01 thru 02/01/01 \$.01 through \$80,000 \$80,000 through \$150,000 \$150,000 through \$500,000 Charged to shared risk First Attachment Point: Second Point (\$150,000 - \$80,000) x 20% (\$500,000 - \$150,000) x 10% Covered by Reinsurance \$500,000 - \$129,000	\$500,000 total claims Charged to shared risk Reinsured @ 80% (20% is charged to shared risk) Reinsured @ 90% (10% is charged to shared risk) \$80,000 \$14,000 <u>\$35,000</u> <u>\$129,000</u> <u>\$371,000</u>