

Section 5 – Alternative Risk Transfer

Pooling Arrangements – a risk financing arrangement designed to jointly manage the loss exposures of two or more organizations that are unable to legally or feasibly self-insure these exposures

Captive Insurance Companies – a closely held insurance company whose insurance business is supplied by and controlled by its owners and in which the insureds are the beneficiaries (adapted from *Captive Insurance Company Reports*); as such, it is a separate legal entity from its organizers subject to insurance regulation by the appropriate regulatory body or bodies

Captives Fronting Program – use of one insurance company, usually a domestic, admitted carrier, to issue policies on behalf of a captive

Finite Risk Insurance – the accepted term used to describe a spectrum of loss financing concepts that combine internal and external risk financing and involves traditional insurers in a nontraditional manner; used by primary insurance companies and large self-insurers. Also referred to as “financial insurance”. It is called “finite” because it acts much like primary loss retention in high-level retention programs. These programs usually require that full annual aggregate expected losses be funded during the policy term. Subject to a potential penalty for worse-than-expected losses, this amount may be said to be finite, or limited in time and amount.