IGP Stop Loss Cover

IGP Pool Protection Measures

IGP has a number of tools in place to protect the IGP Account against potential losses:

- At unit (contract) level
  - Prior to the inclusion of a local contract in an IGP pool, John Hancock, as the IGP Network Leader and reinsurer, verifies that the local plan is soundly underwritten. It is in the interest of the parent company and John Hancock that no contracts with a high propensity to generate losses are included in the pool.
  - In order to protect a client's IGP account from the potential adverse effect of large death or disability claims, individual claim limits have been established in most countries.
  - IGP may exclude certain coverages from clients' accounts such as Long Term Disability and Accidental Death & Dismemberment whose volatility can have an adverse effect on the financial viability of the account.
- At pool level
  - For Loss Carry Forward accounts, IGP's Rolling Deficit Forgiveness plan protects the International Account from having to carry forward a contract's deficit caused by a single claim event indefinitely.
  - Smaller and/or more volatile accounts may participate in the IGP Small Groups Pool, which protects an account from wide fluctuations in experience as any parent deficit that might occur in a given year is not carried forward.
  - Stop Loss is another possible tool, where self-experienced parent companies may elect to have their aggregate losses reduced or forgiven entirely in years of unfavorable experience.

The IGP Stop Loss Product

Stop Loss coverage is mainly for new IGP clients who want to limit or eliminate the likelihood of a deficit being carried forward.

Companies participating in the IGP Stop Loss system agree to receive a reduced international dividend in years when experience is good, in exchange for having all or some of their aggregate losses in years of unfavourable experience forgiven, that is not carried forward to future years' experience.

The amount used to reduce the dividend is effectively the Stop Loss charge, which is based upon the size and risk profile of the parent's pool.

Stop Loss Options

- First Dollar Stop Loss (Full Stop Loss): No deficit is carried forward in years when the Contribution to the International Account is negative.
- % Premium Stop Loss: The Deficit Carried Forward is limited to a certain percentage of the Total IER Premium each year.
- Fixed Dollar Stop Loss : The Deficit Carried Forward is limited to a certain fixed dollar amount each year.
- 2 or 3 year Unit Level Stop Loss: Any annual accumulated deficit on a unit basis that has not been recovered after three years is forgiven after that specific period. The oldest deficit is deemed to be recovered first.

Other forms of stop loss products can be examined.

Stop Loss Options for Existing IGP Clients

The Stop Loss option can only be implemented prospectively with respect to contract renewal dates.

For existing IGP clients, special arrangements are made for the possibility of a deficit occurring in the IER immediately prior to the effective date of the Stop Loss. Any prior deficit is recovered before Stop Loss deficits are written off.