

EMPLOYEE BENEFITS CAPTIVE FAQs



What is an employee benefits group captive?

A group captive is an insurance company that is formed by a group of organizations to share a level of health insurance risk. A captive insurance company is an **alternative** to the traditional insurance market and is managed and owned by its policyholders.



Why should a company consider an EB group captive?

Often times, companies are frustrated with traditional insurance due to lack of options, unjustified increases and a limited amount of control and transparency over claims. Rather than shifting excess costs to employees, companies can take ownership by **partnering with like-minded businesses** in a group captive. Group captives allow companies to stop paying for unnecessary health insurance coverages and create a plan custom to you.



What are the benefits of an EB group captive?

Captives provide a tremendous amount of **control** and **transparency** in the insurance process and stabilizes and reduces insurance costs. Companies **save money** by running better than expected in their self-insured claims and by receiving underwriting profit back from the captive layer. Group captives also provide accountability and the sharing of best practices which leads to higher performing companies.



What is the profile of an ideal EB group captive candidate?

Ideal captive candidates will have 50+ covered employees on the health plan; they desire control over a top business expense and understand that with a little risk comes great rewards. Candidates with above average demographics, good historical claims experience, and a strong focus on employee well-being are ideal. In addition, ideal candidates will exhibit strong corporate leadership that values employees and embraces health efforts.



How is the captive managed?

Innovative Captive Strategies (ICS) is a captive management firm that specializes in group captive programs. We partner with **dedicated insurance agencies** who share this same passion and focus on captive insurance in order to guide our captive members to make the best decisions for their companies.



Is a certain network and/or Third-Party Administrators (TPA) required?

Captive members can use the network and TPA of their choice if the TPA is approved by the stop loss carrier and able to provide administrative services only. ICS can provide recommendations for both network and TPA based on geographical need, existing relationships, pricing and cost management considerations.



Does the captive require members to implement any wellness activities?

Requirements are determined by the members of each captive. ICS provides consulting clinical, cost-containment and health management strategies. Our captive programs do not require formal wellness programs, but they are strongly suggested. ICS offers many tools and resources for members looking for guidance, including a **Targeted Risk Improvement Program (TRIP)** which provides captive members with everything they need to implement, track, manage and engage employees in a successful cost-containment and clinical well-being programs.



How are premiums determined each year for each participant?

Underwriters produce premiums based on actuarial projections that are developed based on analysis of the applicant's historical premiums, losses, exposures, and demographics. Each company is underwritten individually to determine expected claim projections and captive funding to **ensure equitable spread of risk across the membership**.



Once my company is part of a group captive, can my premiums fluctuate?

Yes, but **rates remain stable**. Captive members are insulated from traditional market swings and your premiums are determined by your individual business' loss history, risk profile, or employee demographics.



Do I get my premium back?

In the self-insured layer there are not any premiums; you **only pay for claims that happen**. In the captive layer, any **unused funding is returned to members** in the form of underwriting profit. A small amount of premium for excess coverage is retained by a Stop Loss carrier to provide employers with **"sleep at night protection"** by paying for catastrophic claims when they occur.



Do I have to pay for the losses/claims of other members?

In the captive layer, members strategically share large claims for the **purpose of savings and stability** compared to the traditional market. However, group captives purchase **reinsurance** and **stop-loss coverage** to limit the amount of risk sharing. The purpose of the captive is to **take turns having good years and bad years** in order to reduce the volatility that is often experienced in the traditional market.



Could a member be asked to leave the captive?

Members can be removed from a captive if there is a significant change to the group's demographics and/or their claims experience. Removal from a captive is rare, but it is a possibility.



What happens if a participant wants to leave the program?

It is very easy to plan and execute an exit from a group captive insurance program. Typically, once businesses begin to experience the financial benefits they **choose to remain**.



What is the time commitment for members?

There will be expectations that captive members participate in quarterly member calls (3x per year) and attend an annual captive member meeting (typically in person for two ½ day sessions). There are also opportunities for leadership that will require some additional, minimal time commitments.



How do I learn more about employee benefits group captives?

General information is provided at www.yourcaptive.com. **Reach out to an ICS Employee Benefits Sales Contact to schedule captive education.** We also have numerous videos, marketing materials and captive experts that can help you make the best decision for your company.