

A Better Way Forward: NCEO Group Captive Solutions



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1. you are logged into the virtual conference under your own name.
2. you have signed in to collect CE via the NCEO's google form
3. you answer the required polling questions during this session

Have questions? Contact eventhelp@nceo.org.

NCEO Group Captive Concept

What We Know

- ESOP companies hire, train, communicate and retain employees better than non-ESOP companies.
- ESOPs are more generous with benefits and more attuned to employee wellness and safety.
- ESOPs are constantly looking for innovative ways to control costs and improve valuation.
- These characteristics lead to stronger cultures, better loss performance, and better than average risk profiles.
- Captives allow ESOPs to benefit from these advantages and retain and return more of their premium to their ESOP each year.

The logo for SCOTT, featuring the word "SCOTT" in white, uppercase letters on a dark red, rounded rectangular background with a slight gradient and shadow.

NCEO & Scott Partnership

Who is Scott?

- Established in 1864; 100% employee owned since 1975
- One of the largest independent insurance brokerage firms in the Southeast; 53rd largest broker in the U.S.
- Nine offices across 4 states and a Best Practices Agency for 25 consecutive years
- Clients with operations throughout the U.S. and internationally
- Our Mission: *To serve, protect and improve the lives of our colleagues and clients*

How Did We Get Here?

- Brief discussion with NCEO leadership at 2019 annual conference
- Provided a basic “Captive 101” education and strategic roadmap for captive timing and partnership
- Development of education and communication deliverables such as newsletters, blog posts, video, FAQ and webinars

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NCEO Group Captive Concept

What are we trying to accomplish today?

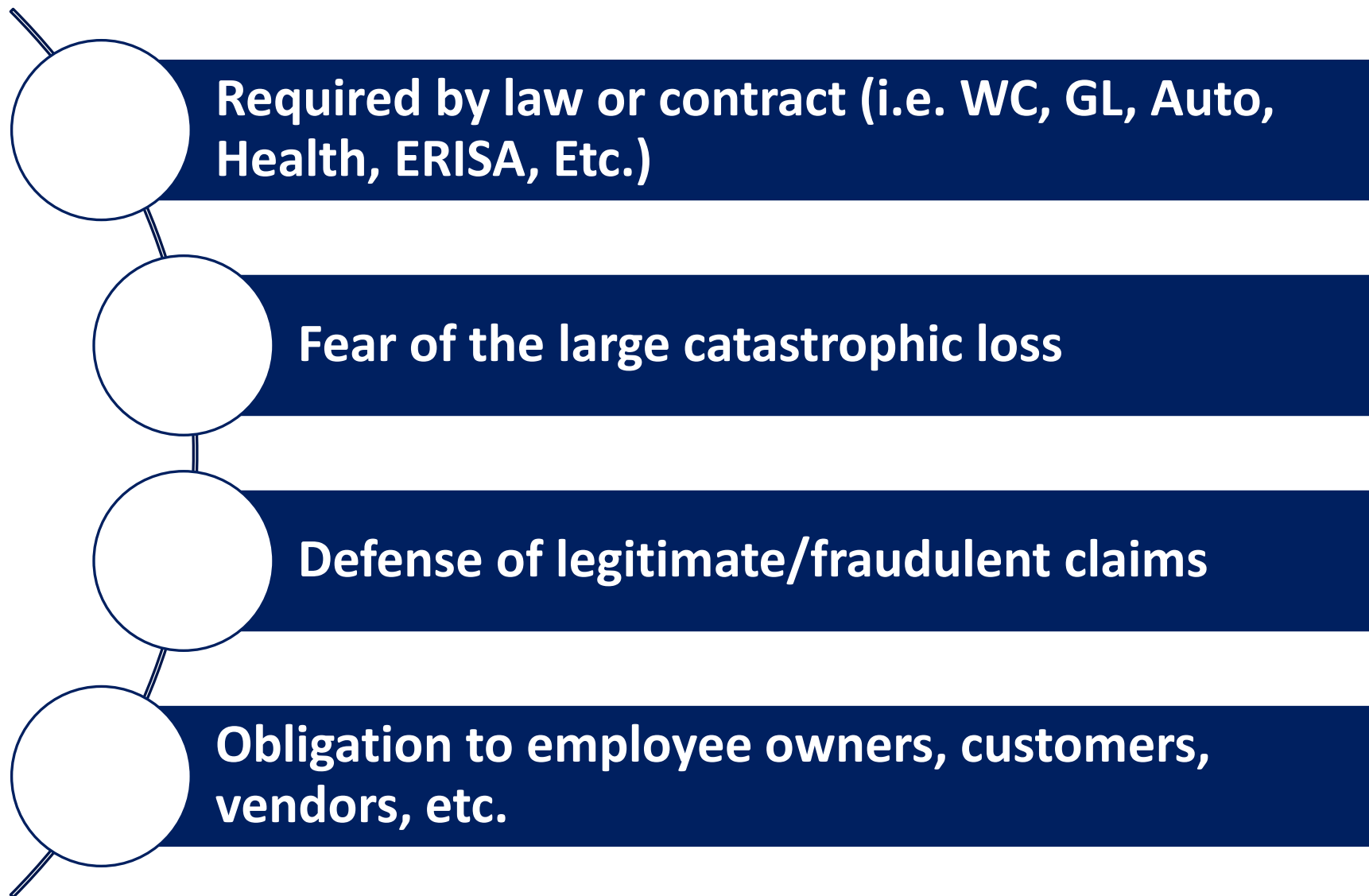
- Introduction to group captives
- Discuss captive opportunity and ideal candidates
- Basic “Captive 101” education for both Health Benefits and Casualty group captives
- High-level discussion of the education and feasibility process
- Provide timing and next steps

Where are we headed?

- This is a process - exploring a captive takes time and each company will move at a different pace
- Future educational opportunities
- Future events

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Why Do Companies Buy Insurance?



What is a Group Captive?



Lines of Coverage

**Workers'
Compensation**

**General
Liability**

Automobile

Health



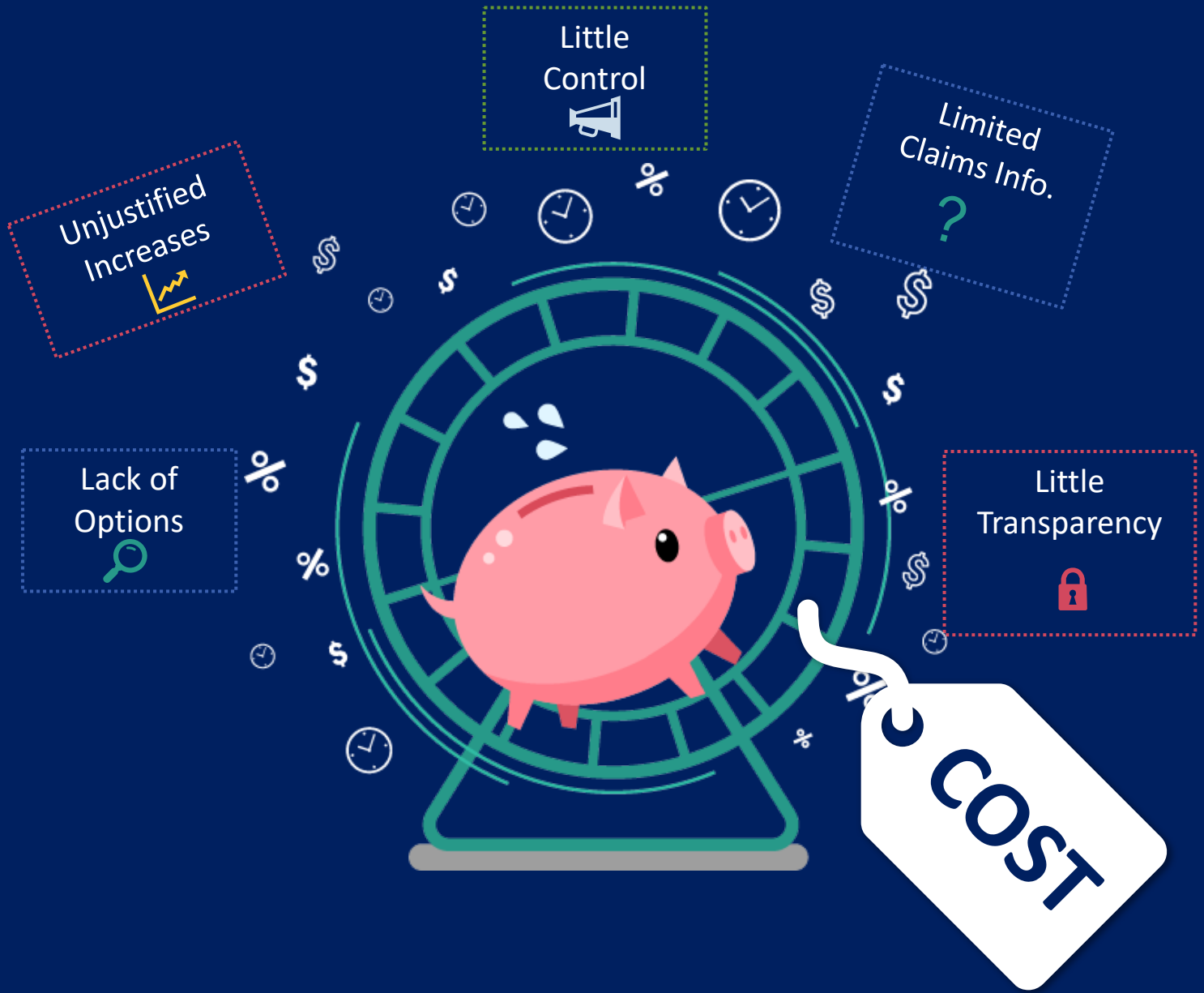
Ideal Candidate



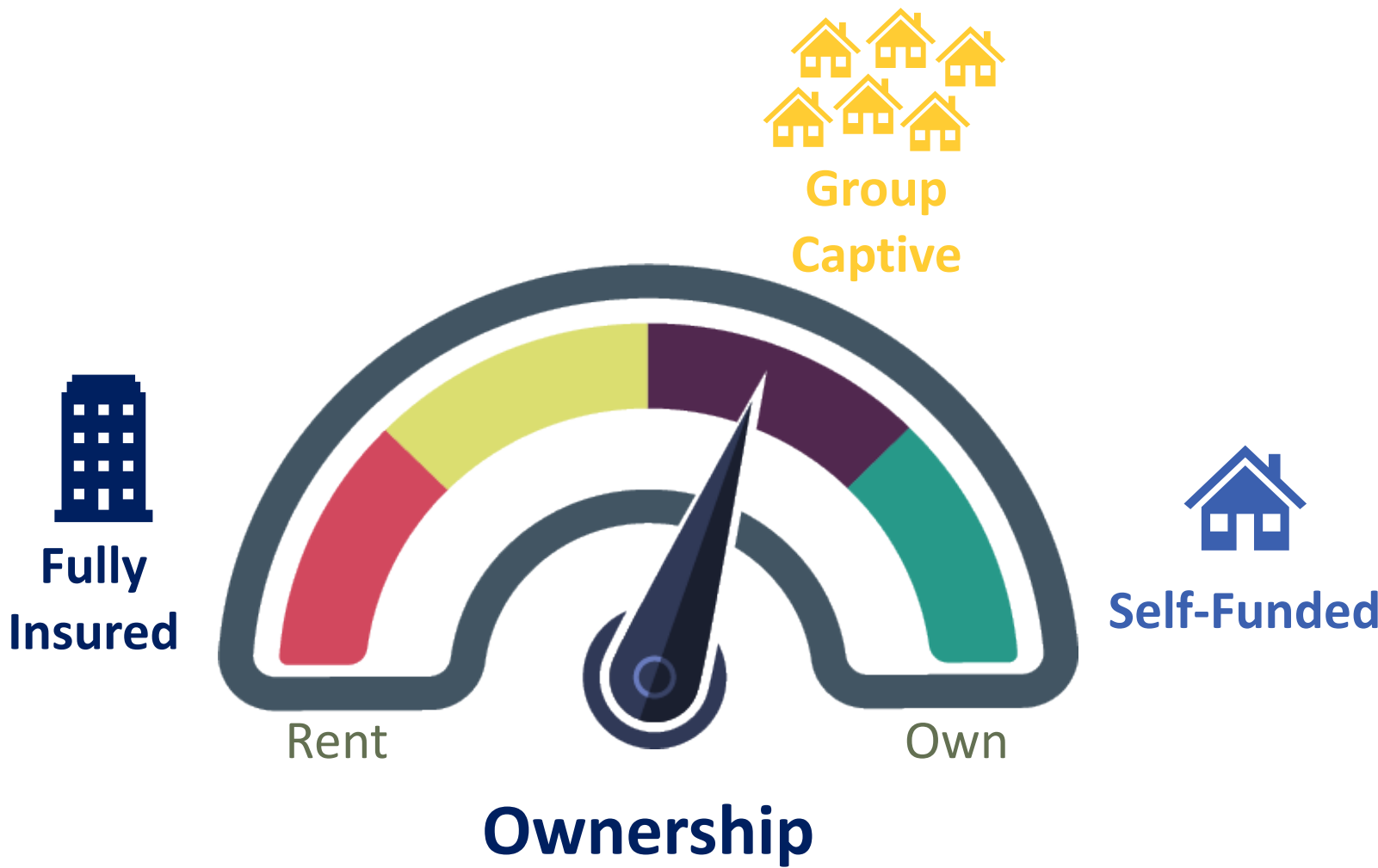
The Captive Community



Why Are We Here?



Funding Options



Your Options



	Fully Insured	Self Funded	EB Captive
Available for Smaller Employers	✓	✗	✓
Fixed Annual Payment	✓	✗	✗
Plan Design Flexibility	✗	✓	✓
Claims Information	✗	✓	✓
Reward for Performance	✗	✓	✓
Manageable Risk Level	✗	✗	✓
Pricing Stability	✗	✗	✓
Group Purchasing Power	✗	✗	✓
Peer Group Support & Sharing	✗	✗	✓



Are We a Good Fit?



Typically “Good”
Claims Performance



Entrepreneurial Spirit



Desire Control



Care About Your
Employees’ Health



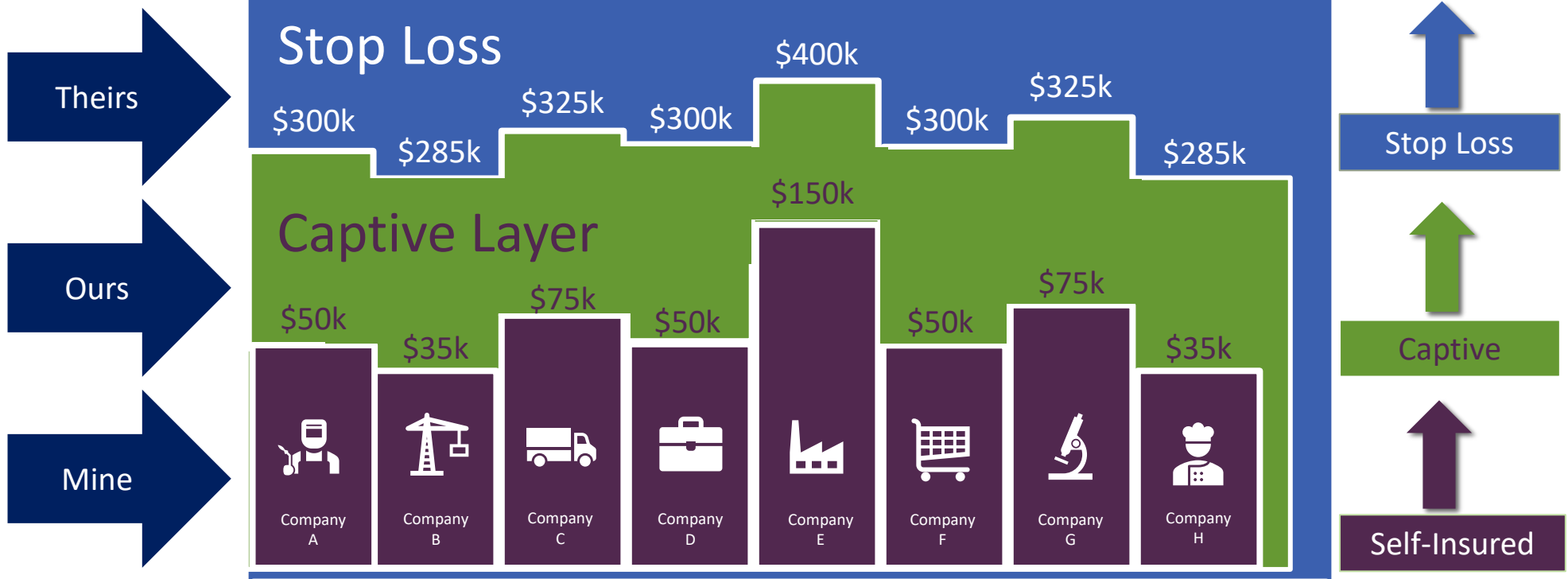
Understand
“Risk for Reward”



Swim in a cleaner
“pool”



Captive Structure

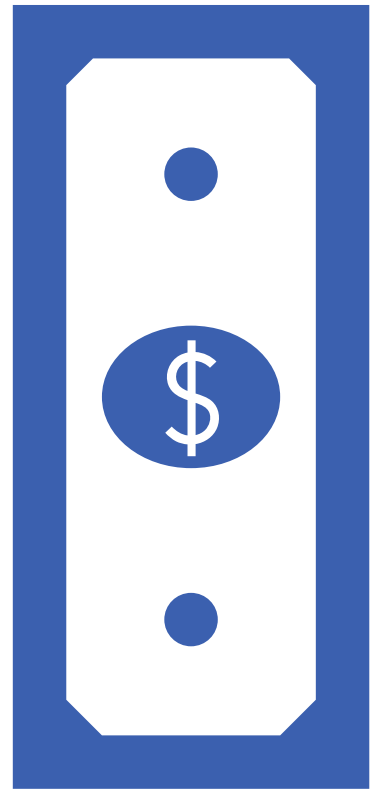


Individual Self-Insured Retention (SIR) Layer



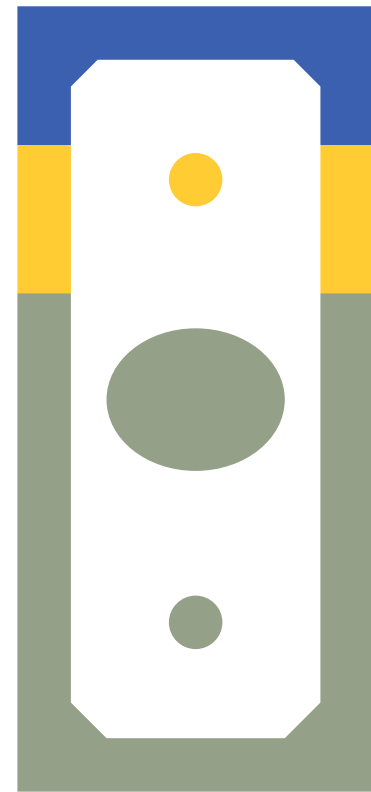
Fully Insured vs. Captive

FULLY INSURED



\$1,000,000
Fixed Expense

CAPTIVE



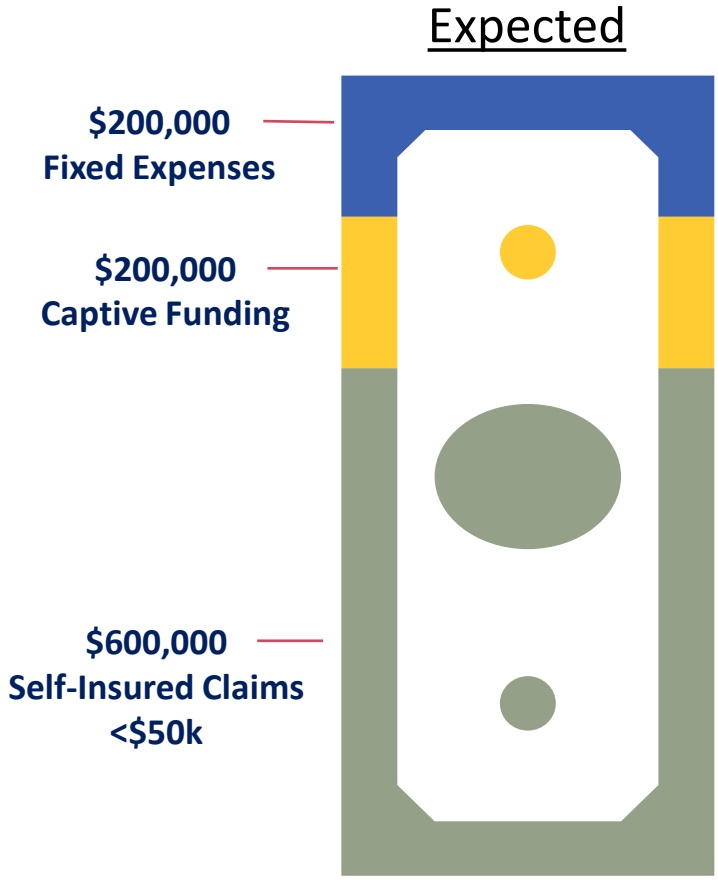
\$200,000
Fixed Expenses

\$200,000
Captive Funding

\$600,000
Self-Insured Claims
<\$50k



Self Insured Opportunity



Captive Opportunity



50
Captive
Members



\$10M
Captive
Funding



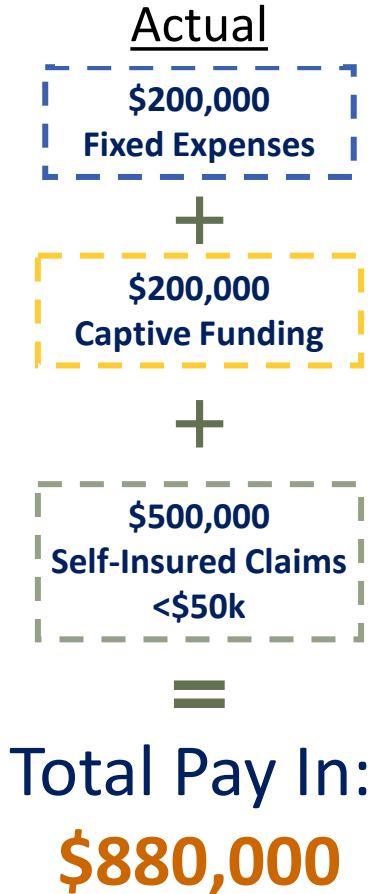
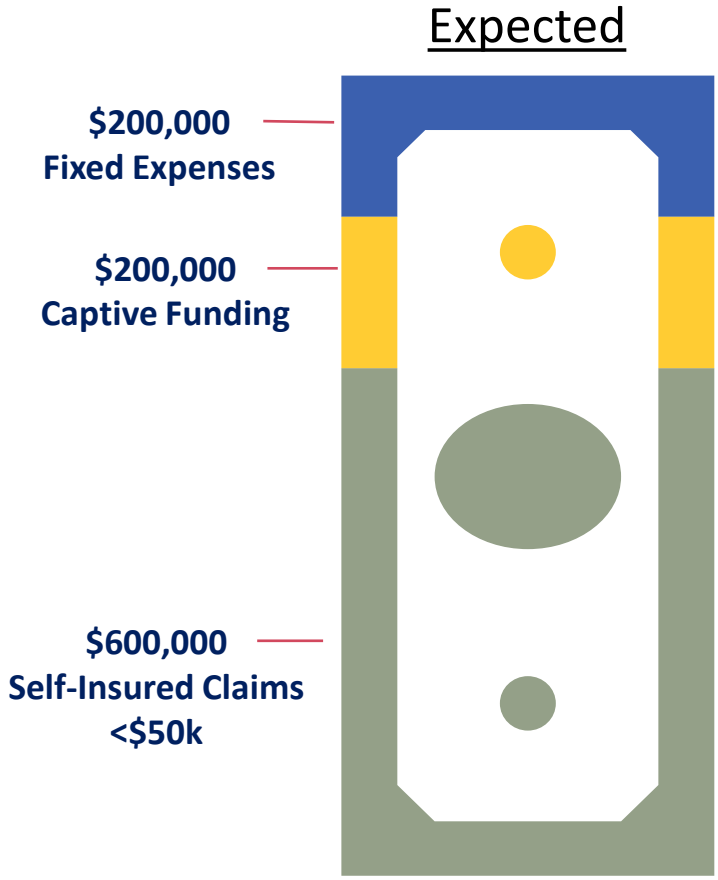
90% Loss
Ratio



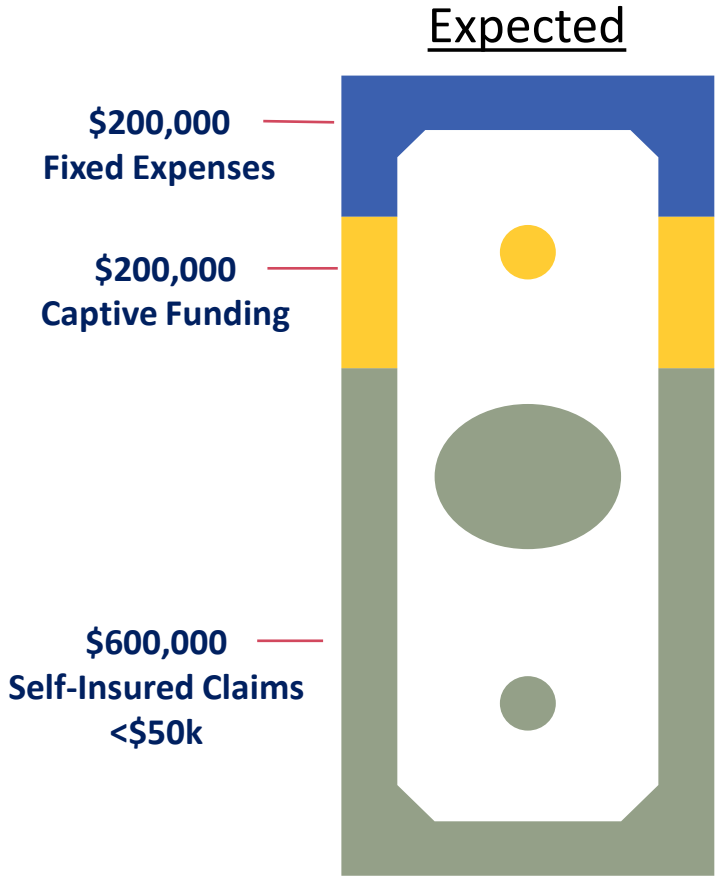
2% Pro-Rata
Performance
Share
\$20,000




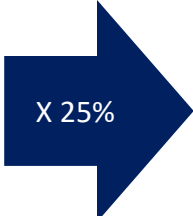
Actual Spend



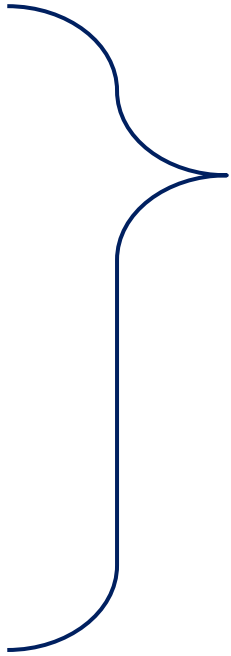
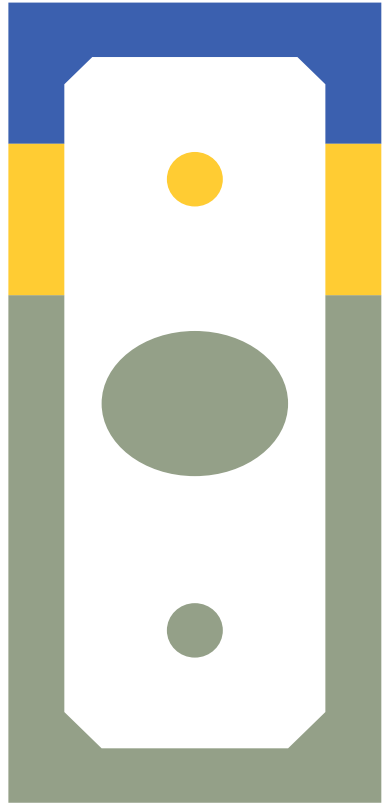
Risk For Reward



 Past 3 Years:
No company has hit the
maximum



Protect Your Dollar



Opportunity
Self-Insured Claims
& Captive Funding



Clinical Risk 1-2-3

1 
Cost Containment

2 
Risk Identification

3 
Incentivized Risk Reduction

What is it?

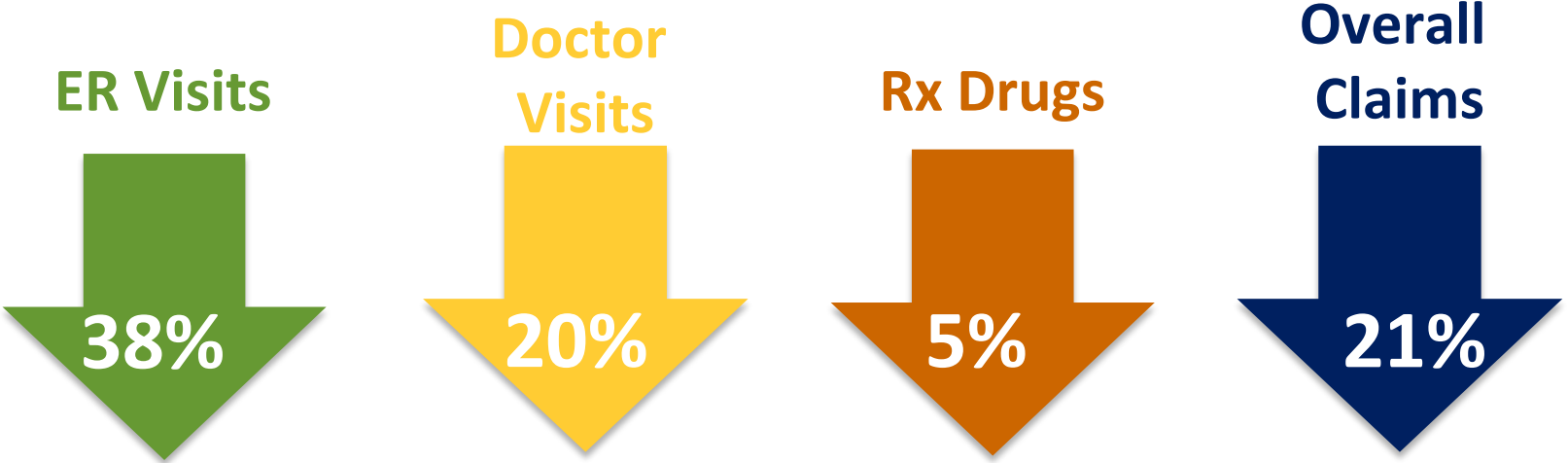
Why do it?

<ul style="list-style-type: none"> ✓ Rx Carveout (20-25% Savings) ✓ Rx Rebates ✓ Employee Tools: Price Transparency & Concierge 	<p>Drive Down Cost/ Create Employee “Skin in the Game”</p>
<ul style="list-style-type: none"> ✓ Data Analytics ✓ Biometric Screenings or Physician Forms 	<p>Identifying Those Who Are At-Risk</p>
<ul style="list-style-type: none"> ✓ Targeted Clinical Programs to Improve Health Factor(s) with Incentives 	<p>Targeting & Improving Those Who Are At-Risk</p>

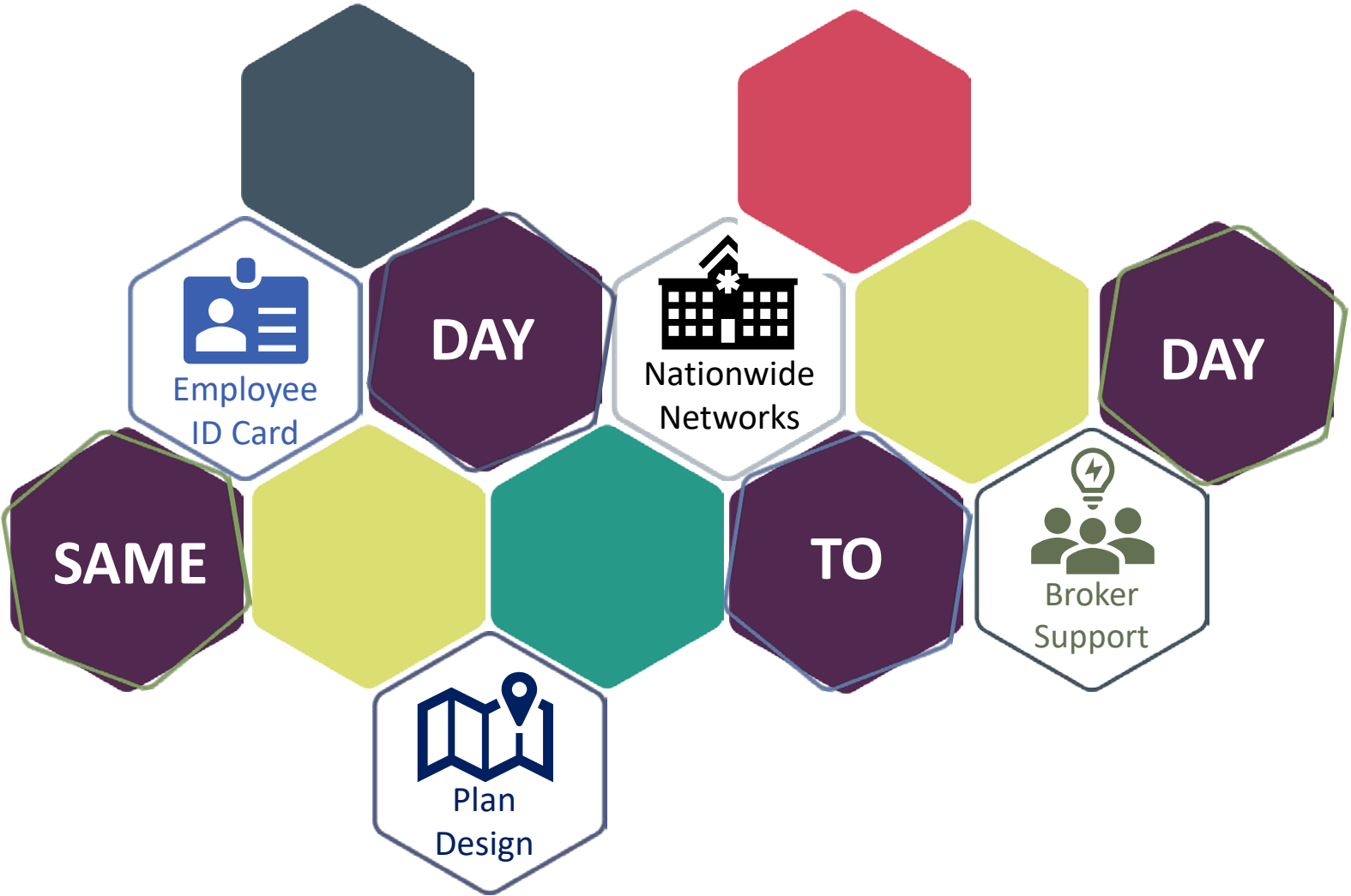


Proven Results

Those in the Top 5% Engaged with Clinical Support



What Does This Mean?



Historic Performance

Self Insured Performance
Average savings of \$1,270 per employee per year.



84% 3-year average of companies performing under expected



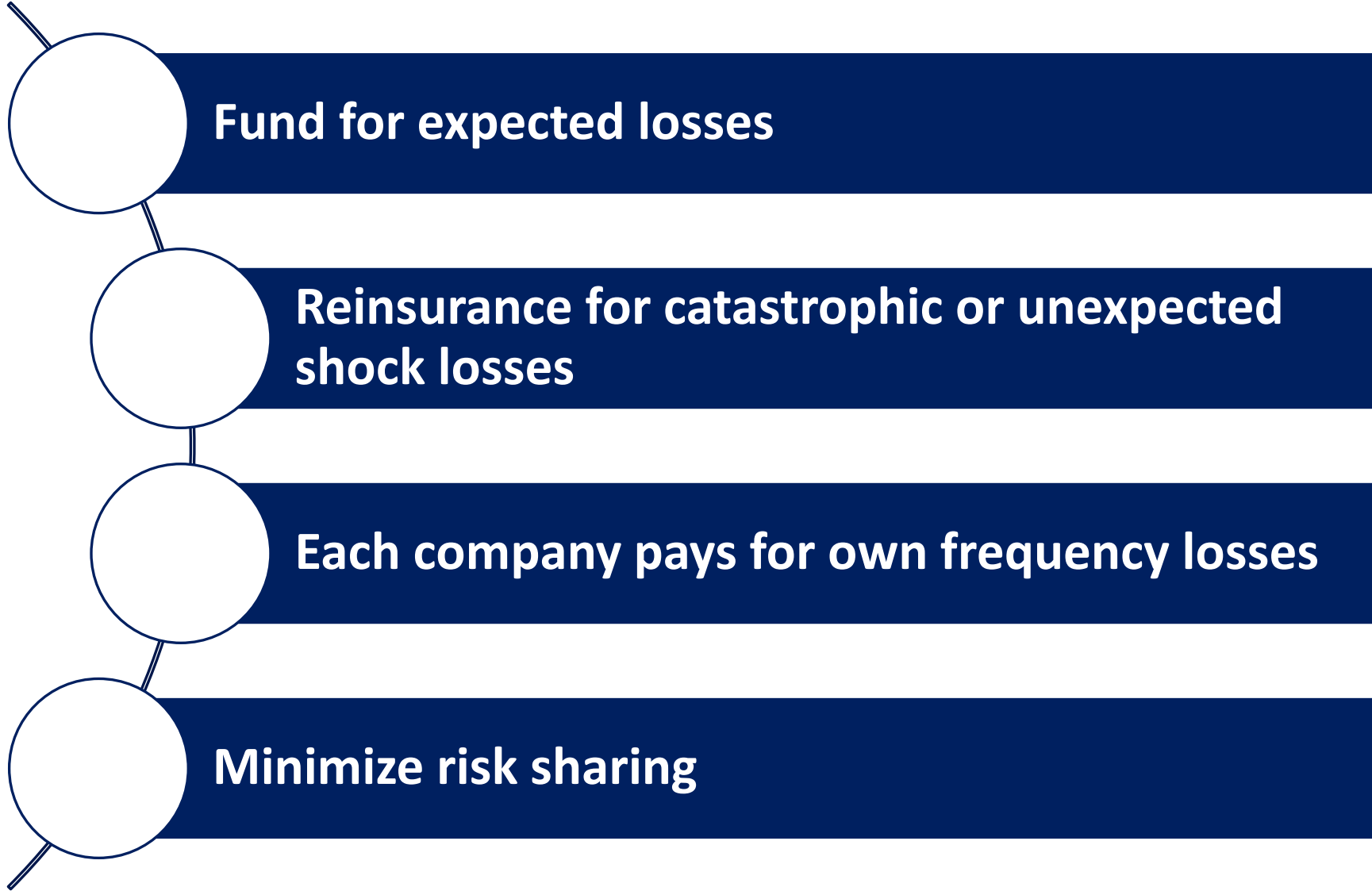
89%
3-year average captive loss ratio



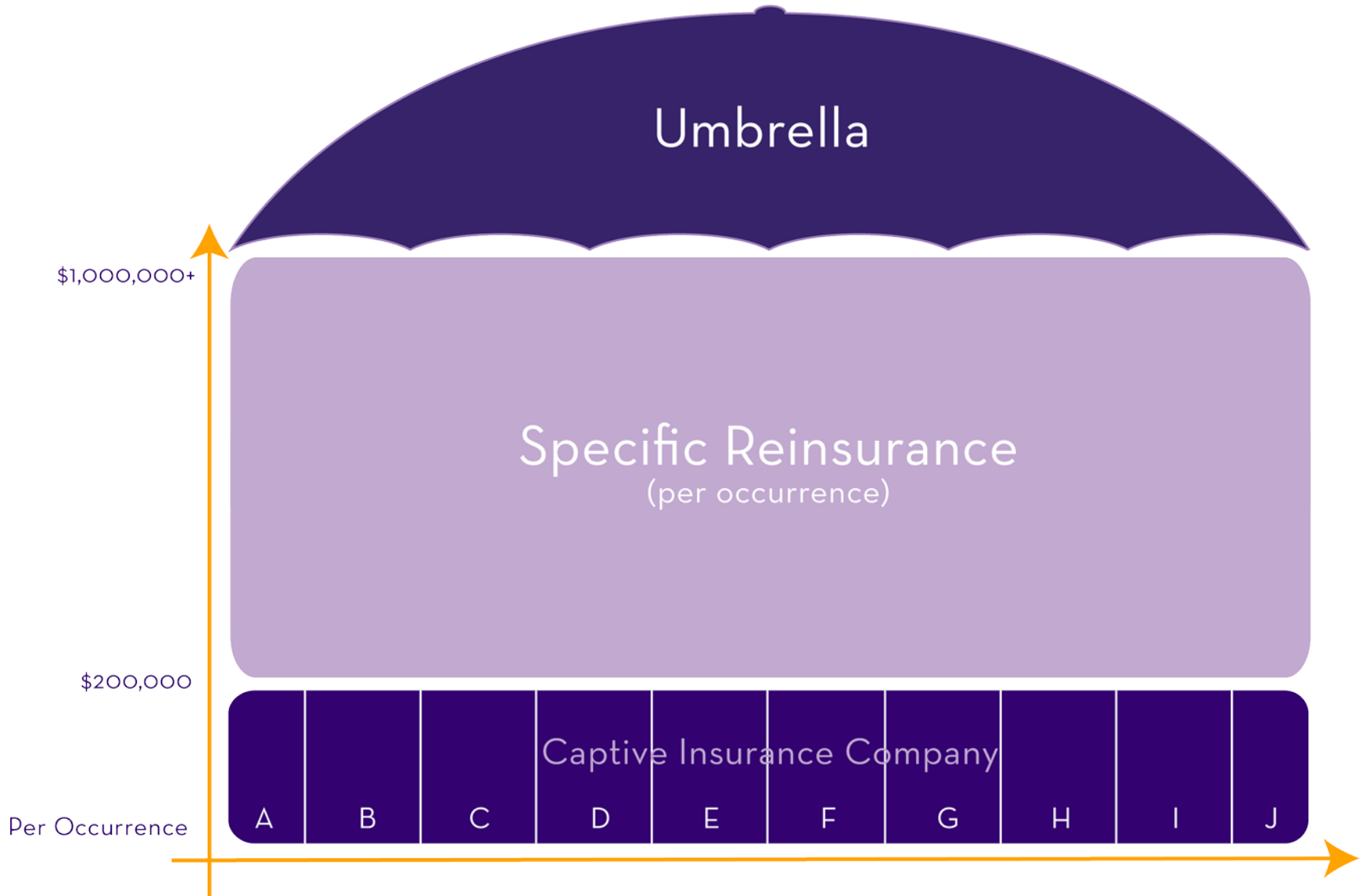
Captive Performance
Average profit distribution **\$20,000** with a range of **\$700-\$105k** per company.



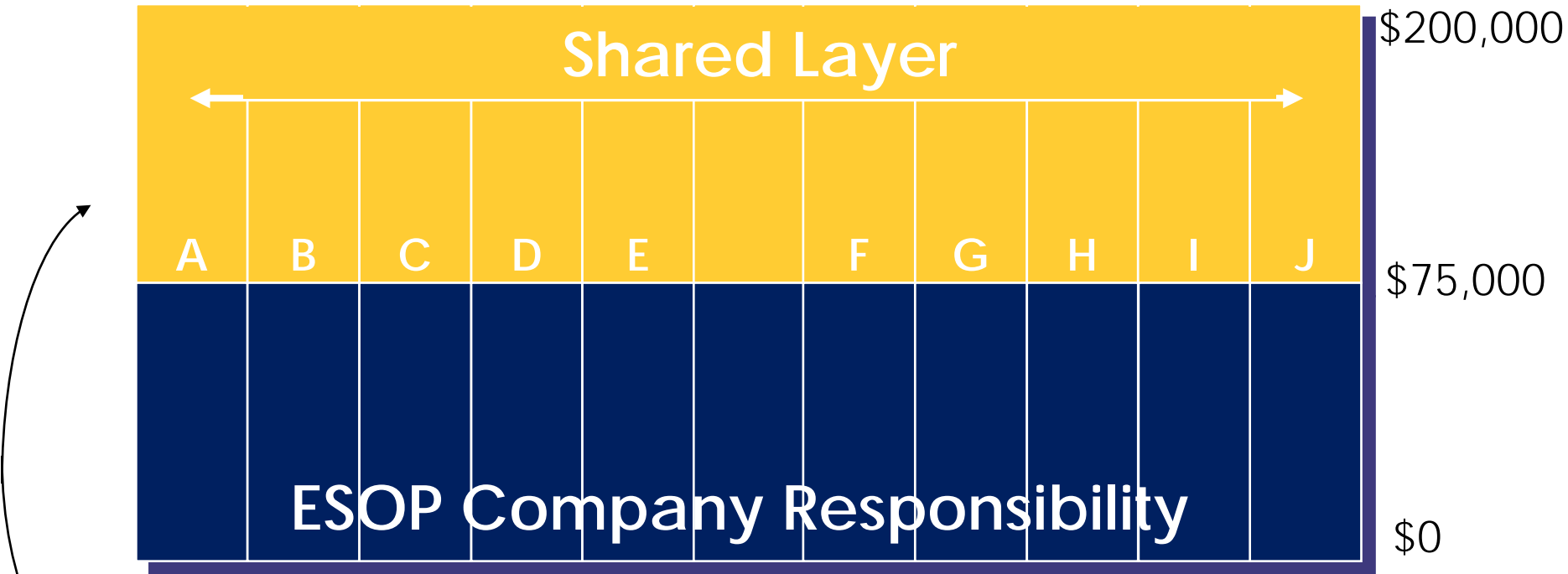
Captive
Goals



P&C Captive Structure



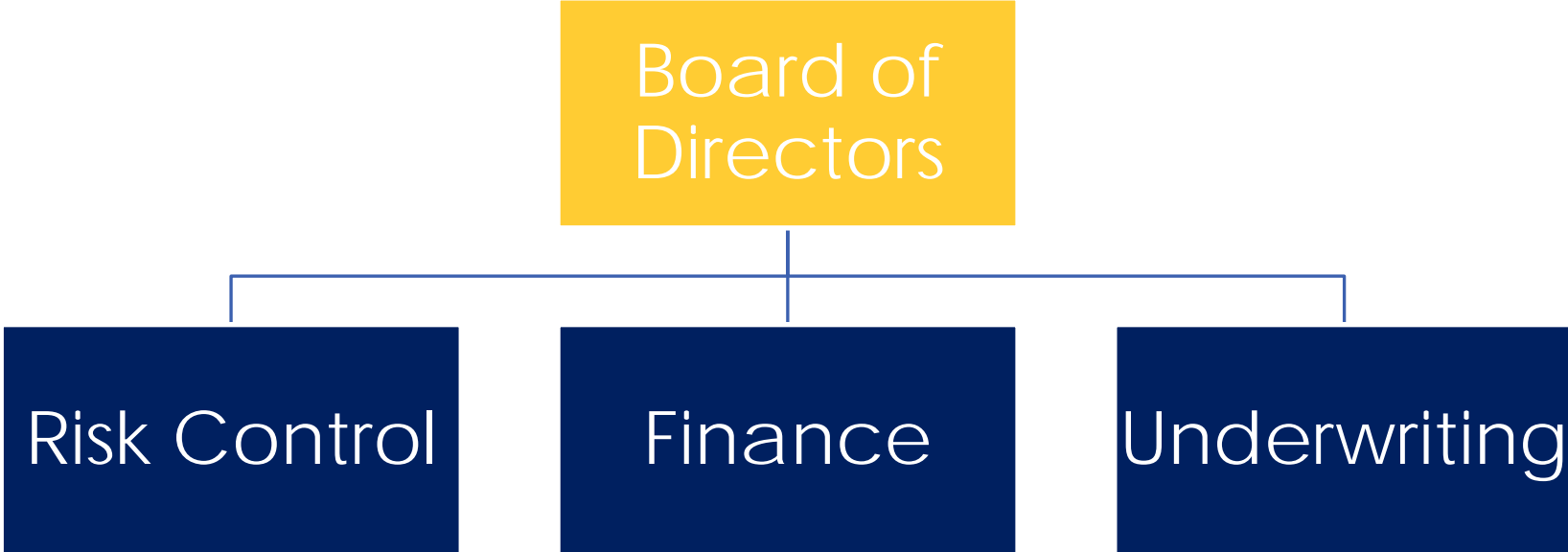
P&C Captive Structure



Captive Layer of Insurance



P&C Captive Structure



Captive Premium



Actuary Determines
Based on Exposures &
Claims History
Unique to Each
Member

Fronting &
Reinsurance
Claims/Loss Control
Captive Management



Sample
Company



Total Premium = \$400,000



Benefits of Captive Ownership





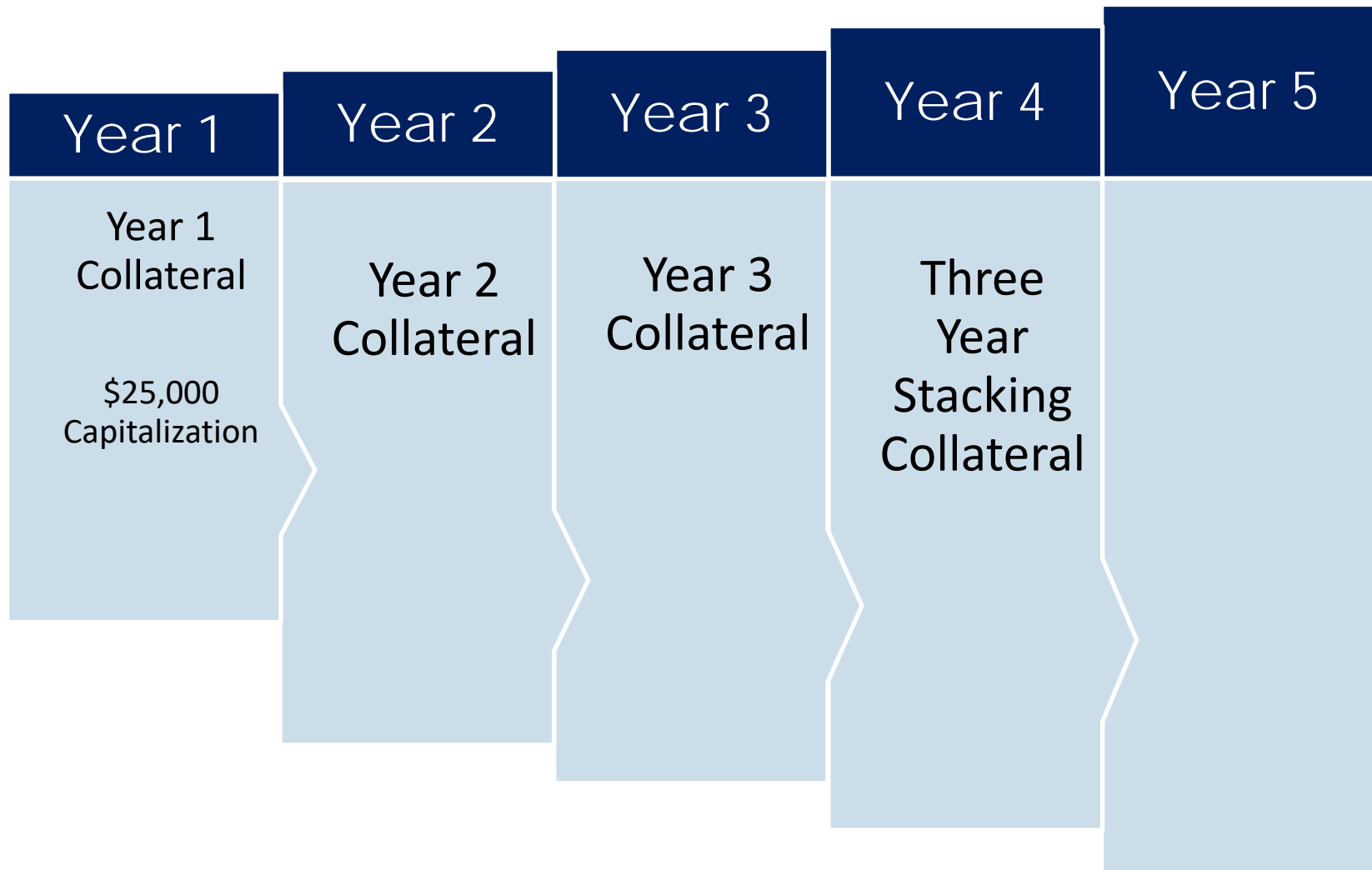
Captive
Considerations

**Capital
Contribution**

**Collateral
Requirement**

**Potential to
Share Risk**

**Assessment
Potential**



“We **learn** from each other, so you know more about the industry and how to **protect your workers** and your **company.**” – Captive Member



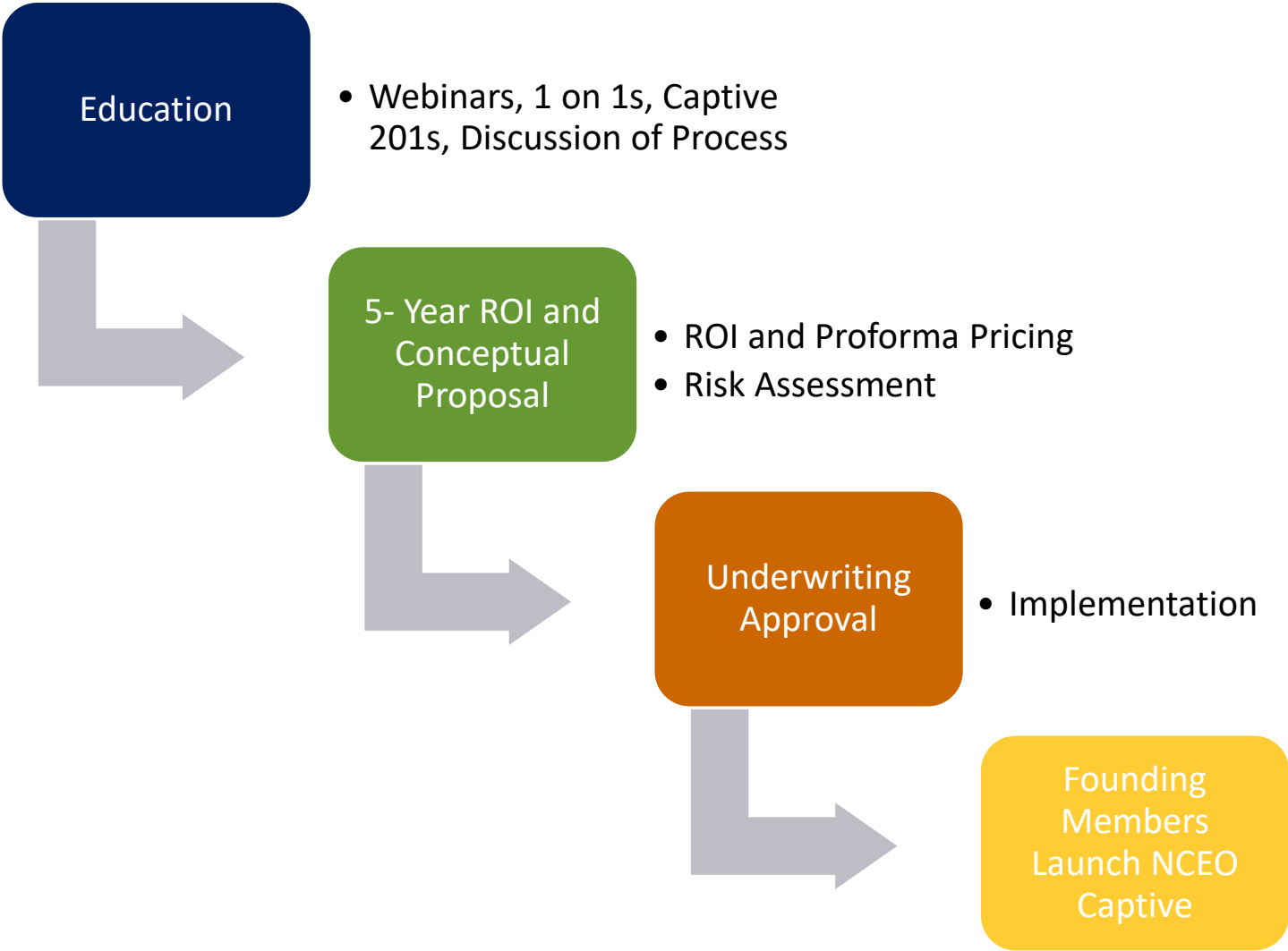
“Our **safety performance** is better than it ever was. We do a better job of **managing risk** when we do have incidents and it’s certainly been **financially beneficial.**” –
Captive Member



“If you have a **strong safety company**, you are subsidizing the weaker performers with the traditional insurance market. With captive insurance, we can **capitalize** on our strong safety performance.” – Captive Member



Next Steps



Thank you for attending “A Better Way Forward: NCEO Group Captive Solutions”



Visit <https://www.nceo.org/insurance> for more information.



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