



EXPLORING INTEREST – MANAGING RISK WITH EMPLOYEE OWNERSHIP GROUP CAPTIVE INSURANCE



Captive Program FAQs

1. What is a Group Captive?

A group captive is an insurance company that is formed by a group of organizations to help insure each other's business risks or health plan. A captive insurance company is an alternative to the traditional insurance market and is managed and owned by its policyholders.

2. What coverages are included in the NCEO Group Captive insurance program?

The NCEO will sponsor two separate traditional group captives. The first will be a group health insurance captive and the second captive will focus on Workers Compensation, General Liability, and Automobile insurance coverages.

3. Why should an ESOP company consider the NCEO Group Captive?

In most cases, employee-owned companies hire, train, communicate, and retain employees better than non-ESOP companies. Many ESOPs are more generous with benefits, more attuned to wellness and safety, while constantly looking for innovative ways to control costs. This leads to stronger cultures, better loss performance, and better than average risk profiles. Joining a NCEO captive allows ESOP companies to partner with their ESOP peers to reduce their annual insurance spend, gain access to Fortune 500 resources, and enhance the value of their ESOP.

4. What are the benefits of the NCEO Group Captive insurance program?

Captives provide a tremendous amount of control and transparency over the insurance process in addition to stabilizing and reducing insurance costs. Companies earn investment income and underwriting profit which is returned to them over time which also reduces insurance expense. Group captives also provide accountability and the sharing of best practices which leads to higher performing ESOP companies.

5. Why did the NCEO choose to sponsor a Group Captive program?

Our mission is to help employee ownership thrive and we believe this program will directly improve the financial health of participating ESOP companies. We also believe that the data collected by each captive will help us perform research beneficial to the ESOP community. Lastly, any economic benefit to the NCEO will allow us to support our mission of helping employee owned companies grow and thrive.

6. What is the profile of an ideal captive candidate?

Ideal captive candidates will have between 50 and 500 employees and/or more than \$25MM in revenue. Candidates with above average demographics, good historical claims experience, and a strong focus on safety, risk management, and employee wellness are ideal. In addition, ideal candidates will exhibit strong corporate leadership that values employees and embraces health and risk management efforts.

7. As an NCEO member, am I required to join both captives?

No, it's an offer. Participating in a group captive may not be a good fit for every company. Some NCEO members may choose to join one, both, or neither of the captives depending on a variety of factors including their size, loss performance, or risk tolerance.



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8. How are premiums determined each year for each participant?

Independent actuaries produce premiums that are developed based on analysis of the applicant's historical premiums, losses, exposures, and demographics. Expected loss funds are determined and costs for captive operating expenses are added. This transparent approach removes insureds from the hard and soft market cycle swings of the traditional P&C and health insurance markets.

9. How are the NCEO Group Captives managed?

We have partnered with Scott Insurance Services and Innovative Captive Strategies (ICS) to help us evaluate whether to design and launch our NCEO Group Captive programs. Scott is one of the oldest ESOPs in the country and has a dedicated focus on captive insurance. ICS is a captive management firm that specializes in Group Captive programs.

10. 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.

11. 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.

12. Does the captive require members to implement any risk management or wellness activities?

The suitability and effectiveness of risk management and wellness programs are deeply rooted in the culture and demographics of many ESOP companies. Therefore, our captive programs do not require formal risk or wellness programs, but they are strongly suggested, and those resources will be offered to members.

13. Can I continue to work with my current insurance agent / broker?

Yes. Your current agent or broker can play an important role in the risk management process, and we encourage their participation. If needed, you can also partner with a NCEO member that provides insurance placement services. Those companies are noted below.

14. Once my company is part of a group captive insurance program, 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.

15. Is a captive the same as self-insurance?

No. A group captive utilizes an independent actuary to calculate expected losses based on prior performance. The member pays for losses (i.e., premium) and the captive uses their group purchasing power to obtain excess coverage for large, catastrophic losses.

16. Do I get my premium back?

Premium dollars go towards captive operating expenses and your loss fund, which is used to pay claims. Investment income accrues within each member's loss fund. Any unused loss fund dollars and investment income are returned to members.



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

There is a possibility for members to share in the losses of another member. However, group captives purchase reinsurance and stop-loss coverage to limit the amount of risk sharing.

18. How do I learn more about the NCEO Group Captive programs?

We will be hosting an educational session to introduce the captive concept and evaluate whether to proceed with an opportunity to join. We will also have a NCEO Captive session in the Virtual Conference to answer questions. Our captive partners, ICS and Scott Insurance Services, will be supporting us to provide educational resources throughout the year which will include webinars, newsletters, videos, and additional in person meetings.

If you would like to learn more about the NCEO Group Captive programs you can complete the field below or contact Suzanne Vinson with the NCEO at 510-208-1306.