

• LIVE WEBINAR

The Captive Edge: From Standard to Superior

MONDAY, JULY 21, 2025 / 1:00 PM CST



**JUSTIN
WENZELMAN**

*Vice President of
Captives & Programs*



BRIAN GRANT

*Vice President of
Risk Management*



TAYLOR ORTON

*Vice President of
Employee Benefits*



EVAN HAYES

CEO at Fremont Farms

BEFORE WE BEGIN

- All attendees are in “LISTEN ONLY” mode.
- You can type in questions by using the question mark icon located on the top right portion of your GoToWebinar toolbar.
- Q&A at the end of the webinar.
- Additional questions can be emailed to: JWenzelman@cottinghambutler.com
- A recorded copy of the webinar and slides will be made available to all attendees.

AGENDA

- Cottingham & Butler captive credentials
- “What is a captive?”
- Why companies join captives
 - Alternative to the standard market
 - Greater control over claims
 - Controlling and Reducing Losses
 - Return of Underwriting profits
- Benefits Stop Loss Captive overview
- Client Testimonial

COTTINGHAM & BUTLER CAPTIVE CREDENTIALS



- Offering member-owned group captives since 1993
- 12 captives currently under advisement
- 99% member renewal retention rate
- Integrated service model
- 400+ members and counting
- Over \$350M annual captive premium
- Over \$325,000,000 in dividends returned

WHAT IS A CAPTIVE?

An insurance company owned by its member insureds

Concept: Retain losses that are predictable and transfer losses that are not.

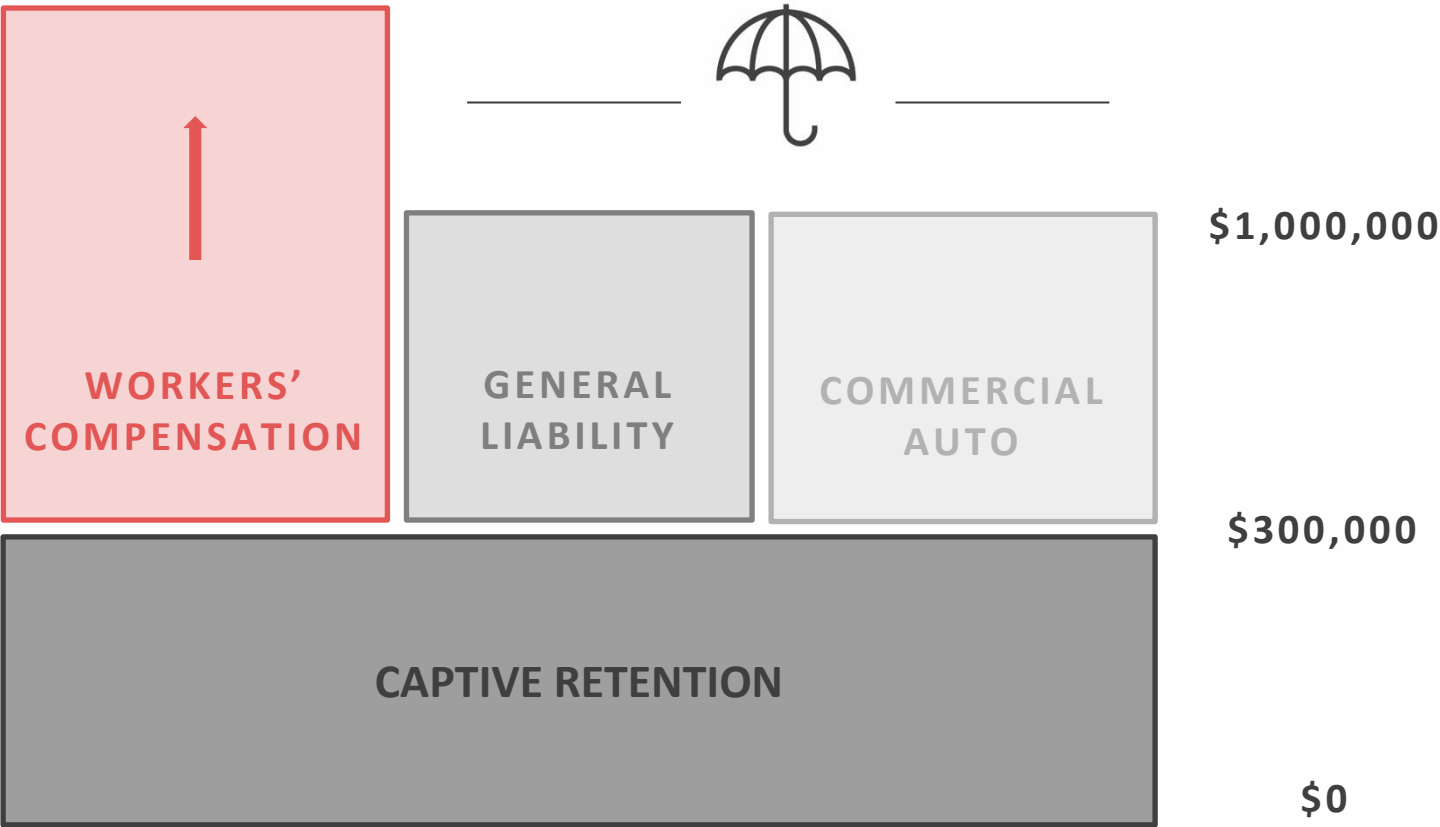
Frequency losses that are controlled through:

- Proactive Safety Services
- Claims Management

Severity losses are managed through:

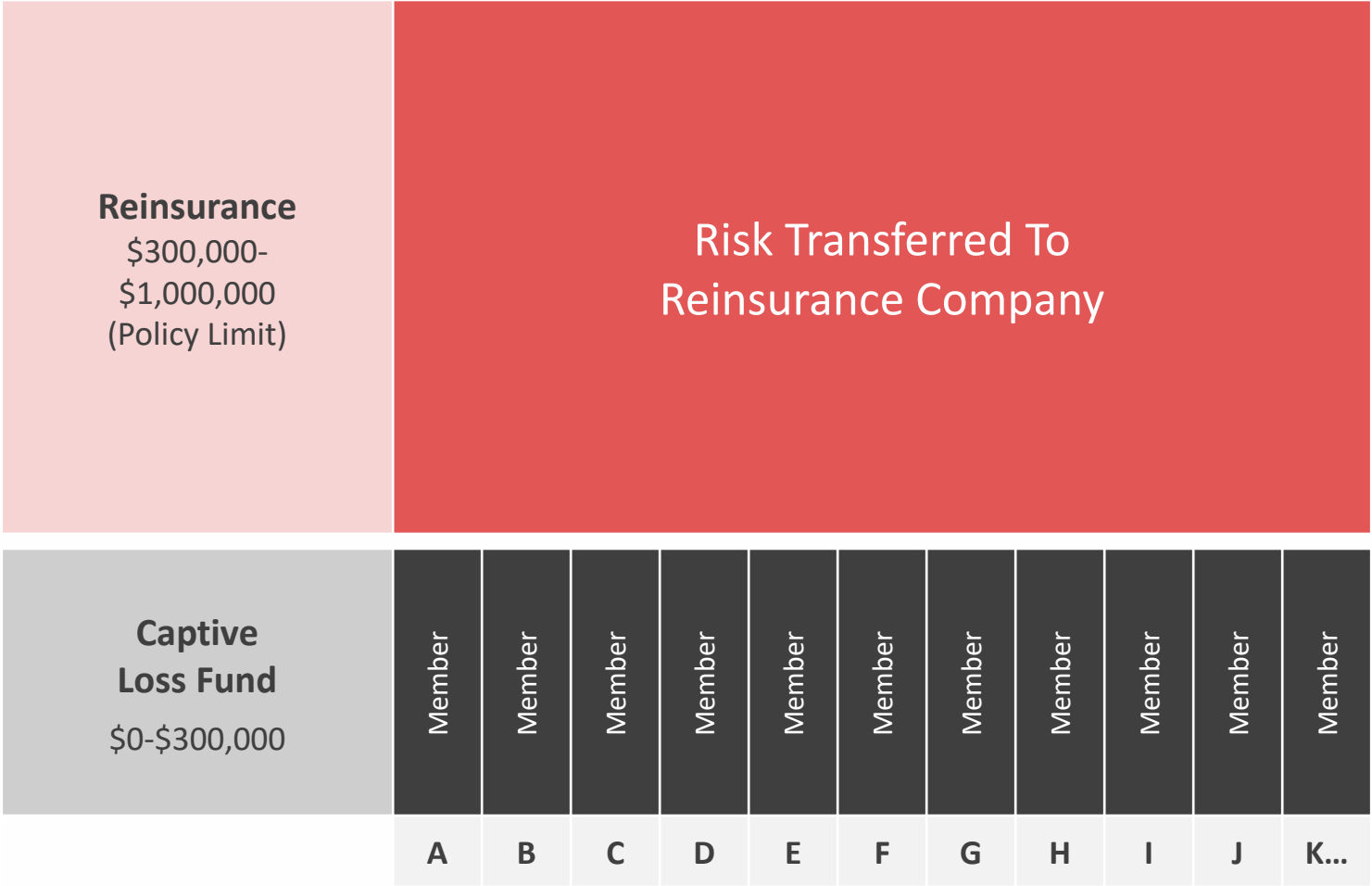
- Risk Sharing
- Reinsurance

CAPTIVE LINES OF COVERAGE



CAPTIVE STRUCTURE

*Primary Fund
Excess Fund*



WHY COMPANIES JOIN CAPTIVES?

1

**An Alternative to the
Standard Market**

2

**Greater Control over
Claims Management**

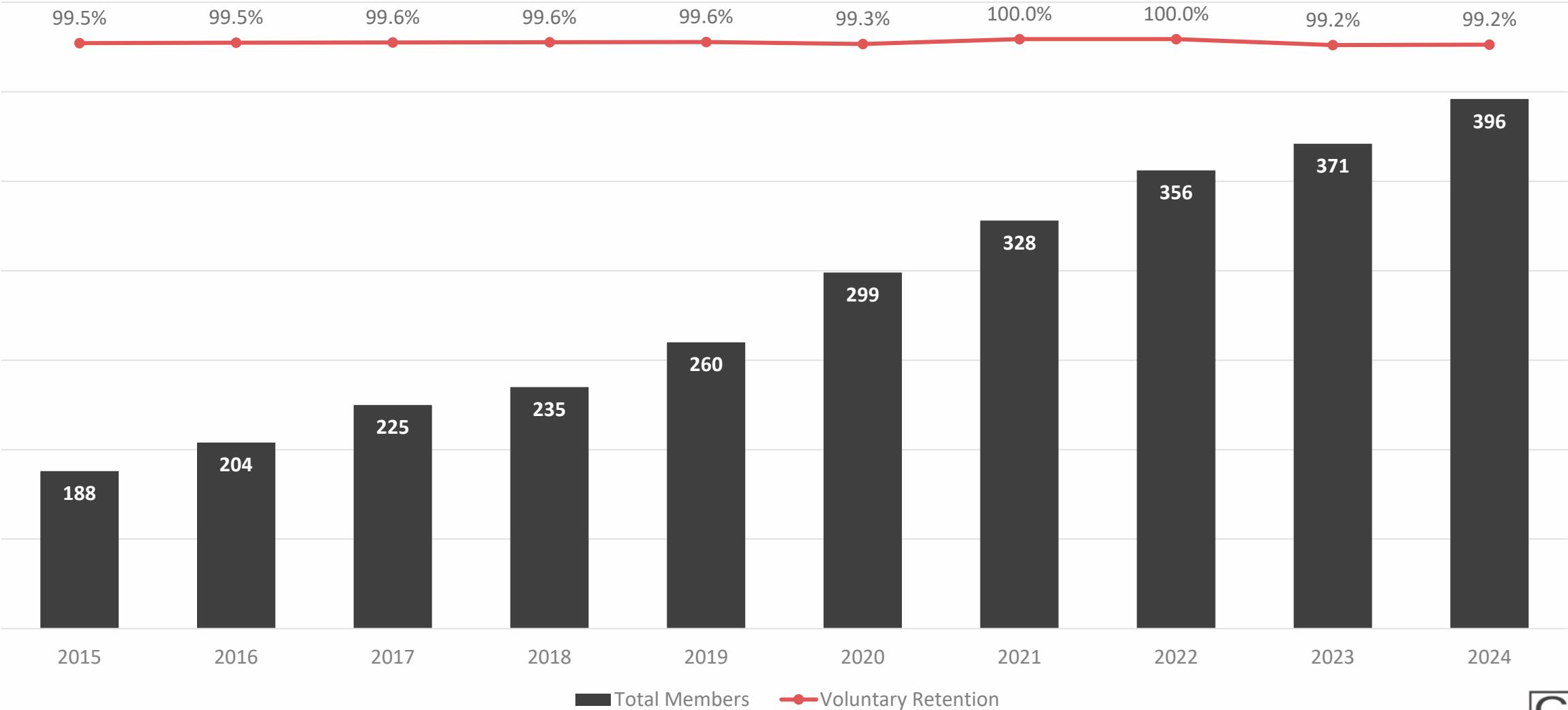
3

**Controlling and
Reducing Losses**

4

**Return of
Underwriting Profits**

C&B CAPTIVE MEMBER VOLUNTARY RETENTION (LAST 10 YEARS)



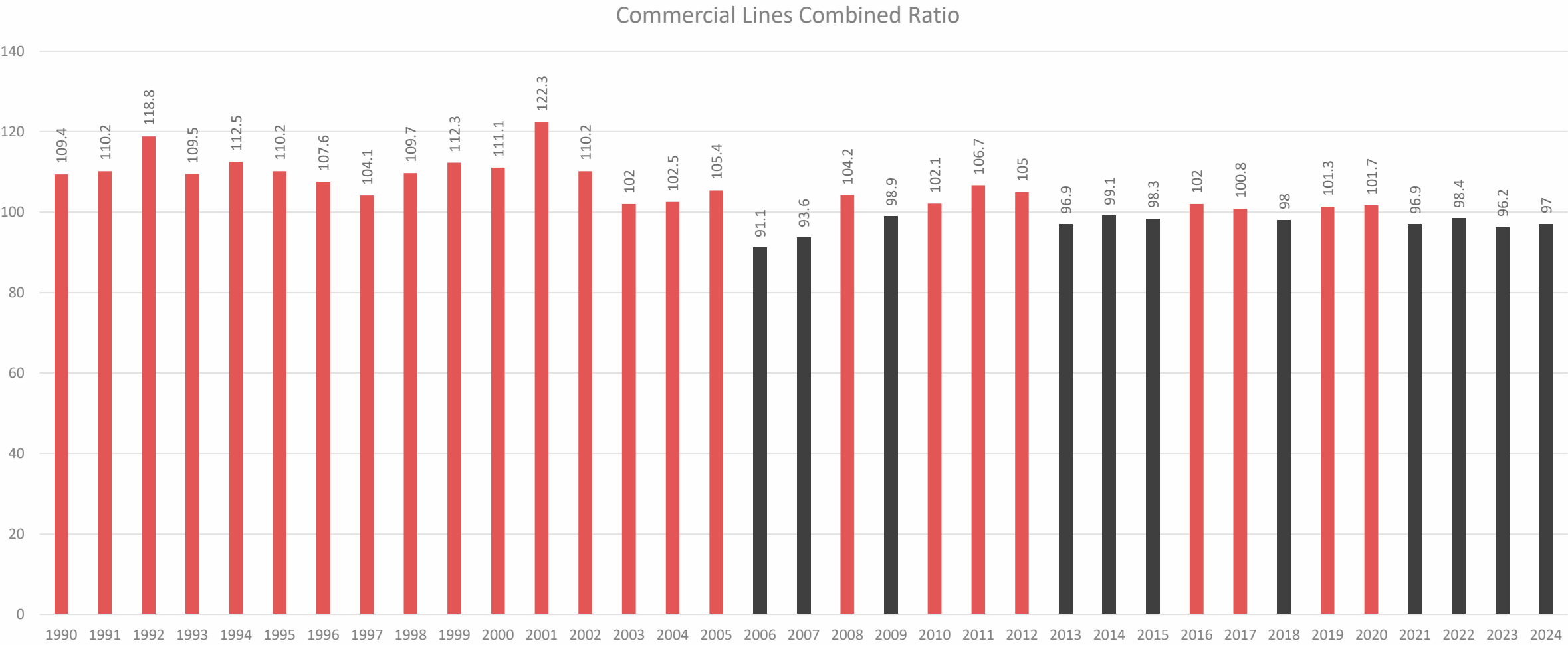
Why Companies Join A Captive?

An Alternative to the Standard Market

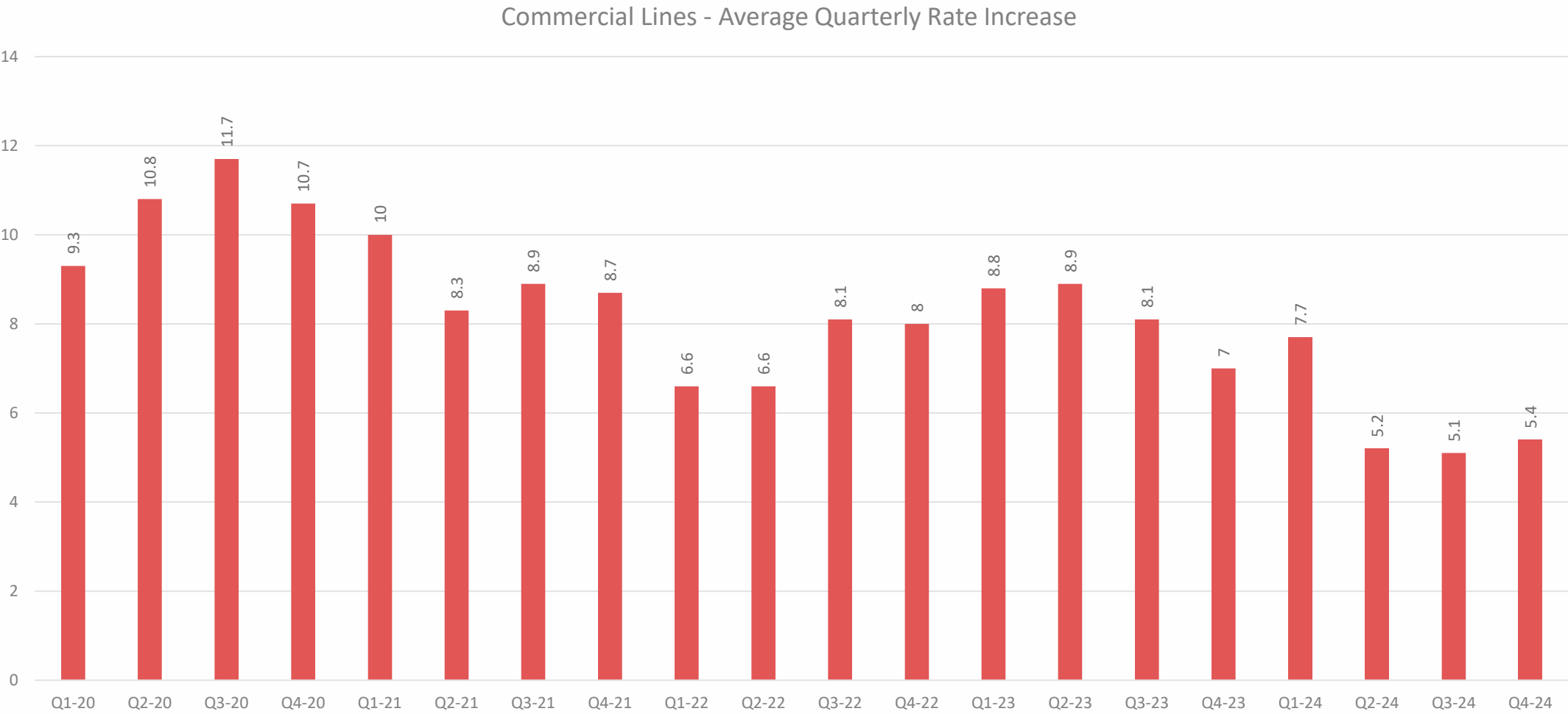
CHALLENGES OF THE STANDARD MARKET

- Pricing is cyclical
- Better risks subsidize the worse
- Last-minute renewals
- Poor communication
- Minimal resources to help you reduce one of your largest expenses
- Insurance company retains underwriting profit and investment income

STABILITY IN THE STANDARD MARKET?



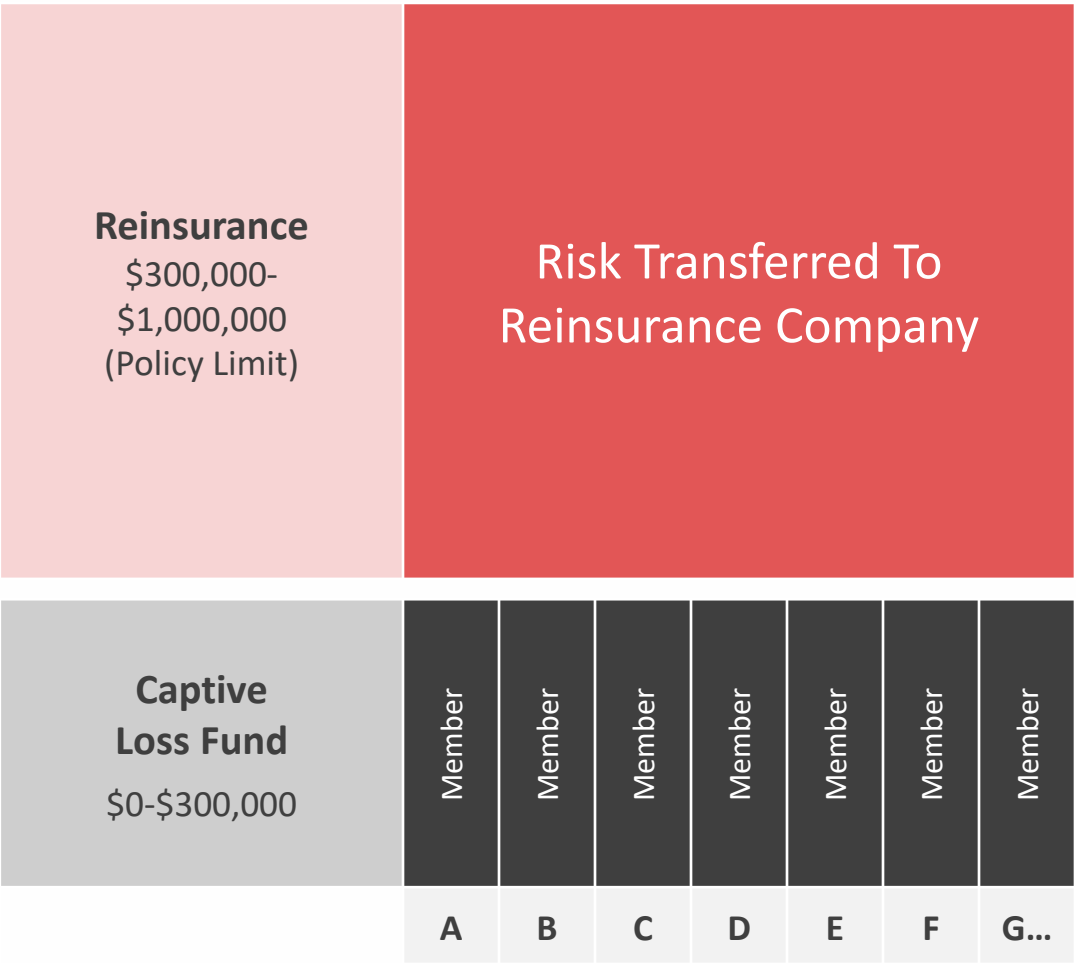
STABILITY IN THE STANDARD MARKET?



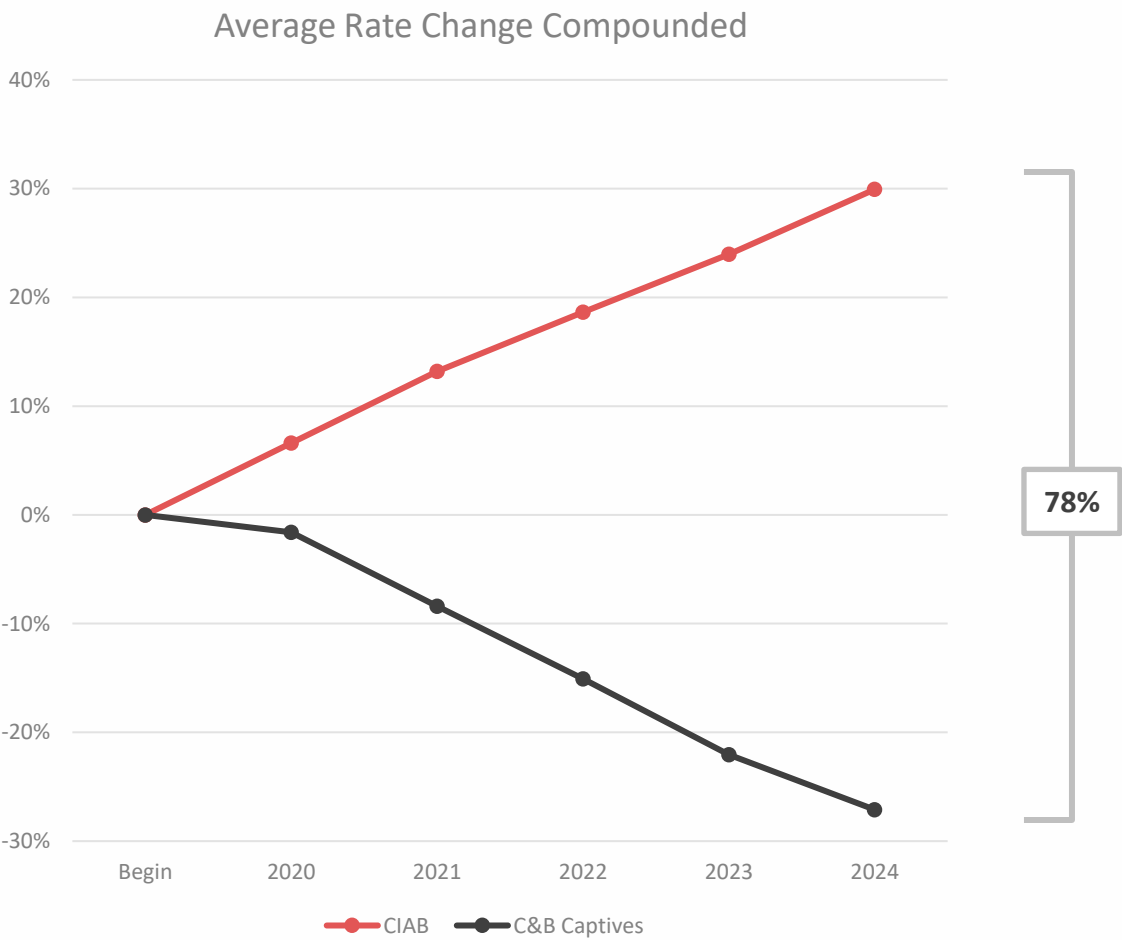
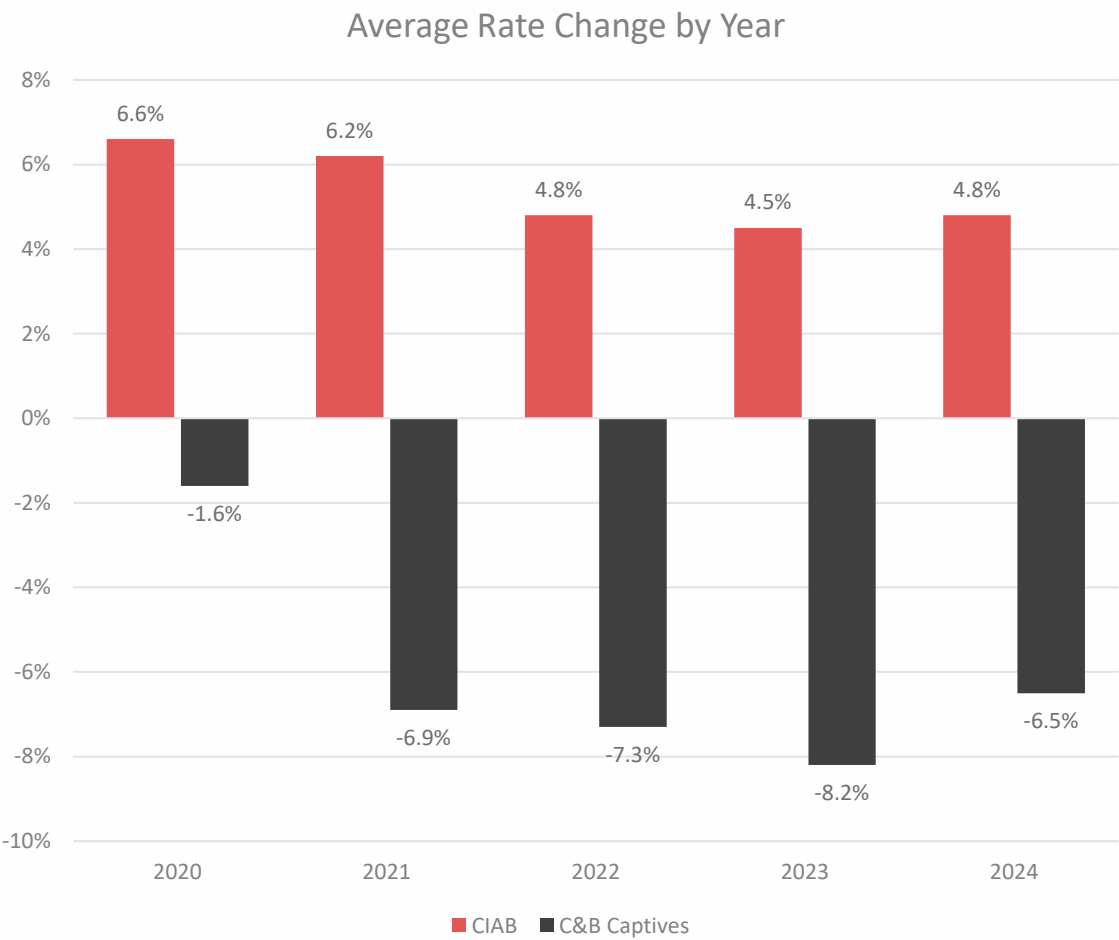
HOW DOES THE CAPTIVE BEAT THE STANDARD MARKET?



The best risks are leaving the market and will not return – leaving an adverse selection that affects those that remain.

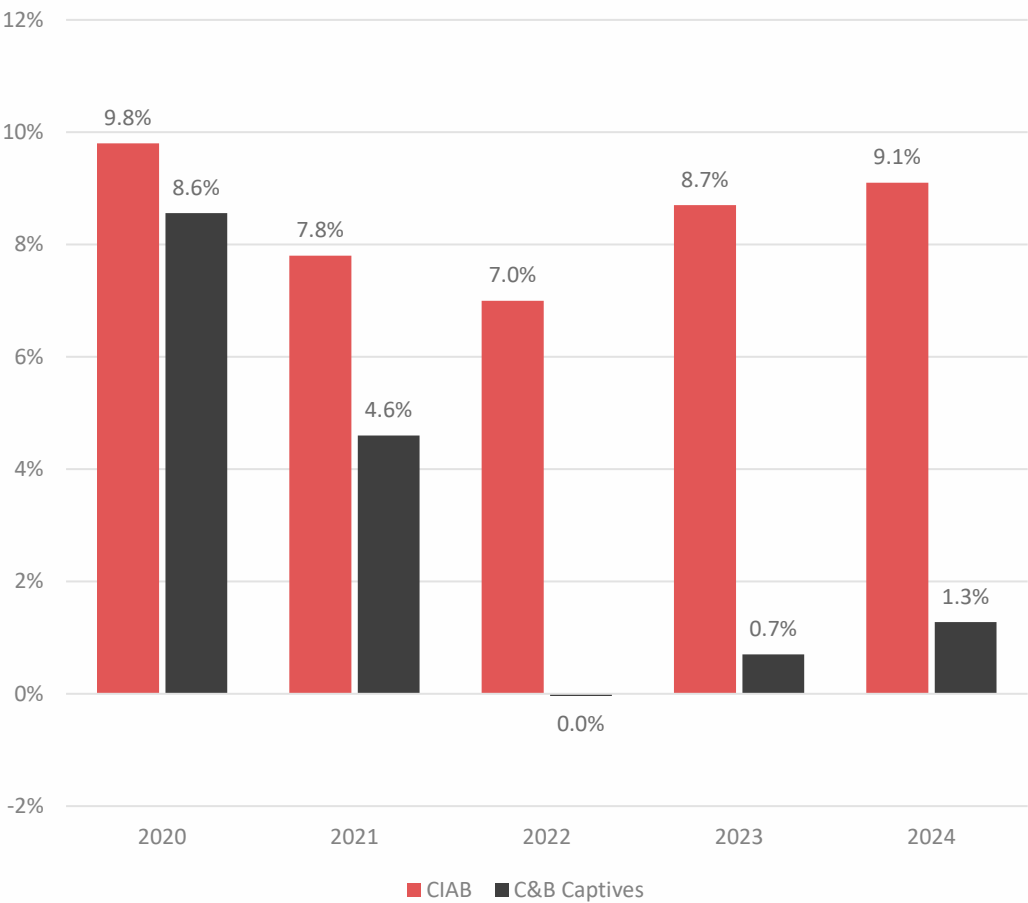


PROOF OF A BETTER ALTERNATIVE: GENERAL LIABILITY

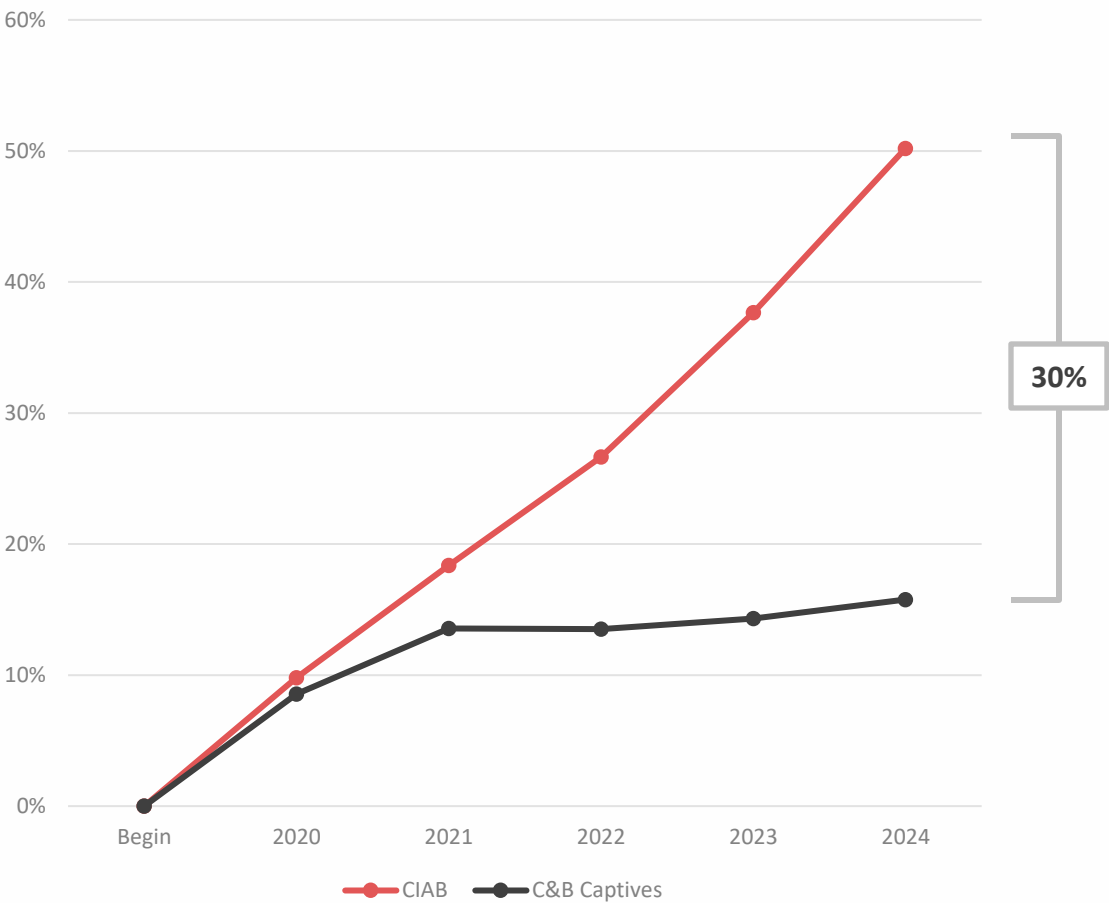


PROOF OF A BETTER ALTERNATIVE: COMMERCIAL AUTO

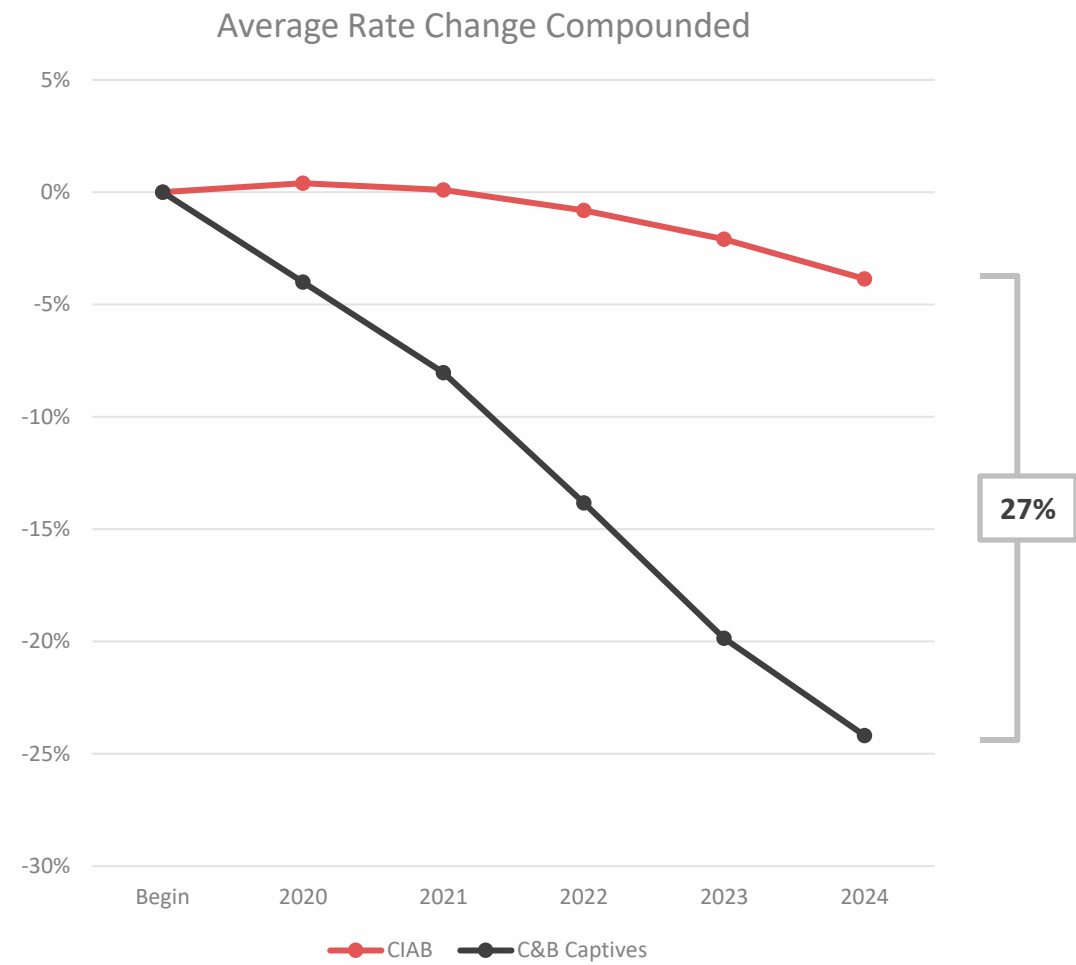
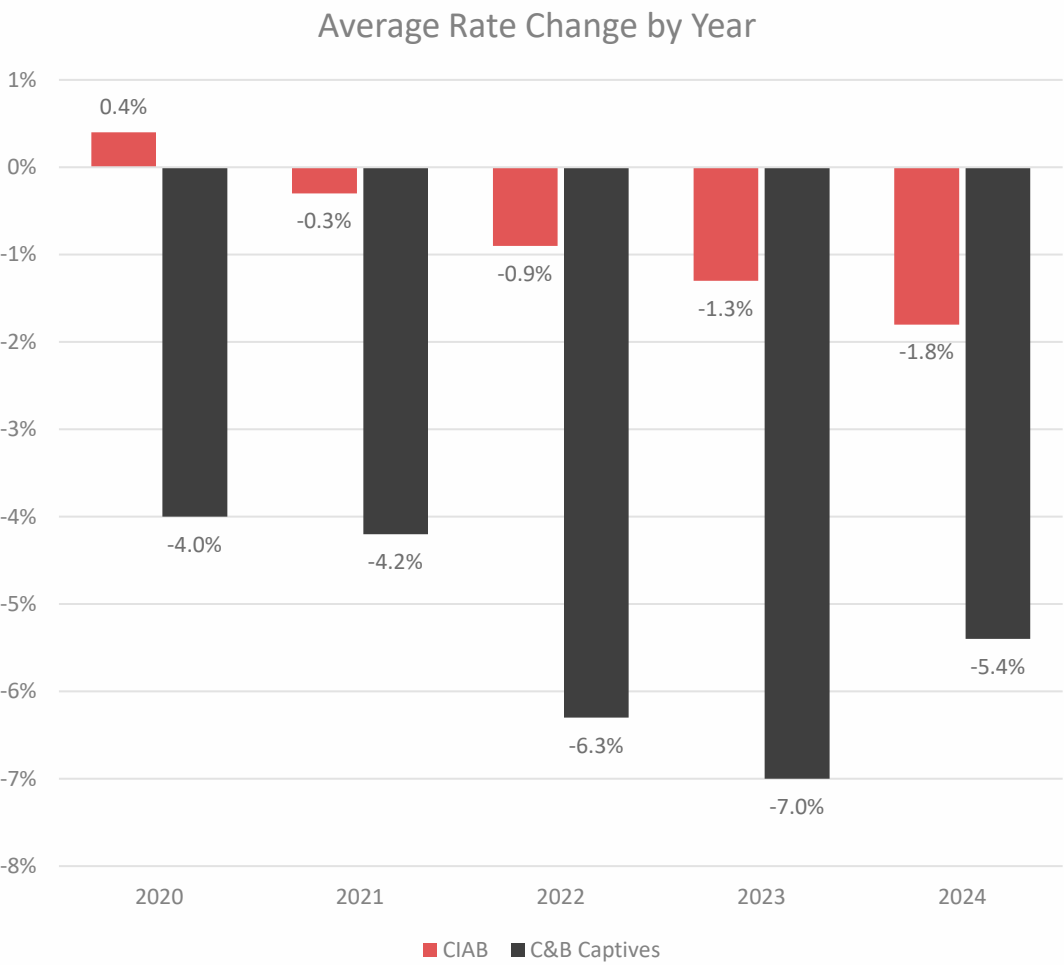
Average Rate Change by Year



Average Rate Change Compounded



PROOF OF A BETTER ALTERNATIVE: WORKERS' COMPENSATION



LAST MINUTE RENEWALS: A Thing of the Past

*Captive renewal terms in 2024 have been released an average of **50** days out from renewal date.*

Captive	Renewal Date	Renewal Terms	Lead Time
Trucking 2009	01/01/2024	11/06/2023	56
Trucking 1993	03/01/2024	01/09/2024	52
Food/Ag 2021	03/01/2024	01/08/2024	53
Hetero 2002	04/01/2024	03/04/2024	28
Trucking 2001	05/01/2024	03/19/2024	43
Hazmat 2019	06/01/2024	04/03/2024	59
Trucking 2019	08/01/2024	06/24/2024	38
Trucking 2016	09/01/2024	07/15/2024	48
Trucking 2004	10/01/2024	07/31/2024	62
Construction 2008	11/01/2024	09/03/2024	59

Why Companies Join A Captive?

Greater Control Over Claims Management

A BETTER CLAIMS EXPERIENCE

Helping to reduce the cost of those claims that do occur;

- All claims handled in-house by CBCS
- Single point of contact for your adjuster
- Input in settlement authority
- Input in what to fight and what to pay



THE CBCS CAPTIVE ADVANTAGE

Area of Inquiry	CBCS	Standard Market
Claim Reporting	24/7/365	?, Good luck
Assignment	Dedicated adjuster for all claims	Multiple adjusters; Medical-only, Indemnity, Subrogation
Claim Reviews	Client determines frequency	Conference call with multiple adjusters
Reserving	Fact/experience-based Client in the know	Formula Diagnostic codes Actuarial study
Settlements	Client in the know	Pay it and close it

A blurred background image of a business meeting. In the foreground, a person's hands are visible, holding a pen and pointing at a tablet. On the desk, there is a laptop, a notebook with a pie chart and line graph, and some papers. A small potted plant is on the left. The overall scene is dimly lit, with a dark overlay for text.

Why Companies Join A Captive?

Controlling and Reducing Losses

SAFETY THAT WORKS FOR YOU

Helping to reduce the frequency and exposure of those that do occur;

- Benchmark against yourself and your peers
- Proven program that reduces loss frequency
- Put you in control of your premiums
- Rewards YOU for investments in safety and claim experience – NOT the insurance company



SAFETY SERVICE PROGRAM: KEYS TO SUCCESS

1. Onsite Consultation

- Scored Safety Assessment
- Risk Improvement Process

2. Professional Development

- Risk Control Workshops
- Safety Webinars

3. Safety Communication and Employee Involvement

- Safety Breaks
- Accident Countermeasures
- Access to Safety Resource Website

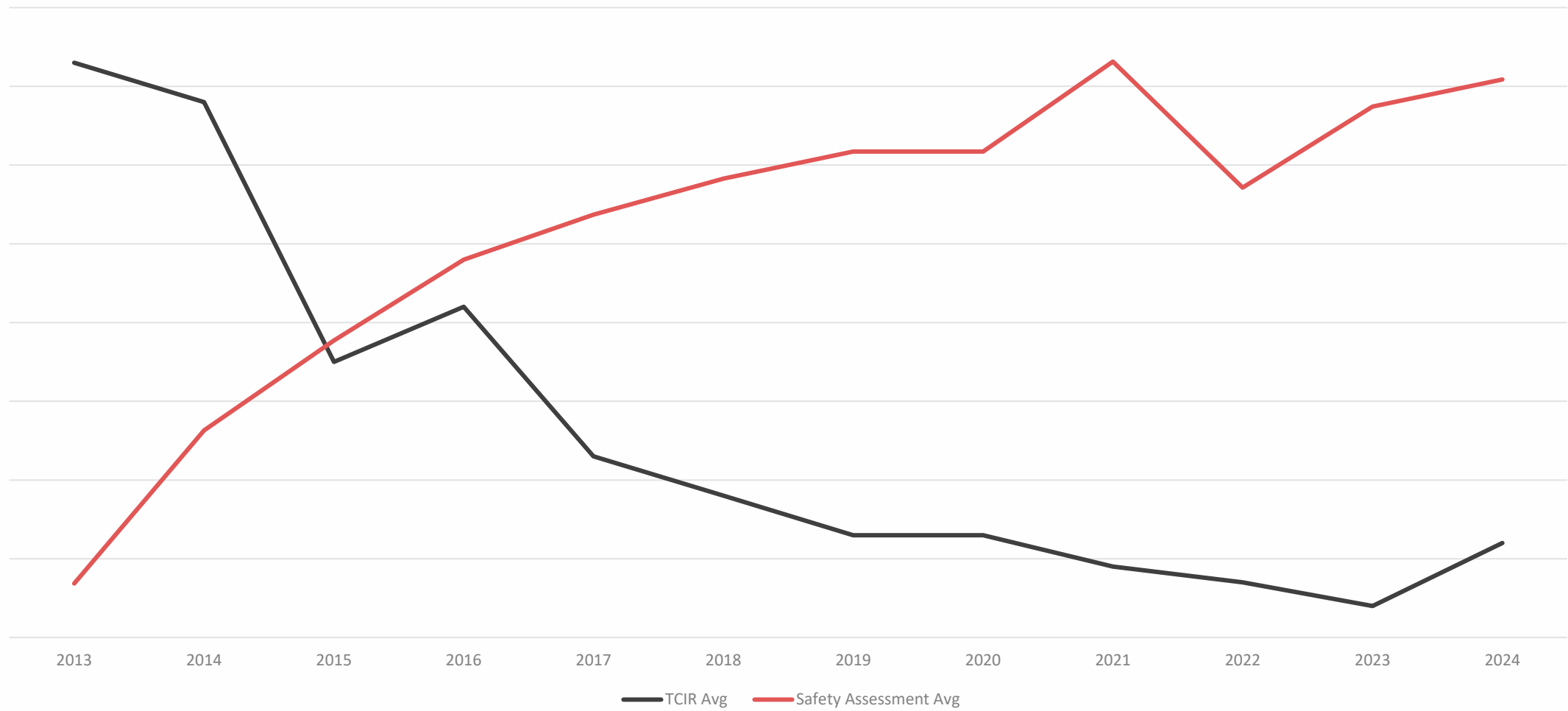
4. Accountability Process – Continuous Improvement



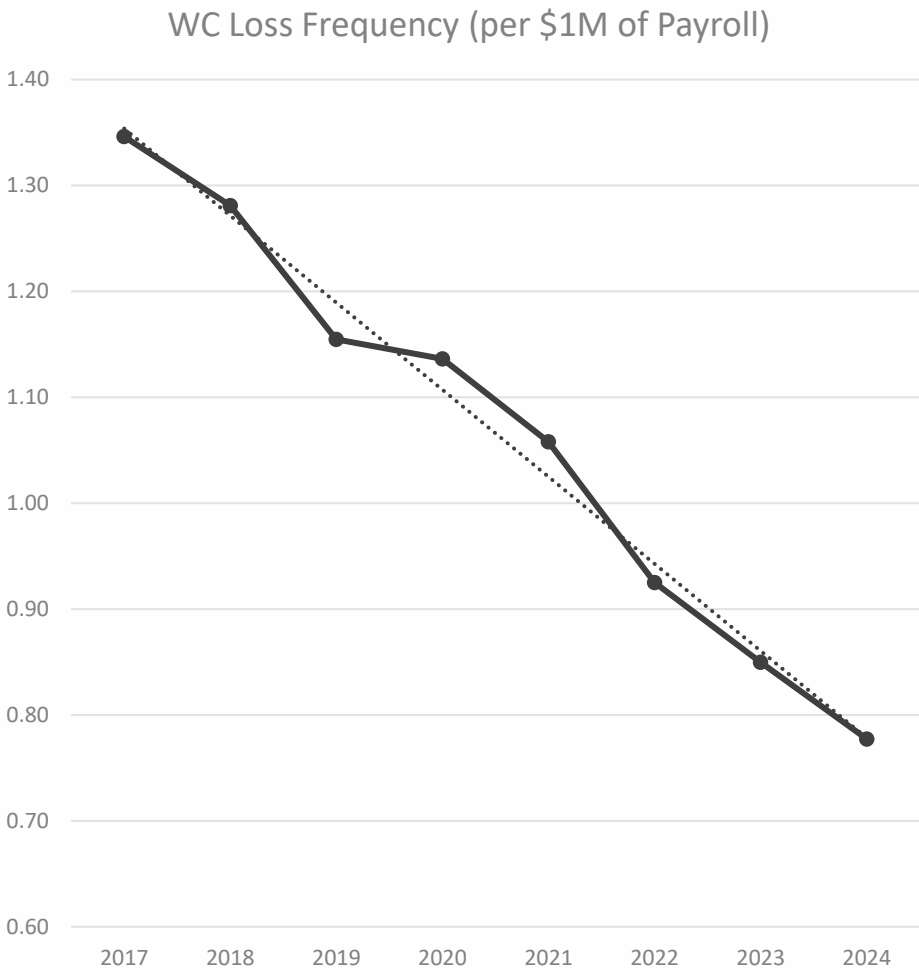
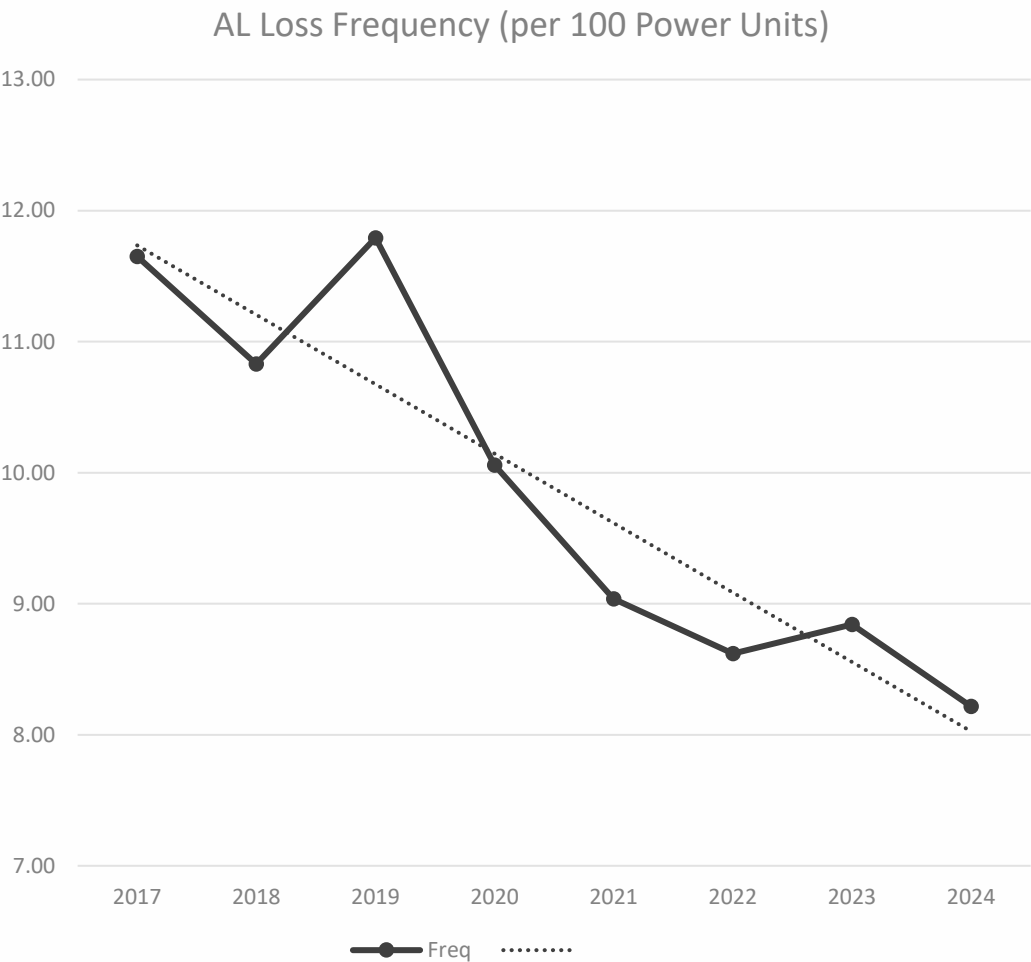
CAPTIVE SAFETY PERFORMANCE SCORECARD

MEMBER NAME	GAP ANALYSIS (PY 2020)		TCIR (CY 2019)		DAFWII (CY 2019)		WC PRIMARY FUND LOSS RATE (PER \$1 PAYROLL)		AL PRIMARY FUND LOSS RATE (PER UNIT)		GL PRIMARY FUND LOSS RATE (PER \$1,000 REVENUE)		WC LAG TIME < 7 DAYS (PY 2019 & PY 2020)		WC CLAIMS PER \$1M PAYROLL		WC OVERALL LOSS RATE (PER \$1 PAYROLL)		FINAL RANKING		
	Gap Analysis Score	Ranking	% above/below	Ranking	% above/below	Ranking	3-Year Avg.	Ranking	3-Year Avg.	Ranking	3-Year Avg.	Ranking	WC Lag Time	Ranking	3-Year Avg.	Ranking	3-Year Avg.	Ranking	Total Points	Average	Final Rank
Member 1	98%	2	-21%	11	-100%	1	0.0046	5	0.0	1	0.0000	1	2.00	5	1.3887	9	0.0046	5	41	4.10	1
Member 2	64%	20	-100%	1	-100%	1	0.0012	1	116.8	7	3.4205	12	0.00	1	0.3721	2	0.0012	1	56	5.60	2
Member 3	91%	5	-75%	4	-100%	1	0.0096	10	52.8	4	0.0064	6	3.80	11	0.6301	4	0.0096	8	57	5.70	3
Member 4	97%	3	-65%	6	-22%	15	0.0040	4	123.8	8	0.4421	9	1.33	2	0.5466	3	0.0040	4	60	6.00	4
Member 5	91%	5	-66%	5	-100%	1	0.0065	6	10.2	2	0.9763	10	22.00	15	0.1701	1	0.0088	7	60	6.00	4
Member 6	71%	17	-17%	12	-100%	1	0.0033	2	153.1	9	0.0000	1	7.33	12	0.7268	5	0.0033	2	68	6.80	6
Member 7	80%	14	-45%	8	-100%	1	0.0039	3	3626.2	13	0.0761	8	1.40	3	1.7474	11	0.0039	3	69	6.90	7
Member 8	80%	14	-80%	3	-31%	14	0.0079	7	156.5	10	0.0000	1	7.67	13	0.8421	6	0.0079	6	77	7.70	8
Member 9	97%	3	-8%	14	-58%	12	0.0303	13	56.5	5	0.0023	5	1.80	4	3.2884	12	0.0477	13	93	9.30	9
Member 10	91%	5	46%	18	138%	21	0.0125	11	29.6	3	0.0326	7	3.22	9	4.1435	13	0.0125	9	98	9.80	10
Member 11	91%	5	76%	20	37%	17	0.0088	9	719.2	12	0.0000	1	2.67	8	0.9384	7	0.0363	12	100	10.00	11
Member 12	91%	5	41%	17	-63%	11	0.0132	12	73.4	6	3.5660	13	20.80	14	1.1011	8	0.0181	10	107	10.70	12
Member 13	99%	1	53%	19	-38%	13	0.0084	8	449.5	11	1.6548	11	3.53	10	1.5294	10	0.0199	11	107	10.70	12
GROUP PERFORMANCE	84%		-9%		-40%		0.0097		217.4		0.8156		6.16		1.4298		0.0136				

REAL RESULTS: SAFETY ASSESSMENT SCORE VS TOTAL CASE INCIDENT RATE



REAL RESULTS: DECREASING LOSS FREQUENCY



Why Companies Join A Captive?

Return of Underwriting Profits

ABILITY TO EARN DIVIDENDS BASED ON PERFORMANCE

GUARANTEED COST



100% of premium is sunk cost.
Limited opportunity to reduce
the cost of insurance.

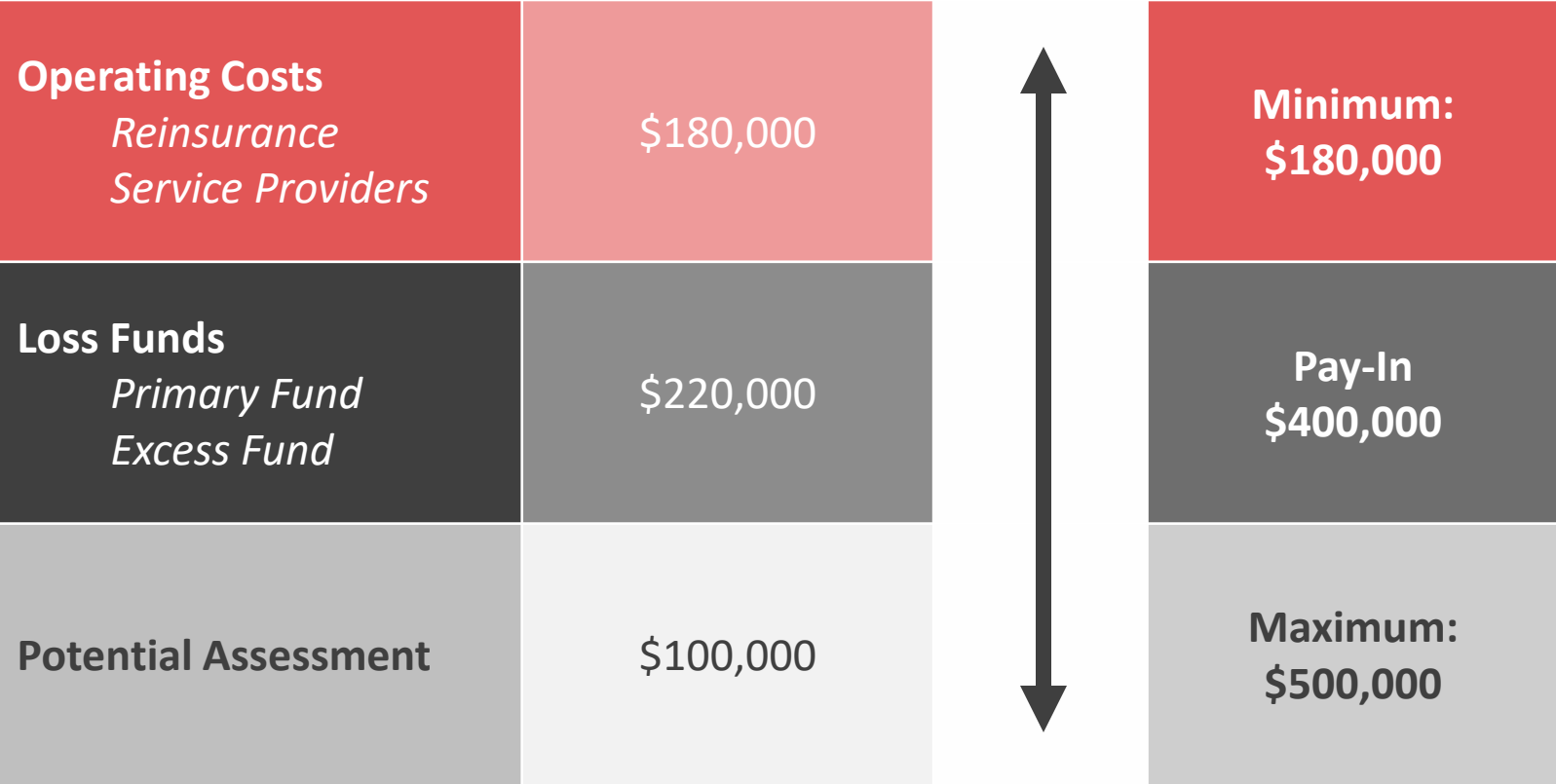
CAPTIVE PROGRAM



A portion of premium goes
towards operating costs. The
remainder of premium is an
opportunity to earn back.

SAMPLE MEMBER PREMIUM

Sample member is paying \$400,000 in total pay-in premium



LOSS EXAMPLE: A TYPICAL YEAR

Sample member has \$80,000 in total claims that fall within the captive retention

Policy Limit



\$300,000

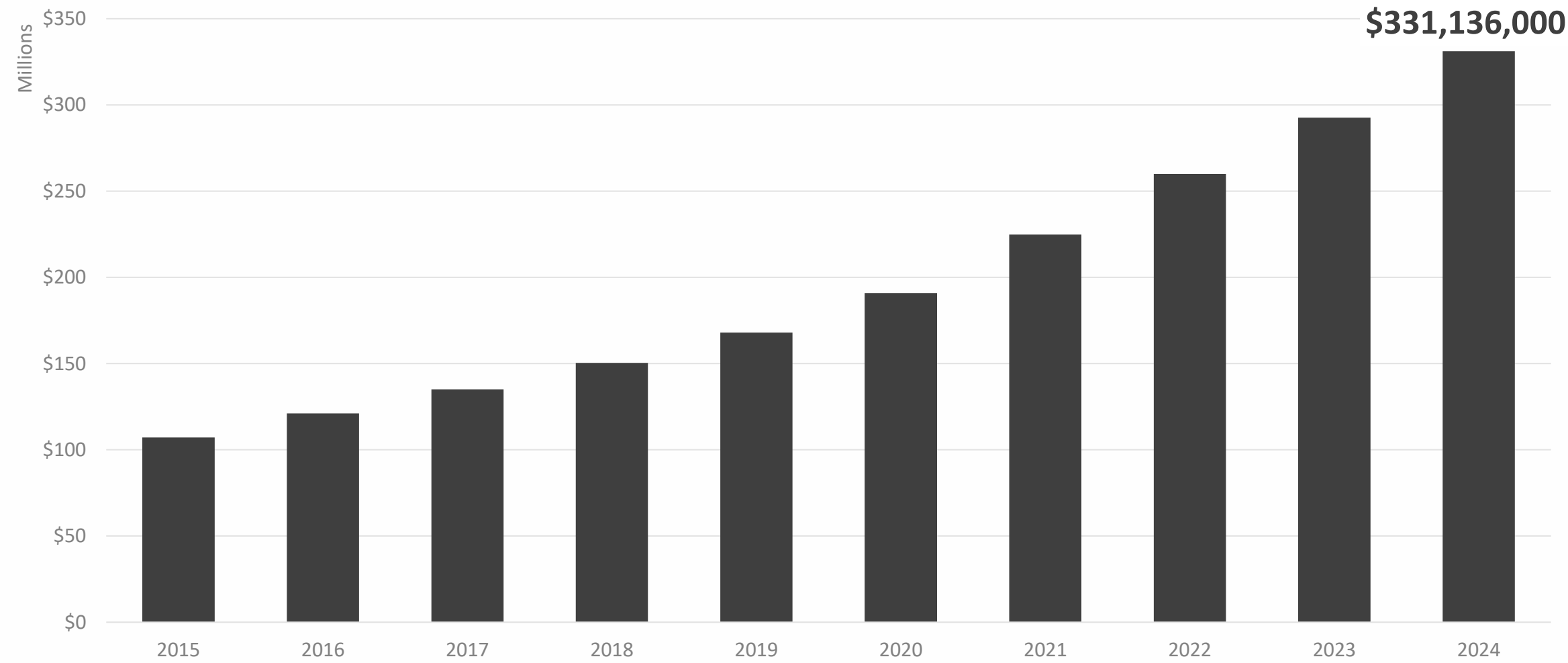


\$0

LOSS FUND ACCOUNTING

\$220,000	Beginning Balance
<i>-\$80,000</i>	<i>Total claims within captive retention</i>
<hr/>	
\$140,000	<i>Remaining Loss Fund Balance</i>

HISTORICAL DIVIDENDS: LAST 10 YEARS

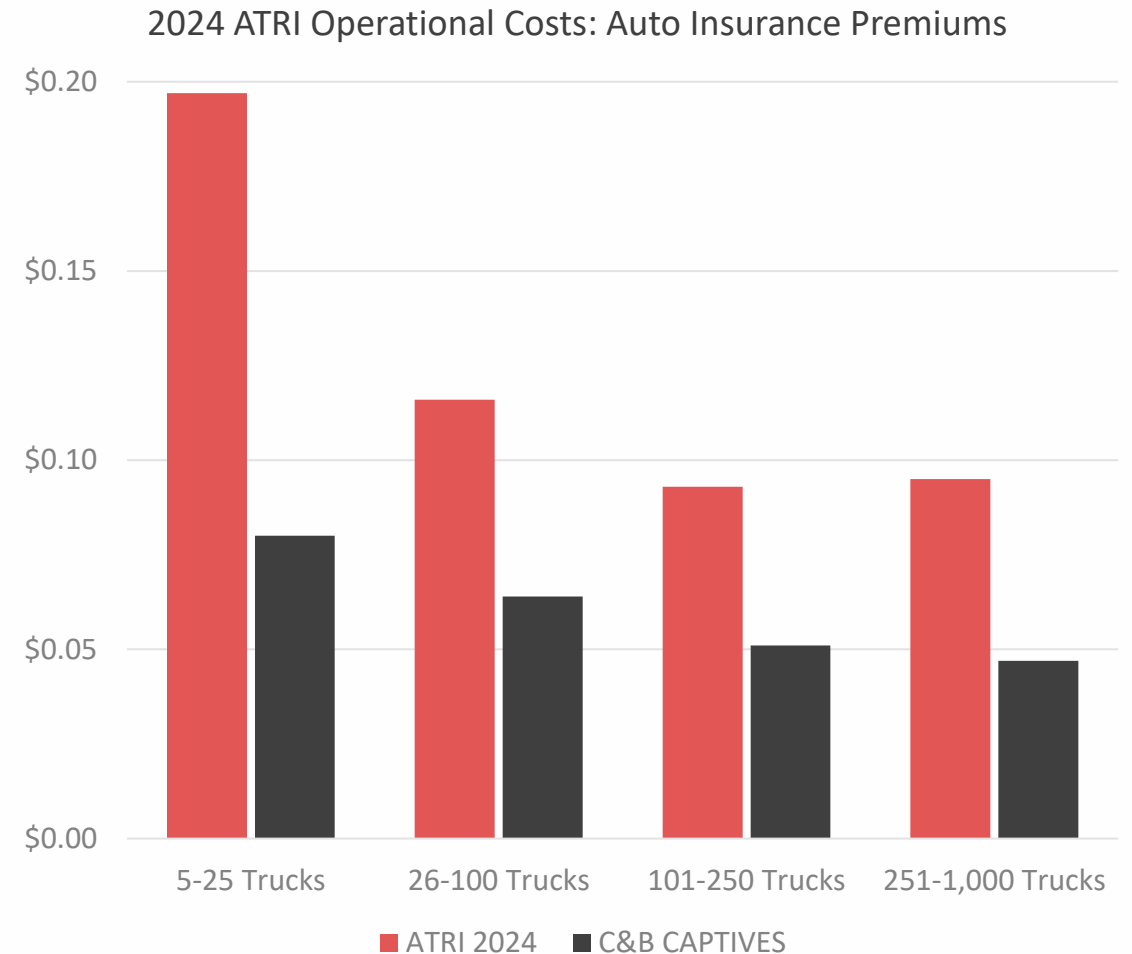


CAPTIVE CONSIDERATIONS

- Captive domiciled in Grand Cayman
- One-time stock purchase to become a member-owner
- Collateral requirements – to secure potential assessment, protect membership
- Investment income generated
- Each underwriting year stands on its own
- Two board meetings per year
- Two risk control workshops per year

IN SUMMARY: WHY CAPTIVE COSTS ARE LOWER

- Pay-in premiums are actuarially calculated based on your actual losses
- Membership comprised of only the best risks
- Member involvement and idea sharing
- Optimized risk management; claims and safety
- Retain underwriting profit
- Retain investment income



What is Guide Re?

High-Performance Member Owned Health Insurance Captive



*Like-
minded
employers*



Stability



Control

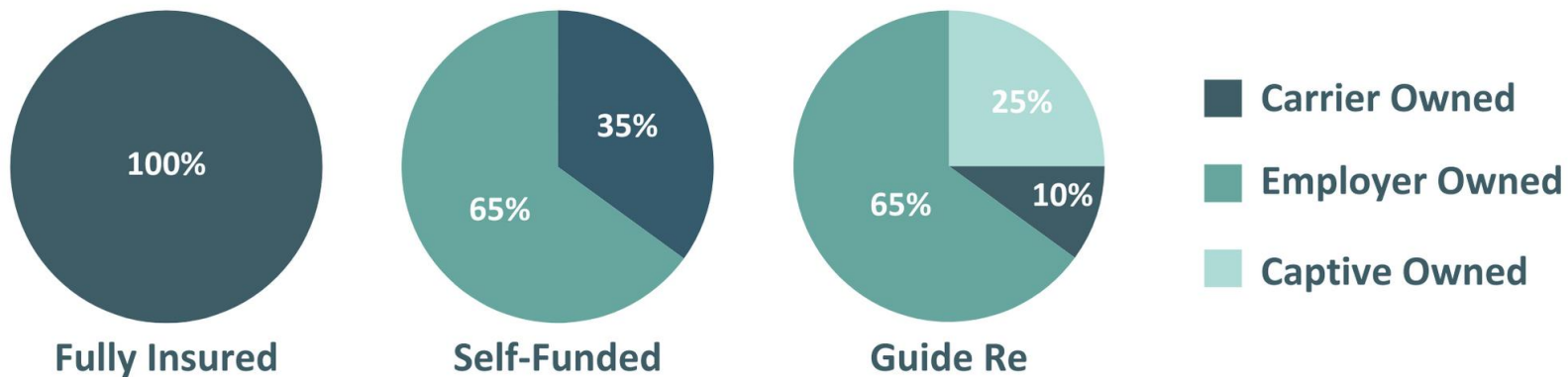


*Return of
underwriting
profits*

BUT FIRST, LET'S UNDERSTAND THE HEALTH INSURANCE FUNDING TYPES

While there are some in-between options, most common funding arrangements are fully insured and self-funded for health insurance. Captives are a program built for self-insurance.

- When **fully insured**, you pay a premium to an insurance company and they pay 100% of claims.
- When **self-insured**, you pay the smaller claims to remove carrier margin and insure only the larger claims.
- When **self-insured in a captive**, you pay the smaller claims still, but also share in some of the larger claims risk with other employers instead of shifting all risk to a carrier. Further reducing carrier profit and increasing your opportunity to return premium expense to your bottom line.



WHY EMPLOYERS ARE CONSIDERING CAPTIVES FOR HEALTH INSURANCE

Fully Insured Employers



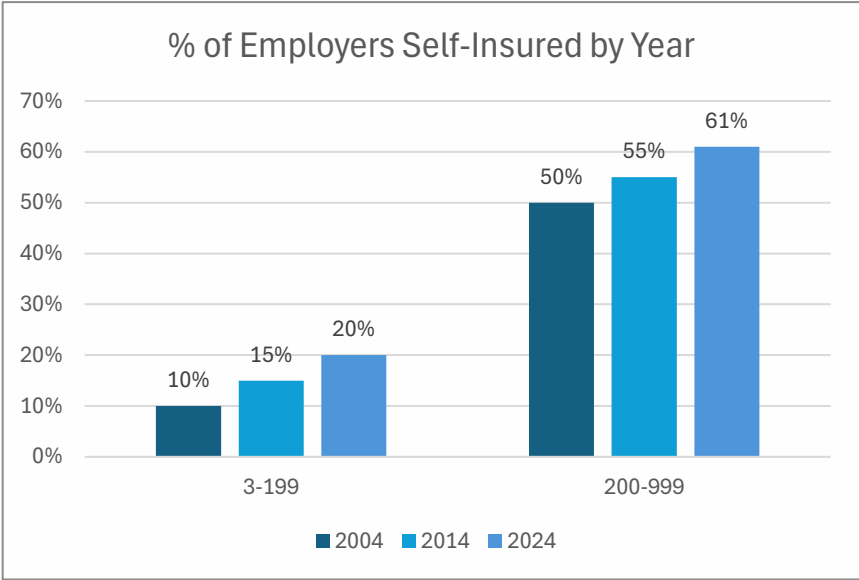
- ☐ Transparency into claims data
- ☐ Flexibility to impact claims w/ strategy
- ☐ Reduce carrier profits & misalignment
- ☐ Maintain cost stability

Self-Insured Employers



- ☐ Increase stability in stoploss renewals
- ☐ Improve contractual language
- ☐ Buy insurance with similar peer group
- ☐ Opportunity for returned premiums

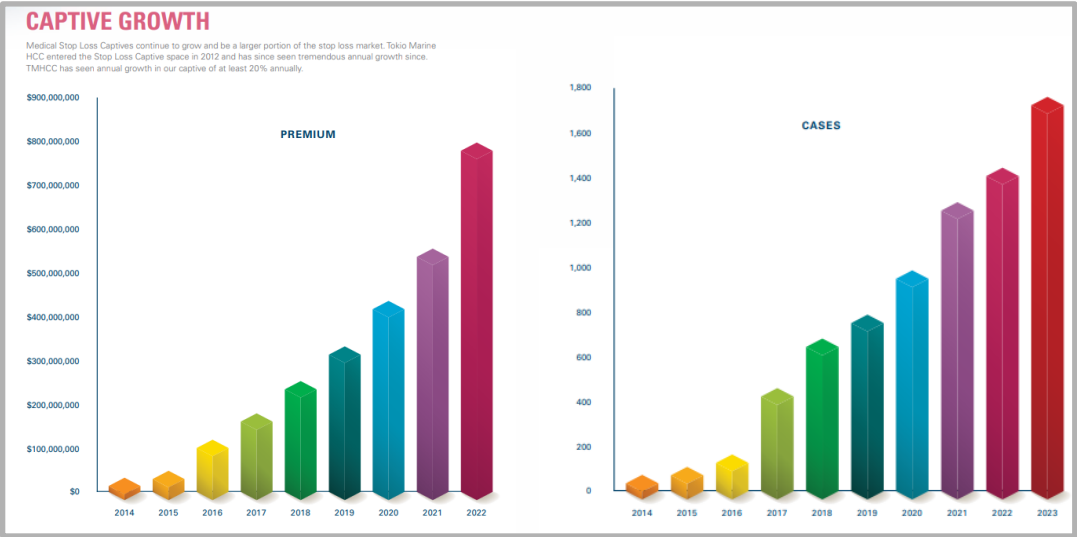
THE DATA DOESN'T LIE –SELF INSURANCE AND CAPTIVES ARE ON THE RISE



Source: Kaiser Family Foundation Annual Benefits Survey

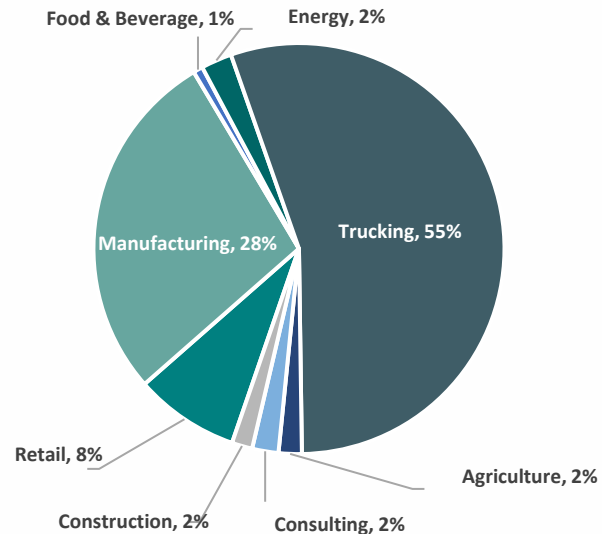
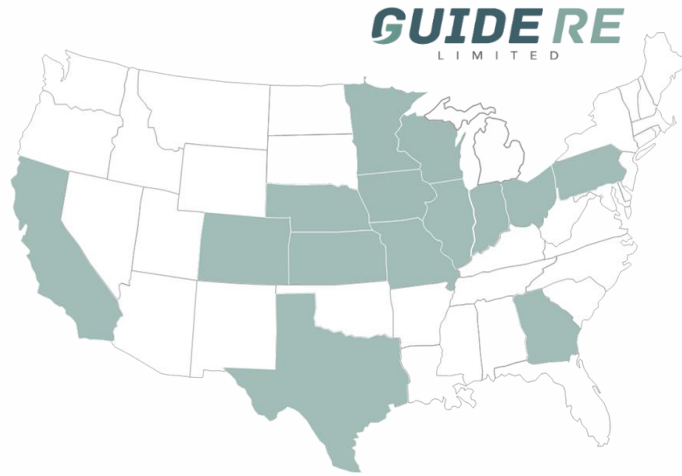
In the last 20 years, self insurance prevalence as doubled in the under 200 employee space. In the 200+ market, a 20% increase in prevalence, as employers are fed up with the fully insured model.

In just the last 10 years, one of the largest stoploss insurers in the market (HCC – TokioMarine) has gone from almost no captive premium to over \$1B in premium in 2024 with 2K+ employers. This growth is only projected to continue.



Source: TokioMarine HCC Annual Market Report - Stoploss

GUIDE RE CAPTIVE BY THE NUMBERS



Launched 1/1/2021

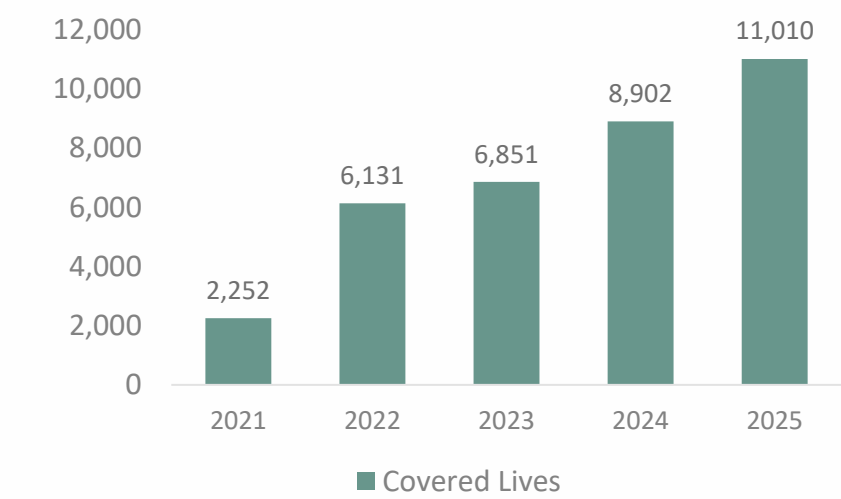
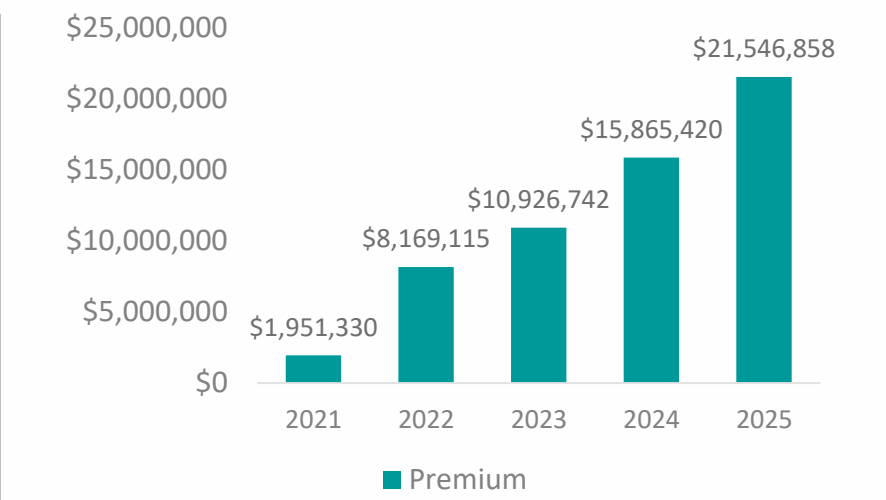
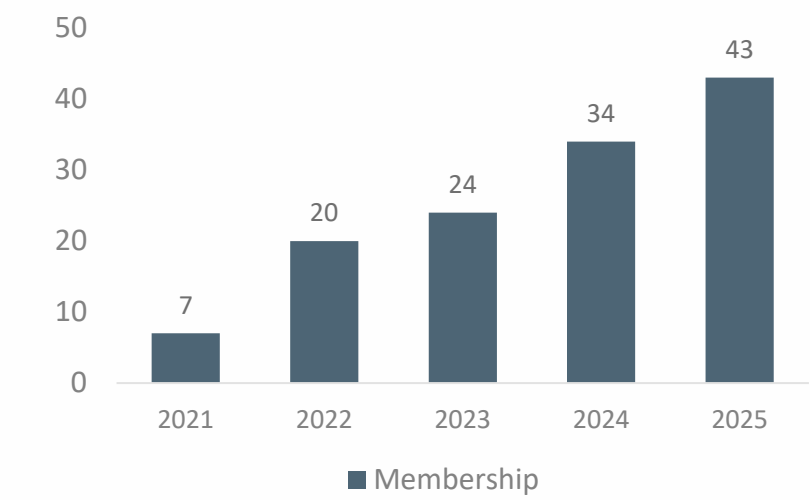
Member-owned captive domiciled in the Cayman Islands.

- **43** members
- **11,000+** covered lives
- **8** different industries
- **\$21 Million+** in SL premium
- **100%** member retention

Guide Re has returned premiums two of its three years of operation.

Fourth year is tracking towards a return of premium as well.

GUIDE RE GROWTH



We had seen tremendous growth in the Captive:

- 1) 43 Current Members
- 2) \$21 Million in Premium
- 3) 11,000 Covered Lives

A DIFFERENT KIND OF CAPTIVE - GUIDE RE REQUIREMENTS



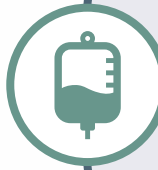
Specialty Pharmacy Management:
Exclusive pharmacy with
preauthorization and step therapy.



Carved-out **fully-insured transplant policy** covering all plan participants without policy exclusion.



Reference-based pricing for
out-of-network claims.



Condition Management program.



2nd Opinion Service for High Dollar
Claims.



Federal Benefits Advocacy Service.



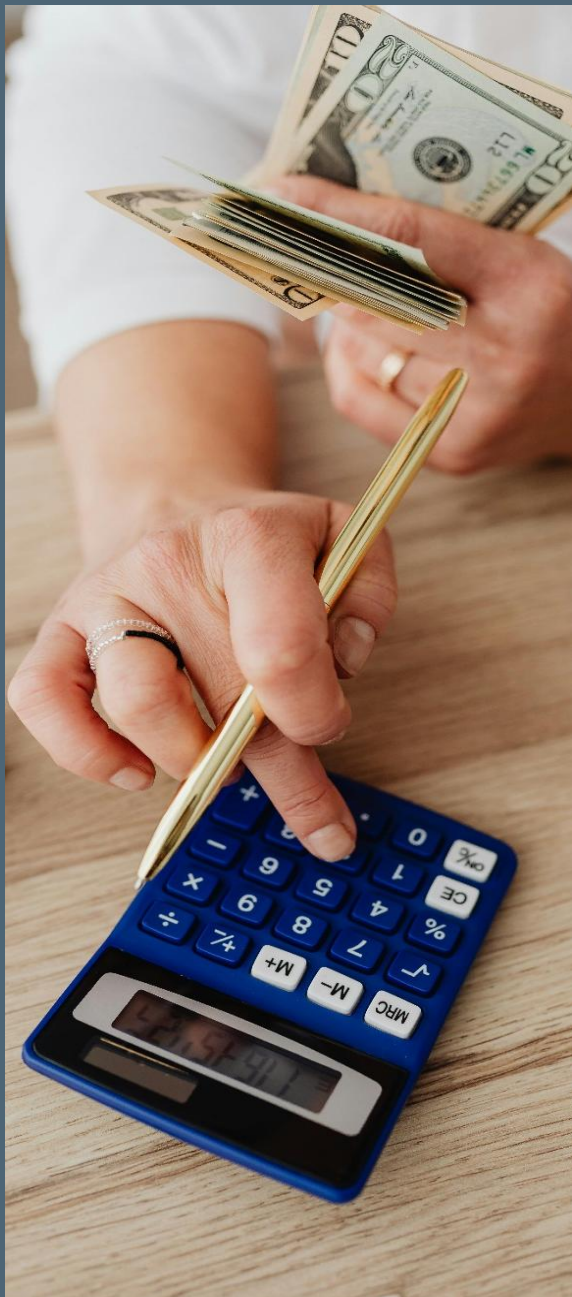
Claims history or Medical Apps
required upon entry.

COMMITMENT TO OUTPERFORMING THE MARKET

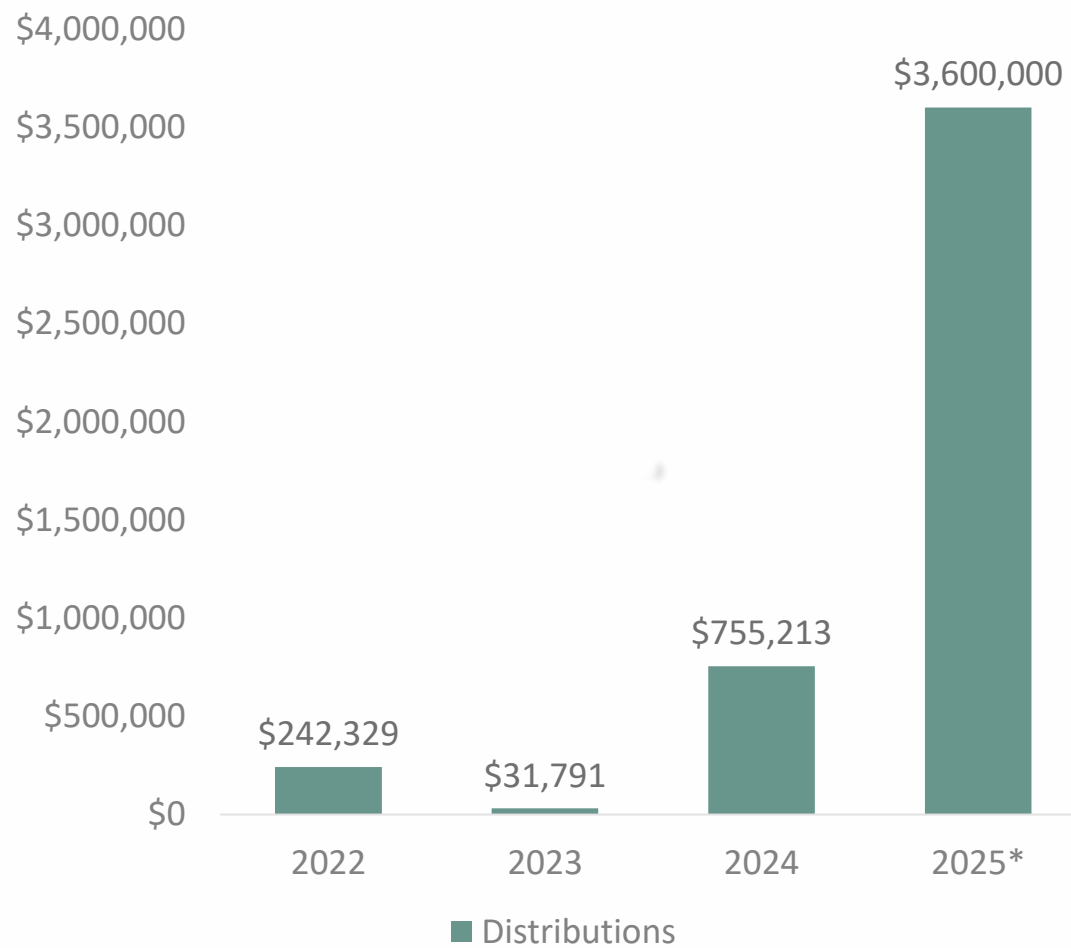
Guide Re members are more active in cost management than standard market groups.

The average member of Guide Re has 15 cost containment strategies in place and continuously look for areas of opportunity!





DIVIDEND HISTORY – 13% OF PREMIUM AVG



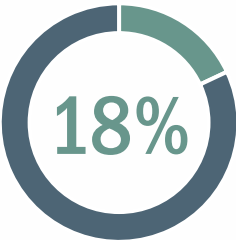
* Estimated distributions as 2024 policy period is not complete.

GUIDE RE CASE STUDY

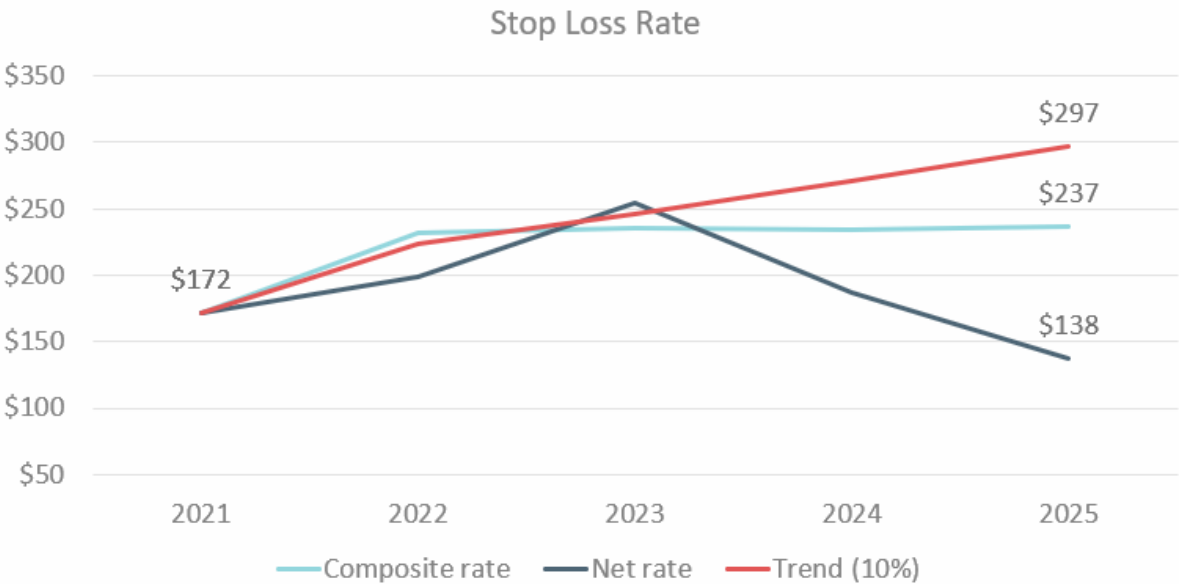
Group Info: 200 Life Trucking group out of GA.

Stop Loss: This group joined has been in Guide Re for 5 years and received \$432,000 in dividends that comes out to 18% of their total stop loss spend over the past 5 years!

Received:
\$432,000
In dividends!



of total stop loss
spend over 5 years!



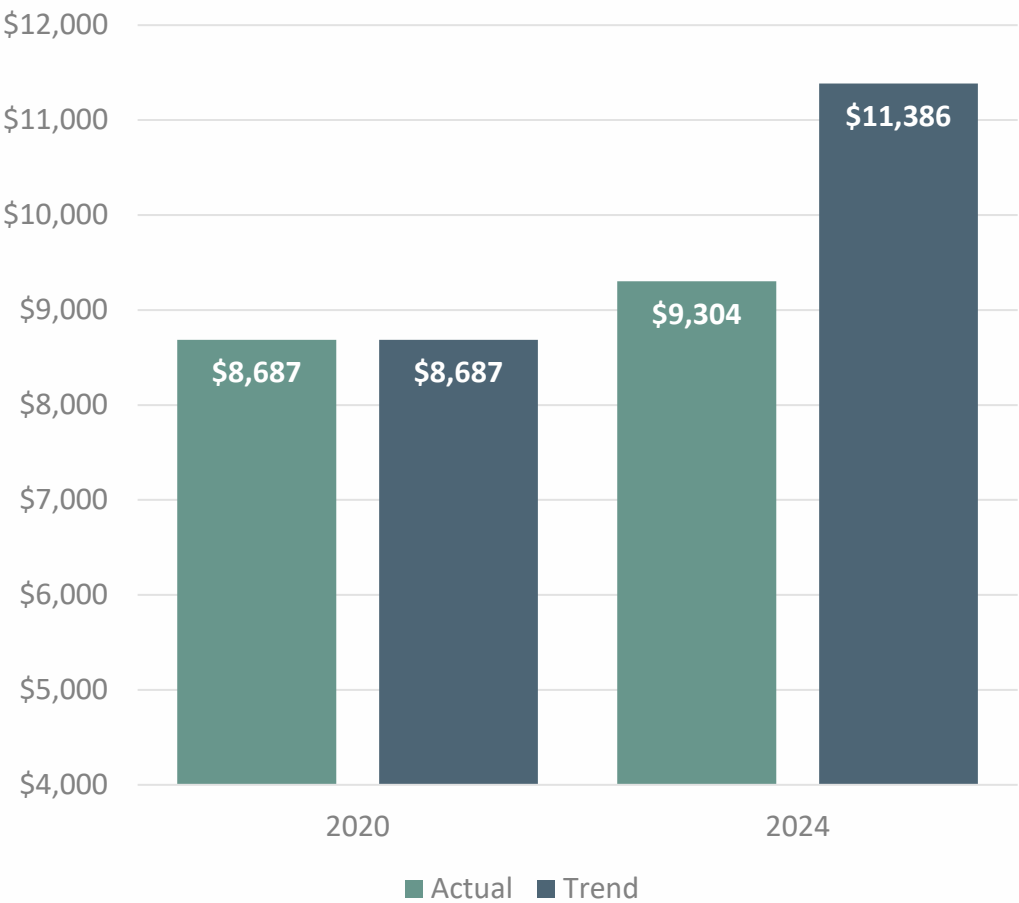
GUIDE RE CASE STUDY

\$867,000

Savings compared to trend!

The groups total PEPY cost has only increased by 1.8% per year compared to Medical trend of 7%! By stabilizing stop loss renewals and removing focus from shopping to controlling spend, the group has been able to implement 15 different cost containment strategies to lower spend.

Per Employee Per Year Spend



WHAT TYPE OF EMPLOYER IS A GOOD FIT FOR GUIDE RE?

- 1 Typically, **50-1,000 EMPLOYEES (150 Avg)**
- 2 Financially **STABLE** Business who is fully-insured or self-funded.
- 3 **FORWARD THINKING** – Currently Implementing Best Practices or Open Minded to Developing Best Practices to Actively Manage Healthcare Costs Differently

Client Testimonial



Questions

CAPTIVE CONNECTIONS

Join us at **Captive Connections**, where we come together to network, share best practices, and explore new strategies.



[Click Here to Learn More!](#)
[Transportation Safety Conference](#)



[Click Here to Learn More!](#)
[Risk Management Safety Conference](#)

LET'S STAY CONNECTED!



Justin Wenzelman

Vice President of Captives & Programs

jwenzelman@cottinghambutler.com



Brian Grant

Vice President of Risk Management

bgrant@cottinghambutler.com



Taylor Orton

Vice President of Employee Benefits

torton@cottinghambutler.com



Evan Hayes

CEO at Fremont Farms

ehayes@ffia.com



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