

CROSS-POLLINATING HEALTHCARE, P&C CAPTIVES: A SHARED SUCCESS FOR MIDMARKET EMPLOYERS

Written By Joanne Wojcik

Many smaller and midsize companies are discovering that participating in both a group property/casualty captive and a group medical stop-loss captive creates a powerful synergy that not only slashes insurance costs but creates a more holistic view of enterprise risk.

In fact, this trend toward “cross-pollination” is helping to fuel the growth of both group property/casualty and medical stop-loss captives, experts say.

“Companies don’t look at risks in a silo like they did 20 years ago. They’re looking at all of their exposures—enterprise risk, workers comp, long-tail casualty with its big collateral requirements, auto liability because of its severity, and medical stop-loss, with its massive specialty drug costs—and wondering if there’s any way they could use captives to finance all of these risks more cost-effectively,” said Duke Niedringhaus, St. Louis-based Captive Practice Leader at the Marsh McLennan Agency, who will be moderating a session on “Cross-Pollinating Healthcare and P&C Captives” at the Self-Insurance Institute of America’s National Conference being held October 12-14, 2025, in Phoenix.

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However, such “cross-pollination” also creates some challenges for organizations: governance complexity when managing participation in more than one captive; regulatory considerations; and the need for strong internal alignment across departments (human resources, risk management, finance) since HR and risk management are often separate functions in most organizations.

While specific figures for the number of group property/casualty captives are not readily available, they represent a significant and growing segment within the captive insurance

market, industry experts say. These captives are particularly attractive to small and mid-sized businesses that collaborate to manage and share risks collectively. As more of these organizations turn to captives for their P&C insurance needs, they are also using them to finance medical stop-loss coverage to provide financial protection for their self-insured health benefits plans. Over 90% of small and midsize employers that self-insure their health benefits purchase stop-loss coverage, and some 15% of this coverage is being provided by captives, according to the Kaiser Family Foundation’s 2023 Employer Health Benefits Survey.

CROSS-POLLINATION SPURRED BY DEMAND

Chicago-based Captive Resources LLC is a pioneer in the group captive space, having created solutions for workers’ compensation, general liability, and auto liability risks for the middle market for over 40 years. It now has nearly 7,000 member shareholders participating in Cayman Islands-domiciled group captives, collectively representing \$5 billion in annual premiums.



Captive Resources added medical stop-loss captives to its service offerings in response to increasing demand from its P&C captive members, according to Dave Gillis, Head of Business Development, who will also speak on the "Cross Pollinating Healthcare and P&C Captives" panel discussion at SIIA National this fall. The captive consultant now has five medical stop-loss captive programs with more than 500 company participants, he said.

"A lot of the casualty members that have been in these programs for 10, 20, 30 years, started coming to us and saying, 'Hey, health insurance is really starting to impact our P&L (bottom line). Can you help us?' So about 14 years ago, we became one of the first captive consultants to launch medical stop-loss captives for the middle market," Gillis said.

Initially, most of the new participants in Captive Resources' group medical stop-loss captives came from its P&C captives, but, over time, the medical stop-loss captives began attracting interest from companies that were not already Captive Resources clients. Over the last four to five years, members of the medical stop-loss group captive have begun showing interest in the P&C captives, according to Gillis.

While several of Captive Resources' group P&C captives are homogeneous, with members from related industries such as transportation, construction, staffing, and oil and gas, the medical stop-loss captives are heterogeneous, according to Gillis.

"The way we look at it is, cancer doesn't discriminate based on a SIC (Standard Industrial Classification) code. So, it's all about a good spread of risk across all industries," he explained.

Board members of Captive Resources' P&C captives attend two board meetings per year as well as two workshops. If they also participate in a medical stop-loss captive, they attend two additional meetings annually. Company owners, chief executive officers or chief financial officers typically attend the P&C captive board meetings, while chief human resource officers usually attend the medical stop-loss captive meetings.

"Sometimes we see overlap, but it depends on the company," Gillis said. "At the beginning of the discussion about joining a medical stop-loss captive, whoever has knowledge of the P&C captive program is usually involved. Then, it depends on how the company is structured as to who stays involved," he said.

Depending on a company's size, human resources and risk management departments are often separated, with very little overlap. However, in some cases, participating in both captives helps to break down those silos, facilitating a more holistic approach to enterprise risk management, Gillis said. For example, applying the medical stop-loss captive's wellness and chronic disease management insights to safety training can lead to a reduction in workers' compensation claims, he explained.

"Not that there are necessarily studies that show the correlation between work comp claims and medical claims, but, generally speaking, if you have a healthier population, you will see fewer claims in both lines of coverage," he said.

Members of medical stop-loss captives also benefit from the added layer of transparency, according to Gillis.

"When they become a member of a captive, they really become an owner of a reinsurance company. That allows them to see how the stop-loss is really performing. This helps from a renewal perspective. If the pool is outperforming the traditional markets, the renewal should be better than what the traditional markets' renewals are going to be. Then, of course, there's the dividend potential. They could get up to 50% of their stop-loss premium back in a given year, depending on their performance."

Collaboration is key to the success of group captives, according to Gillis.

“There’s a sense of community within these programs. In the traditional market, you’re sharing risk. You just don’t necessarily know who you’re sharing risk with or how much. We see a mindset shift at the captive meetings,” he said.

Access to claims and cost data is equally important, he said.

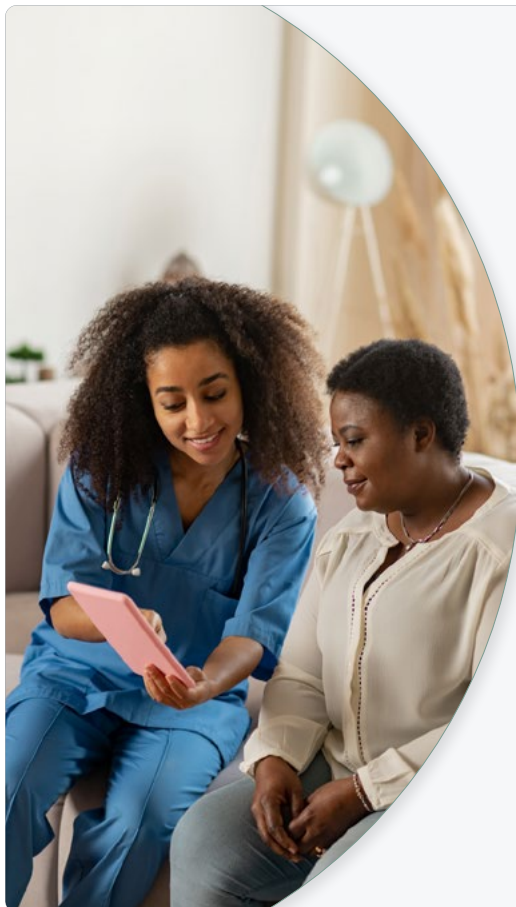
“The ecosystem that exists for managing claims is just so vast that it can be overwhelming for employers. We use data to try to break it down. Two groups in Houston, Texas, may have very different risk profiles, so they may need to focus on different

cost containment or risk management strategies. They use the data to drive what to focus on, then share what's working, or maybe what's not working, with each other. It flips their mindset to thinking they need to do their part for their fellow members because that's why they're there,” Gillis said.

PROACTIVE RISK MANAGEMENT KEY TO SUCCESS

“Joining a captive is an exercise of proactive risk and cost management,” observed John Kirke, President, Healthcare Captives at BevCap Management, the program manager of BevCap Captive Group, a Hawaii-domiciled homogeneous cell captive formed in 2008 by a group of beverage distributors to address its members’ unique exposures in workers’ compensation, general liability and auto liability. Kirke will also speak on the “Cross Pollinating Healthcare and P&C Captives” panel discussion at SIIA National this fall.

In response to its members’ escalating employee health benefit costs and the onset of the Affordable Care Act, BevCap created a separate captive cell in 2012 to provide medical stop-loss coverage. BevCap Management also manages Sharefield, an Arizona-based association group captive comprised of safety-conscious “best in class” employers from a variety of low- to mid-hazard industries, and Dealer Management Group, a Vermont-based industry group captive for auto



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and truck dealerships. In 2018, BevCap Management launched Beyond Health, a mixed industry medical stop-loss program captive.

“Many companies have the desire to integrate employee health and safety, but they’re buying insurance separately. The captive approach enables them to bring these two together,” Kirke explained. “They want to be in the driver’s seat. They want information to improve outcomes. That’s what captives do. They give leaders in companies the tools so that they can stop passively buying insurance and start actively managing their overall risk.”

All member-owners of BevCap possess the mindset to share best practices in risk control, loss prevention, and proactive claims management.

“Manager training on risk and safety and healthcare benefits has tremendous payoffs,” Kirke noted.

ADDING STOP-LOSS TO A SINGLE-PARENT P&C CAPTIVE

While cross-pollination typically refers to members of a P&C captive joining a separate medical stop-loss captive, or vice versa, many large companies with single-parent captives have begun putting medical stop-loss into their P&C captives. The trend is driven by the Affordable Care Act, which bars companies from setting limits on employee health benefits. Many large employers are having to purchase stop-loss coverage, often for the first time, with some deciding to leverage that purchase via their captive.

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When medical stop-loss is added to a P&C captive, it is usually placed in a protected “cell,” a legally separate structure within a captive. Each cell’s assets and liabilities are segregated from the rest of the captive.

Although the P&C and medical stop-loss risks are kept separate, “integrating P&C and medical stop-loss into a single-parent captive can reduce your overall tail risk, which is a significant factor when you’re calculating what capital you need to support the captive. So, I think that’s where you get real synergies,” explained Nikita Chaudhry, a Senior Actuary at Windsor Strategy Partners, who also will be speaking on the “Cross Pollinating Healthcare and P&C Captives” panel at SIIA National this fall.

Protected cells do not typically provide any benefits from mixing P&C and medical stop-loss risks, she said. That is because in a protected cell environment, cells are owned by unrelated parties and operate independently with their own capital requirements and solvency responsibilities.

“There isn’t much, if any, synergy for reinsurance over a bunch of protected cells,” Chaudhry noted. “Some expenses might be spread, but savings would be relatively minor, depending on what you can negotiate with your professional services vendors. Each cell would still require a separate annual filing with the DOI (Department of Insurance), a separate audit and reserve analysis, and a separate actuarial opinion. They are all separate entities.”■

Joanne Wojcik is an experienced journalist and previously served as a senior editor for Business Insurance Magazine. She is currently a Self-Insurer contributor.

