CAPTIVES IN FOCUS: UNLOCKING THE FULL POTENTIAL OF STOP-LOSS INSURANCE

In the intricate world of stop-loss insurance, few names command as much respect as Michael Remeika. With over three decades of pioneering experience, Michael's insights have shaped his companies and the broader landscape of stop-loss underwriting. His strategic acumen and relentless pursuit of excellence have earned him a reputation as a thought leader and a trusted advisor to some of the most significant players in the industry.

Today, as the Divisional President of Accident and Health at Skyward Specialty Insurance, Michael continues to influence the market's direction with innovative solutions that prioritize client success and sustainability.

In this interview, we delve into Michael's perspectives on the evolving role of captives in the stop-loss industry and explore the strategies that have made him a leading authority in this space.

> **"With stop-loss cost trends at a 13-year high, exploring new avenues of handling financial risk is imperative."**

Can you really lower your stop-loss costs with a captive?

The short answer is yes; most of the time, a captive can lower stop-loss costs. The question becomes, can you afford not to explore captives? With stop-loss cost trends at a 13-year high, exploring new avenues of handling financial risk is imperative. Traditional stop-loss carriers typically aim for a 70% loss ratio, leaving a 30% margin. Captives, on the other hand, allow participants to retain these margins. For instance, a client paying $500,000 annually in premiums over 10 years can significantly benefit from minimizing the $1,500,000 margin—this is where captives excel.

Q&A with Michael Remeika, Divisional President of Accident and Health at Skyward Specialty Insurance continued on page 2.

In the traditional stop-loss market, what is the average loss ratio underwriting is looking for?

Traditional stop-loss carriers generally underwrite their book of business to achieve a 70-75% loss ratio. Large blocks of business can absorb individual client losses, balancing them with clients who experience lower-than-average losses. Captives often achieve lower rates by admitting clients committed to risk management, thereby minimizing high-cost claims. So, why do stop-loss underwriters not price coverage on a client-specific loss ratio? Stop-loss underwriting focuses on managing a block of business to an overall loss ratio rather than individual client ratios. Captives help smooth the volatility among groups, thereby stabilizing pricing.

How does a captive program provide savings over the traditional stop-loss marketplace?

The key to captive success lies in selecting clients committed to risk management. Good risk management integrates several concepts through the claims administrator, such as large case management, concierge navigation, bill review services, and transparent PBM strategies. These elements contribute to lower costs and higher savings for captive participants.

How expensive is it to join a captive?

While joining a captive may incur initial costs, these are investments in future returns. Members become owners by purchasing shares in the captive, giving them a voice in governance. Collateral, although an additional exposure, is often returned unused and can be applied to future collateral requirements.

Is a captive more complicated from the client's perspective?

Captives don't have to be more complicated. In fact, they provide greater transparency, which clients appreciate. Stop-loss carriers and program managers handle all captive reporting, giving members a clear picture of overall performance. By avoiding captives, organizations might overlook an opportunity to gain a clearer, more manageable overview of their stop-loss coverage.

Is there any downside to a client being in a captive?

For employers seeking strong cost controls and stability, there's little downside to being in a captive. Underwriters protect the captive from unfavorable risks and actively manage unexpected risks as they arise.

What percentage of brokers/consultants use captives and why not more if they are so advantageous to clients?

The truth is, about two-thirds of brokers and consultants have some knowledge of the world of captives, but this figure should be far higher. Despite the clear financial advantages captives offer over self-funding as a single employer, many brokers remain hesitant. Why? The reasons are twofold: fear of losing control and the compensation in a fully transparent financing model.

But here's the reality: brokers who aren't fully leveraging captives leave money on the table for themselves and their clients. In a market where every percentage point of savings counts, failing to offer captives as a solution is not just a missed opportunity—it's a strategic oversight. The reluctance often stems from a misunderstanding or lack of education about how captives work and the incredible value they can deliver. The question isn't whether captives are the right choice; it's whether brokers and clients can afford not to consider them in their portfolios.

How do you recommend employers learn more about captives and if they are ready to go in this direction?

Employers interested in captives should seek education from captive program managers, stop-loss underwriters, and current captive members. Best-in-class program managers educate brokers and employers, ensuring buy-in before proceeding with a quote. Interviewing multiple captives is advised to find the best fit for an employer's long-term benefits strategy.

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MEET THE EDITORS

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Mitchell Andrews is a fearless disruptor in the insurance industry with over 35 years of experience. He never hesitates to challenge the status quo or question authority when it comes to achieving the best possible outcome for his clients. Mitchell is known for his unrivaled expertise in Employee Benefits and Business Insurance as one of the founding partners of The Plexus Groupe. He is an uber-inquisitive and outspoken professional, always searching for what is new and different to drive client success including serving on numerous insurance advisory boards and participating in state and federal lobbying efforts to improve the efficiencies within the entire insurance ecosystem.

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Michael Remeika, the Divisional President of Accident and Health at Skyward Specialty Insurance, boasts over 35 years of expertise in stop-loss underwriting. His leadership spans carrier-side operations and the successful founding of a stop-loss company. Michael's deep knowledge of traditional and captive stop-loss solutions is highly regarded and sought after across the industry.