CAPTIVES

Captive insurance is a type of self-funded plan that pools together multiple mid-size to larger employers so they can better control their healthcare spending.

In traditional, fully insured plans, premiums are often inflated by big carriers that put most of the financial burden onto the employers. Self-funded plans flip the narrative and give employers a chance to be more involved in their healthcare plans which leaves room for significant savings.

Self-funded plans transfer a little more risk and responsibility to the employers but allows them to retain all the savings. Although there is risk transference, there are safeguards in place to make sure companies aren't 100% responsible for catastrophic claims. That's where stop-loss insurance comes into play.

Insurance captives are a type of self-funded plan designed to bring together like-minded business owners who want to have more control over their healthcare spending. By pooling health insurance claims costs, companies can manage their collective spending while reducing traditional stop-loss premiums. The main goal of a captive is to control claim costs by combining with other like-minded employer groups.

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Stop-loss insurance is a safety net to protect employers against extraordinary claims costs when using a self-funded plan. There are two types of stop-loss insurance:

- Specific Stop-Loss — Prevents any individual claimant from exceeding a specified amount and limits financial exposure on any one individual.
- Aggregate Stop-Loss — Protects against a higher-than-average frequency of claims and caps financial liability for the whole group if total claims exceed an agreed-upon amount.

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