

# CAPTIVE SOLUTIONS

Over the last decade, medical stop-loss captives have emerged as one of the most influential sectors within the commercial insurance industry. With traditional markets struggling under the weight of rising medical and pharmaceutical costs, well-performing risks - those with favorable loss histories - are increasingly opting for alternative risk structures that provide greater long-term stability.

Skyward Specialty Accident & Health partners with qualified brokers, program managers and captive managers to design and underwrite innovative medical stop-loss captive solutions for both group and single-parent structures.

# SINGLE PARENT CAPTIVES

Large employers often use single-parent captives to efficiently manage and finance predictable risks. These captives convert expected healthcare claims into a fixed annual amount, structured as insurance premiums paid to the captive. This funding supports a clearly defined layer of medical stop-loss coverage and provides a strategic and cost-effective way to retain and control risk.



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## FRONTED MSL POLICY

With this approach, the employer secures a traditional stop loss policy from a licensed insurance carrier (e.g., unlimited coverage excess of \$250K). The issuing stop loss carrier then cedes a portion of the policy's risk to the captive (e.g., \$500K excess of \$250K) as reinsurance. Since the captive assumes a layer of risk as a reinsurer, appropriate collateralization and front fees are required.

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## CAPTIVE-ISSUED WITH TRADITIONAL STOP LOSS POLICY

In this structure, the captive issues a policy only for its retained risk layer (e.g., \$500K excess of \$250K). The captive—or the employer—then purchases a traditional stop loss policy to cover the remaining risk of the self-funded plan (e.g., unlimited coverage excess of \$750K). This is the most commonly utilized single parent structure.

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## CAPTIVE DIRECT ISSUE

Large employers with an existing property or casualty captive often use this structure to expand the utility of their captive and streamline medical stop-loss coverage. Since stop-loss is not statutorily mandated coverage, a fronting carrier is unnecessary, allowing the captive to directly issue its own policy to the parent employer. This eliminates fronting fees and collateral requirements, reducing costs and improving efficiency.

The captive provides full policy limits (e.g., unlimited coverage excess of \$500K) and can transfer unwanted policy risk to a qualified reinsurer (e.g., unlimited coverage excess of \$1 million), optimizing risk management and financial control.

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## PREFERRED SINGLE PARENT PROFILE



1000+  
employee lives



Min. stop loss  
premium  
\$1 million



Coverage available  
as assumed  
re-insurance or  
fronted insurance



Commitment to  
impactful risk  
control initiatives



We will work with  
most appropriately  
qualified captive  
managers

By structuring retained risk into strategic layers of medical stop-loss coverage through a captive, employers gain greater control over their healthcare expenses. Retaining predictable costs while shifting unpredictable risks to a reinsurer allows for optimized cost efficiency and less reliance on traditional insurance models.



# GROUP CAPTIVES

Participating in a medical stop-loss captive strengthens the benefits of self-funding. For smaller self-insured groups, joining a group captive enhances the stability of a self-funded plan through pooled risk sharing, block underwriting, access to innovative medical cost containment and risk reduction initiatives, and surplus dividend distributions.

Skyward Specialty collaborates with both established group captives and emerging start-ups with a strong membership base.

## HOMOGENEOUS CAPTIVE

Industry-specific groups tailored to sectors such as financial institutions, energy, food and beverage distribution, education, healthcare, professional services, transportation, manufacturing and more.

## HIGH PERFORMANCE CAPTIVE

Designed for established self-insured businesses with strong loss histories, these captives can be either homogeneous or heterogeneous. They are commonly structured as proprietary agency captives, whether member-owned or agency-controlled.

## HETEROGENEOUS CAPTIVE

We selectively support a limited number of open-access captives, ensuring each maintains its unique market identity. To minimize distribution conflicts, captives must have a well-managed, properly qualified broker network.

## PREFERRED GROUP CAPTIVE GUIDELINES

- Minimum stop-loss premium at inception: \$2,000,000
  - Minimum number of employee lives at inception: 1,500
  - Minimum number of participating employer groups: Four
  - Minimum individual member size: 50 (fewer by exception)
  - Maximum individual member size: 1000 (more by exception)
- Commitment to the implementation of impactful medical cost and risk reduction initiatives
- Common effective date for all policies is preferred
  - Short or long contracts can be provided to synchronize effective dates
  - Risk attaching (different effective dates) structure can be accommodated
- Initial membership comprised of existing self-insurers or fully insured accounts with claims data
- Skyward Specialty has AI-supported underwriting for accounts under 200 lives
- Preference is given to mature captives and agency-controlled programs designed for an agency's self-insured clients
- Start-up groups will be considered with appropriate membership commitment



# THE SKYWARD SPECIALTY DIFFERENCE

## **DIRECT ACCESS TO EXPERTS**

Gain unmatched access to our dedicated captive underwriters and industry experts. With our personalized, consultative approach, we deliver fast, informed solutions and exceptional service responsiveness.

## **STRATEGIC COST CONTAINMENT**

We continually evaluate unbundled point solution vendors for optimized plan effectiveness. Selecting the right PBM, Specialty RX, Network or RPB vendor is key to a successful group captive program. Our comprehensive evaluation process, guided by expert technical and clinical insight supports employers in selecting top-tier cost containment strategies while securing optimal underwriting recognition.

## **EXCLUSIVE PARTNERSHIPS FOR LONG-TERM SUCCESS**

We believe true success comes from fostering strong, collaborative relationships. By fostering deeper production partnerships, we create a competitive edge for our brokers captive program managers through selective distribution. This strategic approach enhances market positioning while ensuring exclusive access to our captive solutions.

## **PARTNERSHIP-DRIVEN UNDERWRITING**

A captive acts as a reinsurer in a genuine risk-sharing partnership with its carrier. With a vested financial stake, we actively seek and value ongoing input from our captive program managers and distribution partners throughout the underwriting process focusing on shared underwriting decisions.

## **TAILORED PROGRAM DESIGN**

Our captive programs are thoughtfully structured to provide a high-performing medical stop-loss solution, tailored to align with each client's unique risk profile, financial goals and desired market positioning. Designed with flexibility in mind, each program accommodates client preferences in key areas such as captive structure, retained risk and reinsurance arrangements, surplus utilization, and choice of service providers. This flexibility sets Skyward Specialty apart from other carriers and their highly standardized captive structures.

