



Artex

Is the cost of business insurance going up?
Not in all markets.

By Matt Atkinson and
Chad Kunkel



The **cost of insurance** may be **going up** year over year in **traditional markets**, but in **group captive markets**, prices are actually **going down**.



For companies with effective risk management, group captives offer prices that can be significantly lower than traditional markets, plus other benefits.

Nearly all companies are concerned about commercial insurance pricing, particularly with the continual increases in traditional business insurance and the tightening of the insurance marketplace. Adding to the financial stakes, 2020 was a highly disrupted year, with many businesses suffering significant pandemic-related losses. Yet still, insurance prices rose between 5% and 15% on average over last year's premiums.

There is a silver lining: Price increases aren't universal. Even as traditional insurance prices tick up across industries, for companies with effective risk management, group captives frequently offer lower pricing than traditional markets. In fact, our clients are paying an average of 10% less than they were a year ago, at the same time as many clients in the traditional market

continue to experience increases. Moreover, in addition to their performance-based pricing, group captives also offer other advantages, such as the return of underwriting profit and greater control over claims.

WHAT IS A GROUP CAPTIVE?

A group captive is an insurance company that is wholly owned by a group of insureds. These alternative risk transfer arrangements involve like-minded companies forming an insurance company to share risk and create better efficiencies. Unlike traditional insurance companies, their business purpose is not to maximize profits, but to keep costs stable while managing risks.

Group captives typically have four lines of coverage eligible: workers' compensation, general liability, auto liability and auto physical damage. In most of our group captives, workers' compensation is required, while some like to see all eligible lines included.



HOW DO GROUP CAPTIVES COMPARE TO TRADITIONAL PRICING?

We took a snapshot of rates in the traditional insurance industry as well as in group captives, based on our client data. In addition to examining rates across industries, we zeroed in on two industries going through particular challenges when it comes to insurance: transportation and construction.

HOW GROUP CAPTIVES WORK

Companies are the owners of the captive insurance company, which makes it easy to align around minimizing risks and preventing major losses. For example, a trucking company's risk management team might implement policies and procedures and work with vendors to make sure drivers obey speed limits, rest as much as necessary and take other actions to prevent accidents.

Unlike traditional insurers that set premiums based on industry averages and state rates, group captive premiums are priced based on the insured's own loss experience. So while traditional insurance leaves all companies in the same pricing pool, group captives allow companies that manage risk effectively and have lower claims to benefit from lower premiums.

In addition to performance-based pricing and better alignment around workplace safety and risk management, group captives also offer additional financial advantages, such as the substantial return on investment of underwriting profit and greater control over claims management.

Companies that do best with group captives range from mid-sized businesses to large regional and national organizations. Certain industries are especially suited to group captives, such as transportation, warehousing, wholesale, distribution, food and beverage, and construction.

Workers Compensation Rates 2021



Artex group captive clients are experiencing better rates than the traditional market

Construction Workers Compensation Rates 2021



Artex group captive clients are experiencing better rates than the traditional market

Transportation Workers Compensation Rates 2021



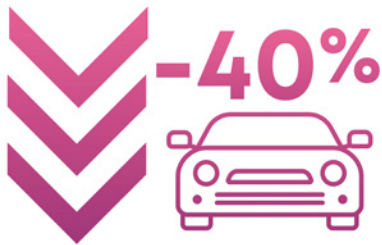
Artex group captive clients are experiencing better rates than the traditional market

LOOKING AHEAD

Commercial insurance rates continue to go up, often in double-digit increases. After a challenging business year, this is more top of mind for companies than ever, and group captives offer a compelling alternative for certain companies. The benefits are multifold, including the return of underwriting profit, pricing based on your company's own safety and performance, better control over claims

handling and claims partners, and long-term premium pricing stability. Group captives isolate companies from the ebbs and flows of the traditional marketplace, and deliver business value at the same time.

Auto Liability Rates 2021



Artex group captive clients are experiencing better rates than the traditional market

Construction Auto Liability Rates 2021

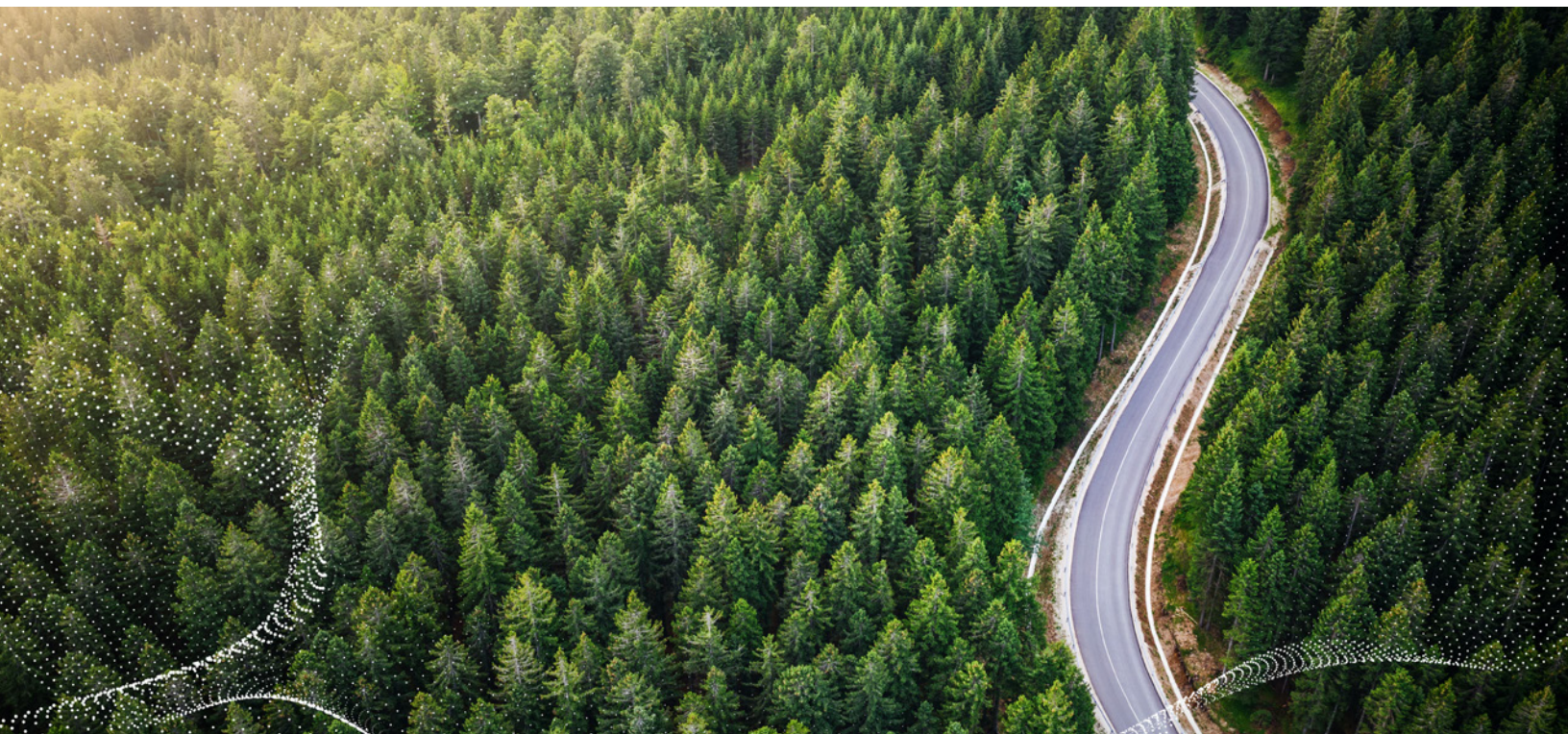


Artex group captive clients are experiencing better rates than the traditional market

Transportation Auto Liability Rates 2021



Artex group captive clients are experiencing better rates than the traditional market



Want to learn more about group captives and how you can turn your insurance strategy into a business advantage? Contact us. We'll help you find a better way.



Matt Atkinson

Senior Vice President—
Business Development,
North America



Chad Kunkel

Executive Vice President—
Group Captives,
North America

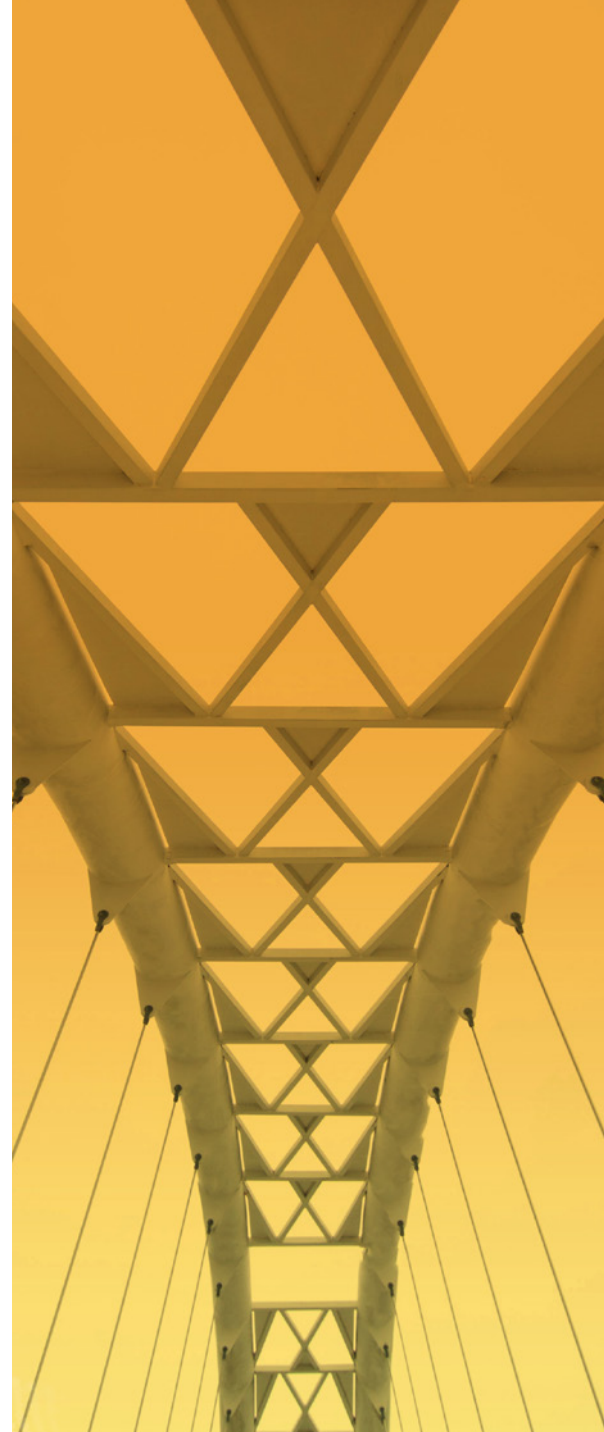
Matt is responsible for the production and project management of new business in the United States, managing a team of account executives across the country. He can be reached via email at matt_atkinson@artexrisk.com.

Chad manages the group captive operations for Artex, including a team of 40 people responsible for captive management, administration, financial management, underwriting and risk management of 13 member-owned captive insurance companies totaling more than \$350 million in premium and nearly 500 clients. He can be reached via email at chad_kunkel@artexrisk.com.

THE ART OF RISK

At Artex, we believe there is more to alternative risk management. As a trusted leader and provider of diverse (re)insurance and ILS solutions, our global team operates at the intersection of art and science, where creative thinking meets expertise and superior outcomes are made. That's how we're able to fully understand our clients' needs and deliver the most comprehensive solutions available.

Established in more than 30 domiciles internationally, we're here to help you make empowered decisions with confidence, reduce your total cost of risk and improve your return on capital. At Artex, we believe in finding you a better way.



Artex

artexinfo@artextrisk.com

PHONE: +1.630.694.5050

artextrisk.com

The information contained in this guide provides a general overview of captive insurance companies. The information may vary by domicile. It is not intended to provide legal, accounting or tax advice and should not be relied upon in that regard. You are asked to review all such matters with your qualified advisors. Please note that some of the terminology used in this guide may vary depending on the particular domicile. © 2021 Artex Risk Solutions. All rights reserved. No part of this document may be modified, reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or otherwise, without the prior written permission of Artex. Nothing shall be deemed to be an assignment or grant of a license directly or by implication of any copyright and any confidential information disclosed remains the property of Artex.