# PUTTING A COMMERCIAL GROUP CAPTIVE TO WORK FOR YOUR BUSINESS

*Workers' Compensation. General Liability. Commercial Auto.*

A strategic guide for business owners, CFOs, HR leaders, and operations executives evaluating captive insurance structures.

WINTER-DENT

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# The Real Cost of Playing It Safe

You know the cycle. Every year, the renewal hits your desk. The premium went up again. Maybe your loss history is clean. Maybe your safety record is better than most companies in your industry. And still, the number climbs.

That is the fundamental tension of traditional commercial insurance. Your premiums are driven partly by your own performance, but also by what every other company in your classification is experiencing. If your industry is having a bad year with claims severity, you absorb that cost whether you contributed to it or not. You are effectively subsidizing weaker performers in the same risk pool.

For organizations spending $125,000 or more across workers' compensation, general liability, and commercial auto, that dynamic adds up fast. And it raises a question worth asking: Is there a structure that actually rewards the work you are already doing to manage risk?

For a growing number of established businesses, the answer is a commercial group captive.

# What Is Driving the Shift?

The move toward captives is not happening by accident. Several forces in the commercial insurance market are pushing organizations to rethink how they finance risk.

The traditional market has become increasingly volatile. Premium swings, higher deductibles, and tighter underwriting have made long-term cost planning difficult for many organizations. At the same time, claims severity in several lines, particularly commercial auto and general liability, has increased across the industry. Insurers are responding by raising rates and reducing capacity in certain sectors.

Meanwhile, organizations with strong safety cultures are looking at their own loss data and recognizing a gap. Their performance is often better than the market average, but their premiums do not reflect it.

A captive changes that equation. Instead of transferring all premium to a commercial carrier and watching that money leave your balance sheet permanently, your premiums flow into a structure you own. When losses are lower than expected, the surplus stays with you.

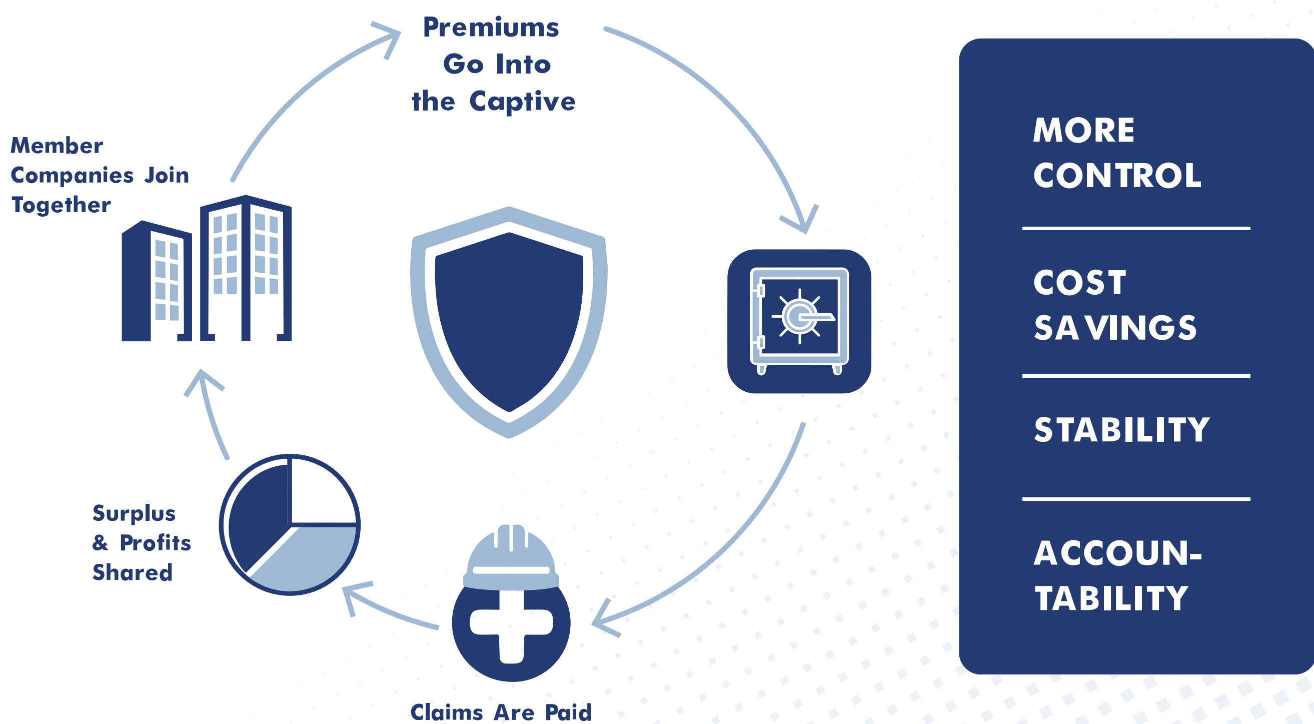
**The Core Shift**
For companies that already manage risk proactively, a captive transforms insurance from a recurring expense into a strategic financial tool.

# What Is a Captive?

A captive is an insurance company you own or co-own with other businesses, created specifically to insure your own risks. It is a tool that provides risk financing outside of the traditional insurance marketplace.

The concept is straightforward. The business being insured creates or joins a subsidiary that provides an alternative way to fund future losses. That subsidiary is a separate business entity, owned by the insured or a group of insureds. Once established, it looks like, operates like, and is regulated like any other insurance company.

Rather than paying premiums to a commercial carrier, your premiums flow into the captive. When losses occur, the captive pays them. When losses are lower than expected, the surplus stays within your organization as reserves, investment income, or eventual profit distributions.



# Two Ownership Structures

Captives come in two primary ownership models, and the right one depends on the size and premium volume of your organization.

**A single parent captive** is owned entirely by one business. These tend to be large corporations with insurance premiums of $1 million or more. The parent company sets up, owns, and runs the subsidiary on its own.

**A group captive** has multiple non-related businesses that own and control the subsidiary together. This shared ownership model makes captives feasible at lower premium thresholds, often as low as $125,000 in combined annual premiums. It is this structure that opens the door for established mid-size businesses.

Within group captives, there is a further distinction. A homogeneous group captive is owned by businesses in the same industry, which allows the program to be tailored to that industry's specific coverage needs. A heterogeneous group captive brings together businesses from different industries, sizes, or regions, spreading risk more broadly and helping manage industry-related insurance cycles.

An experienced captive advisor can help determine which structure and peer group best fits your organization.

# How Does a Group Captive Compare?

### Group Captive vs. Self-Insurance

A group captive is a form of self-insurance, but it is different from simply saving up for when something happens. The formal business structure of a group captive may afford tax advantages that are not available through basic self-funding. It also provides the regulatory framework, actuarial discipline, and reinsurance protection that informal approaches lack.

### Group Captive vs. Single Parent Captive

Both structures provide the same core benefits: control, transparency, retained profit, and financial alignment with safety performance. The advantage of a group captive is that these benefits become available for established small and medium businesses with combined premiums as low as $125,000, rather than being limited to large corporations with $1 million or more in annual premiums.

# Why Businesses Use Captives

Companies that move into captive structures do so for a range of strategic reasons. But most of them come back to one theme: control.

In the traditional model, your premiums leave your balance sheet and become the carrier's revenue. You have limited visibility into how those dollars are allocated, and limited influence over how your coverage is structured. In a captive, that relationship inverts.

### Premiums Based on Your Performance

Traditional commercial insurance prices you partly on industry averages and market conditions. A captive bases your premiums on your actual loss history and risk profile. If you run a safer-than-average operation, you stop subsidizing companies that do not.

### Retained Underwriting Profit

At the end of each year, any premiums that have not been paid on claims can be retained as profits for the subsidiary. In traditional insurance, that surplus belongs to the carrier. In a captive, it belongs to you.

## Greater Coverage Control

Because you own or co-own the insurance subsidiary, you have a voice in how policies are structured. This includes deductible levels, return-to-work provisions, medical provider networks, and coverage terms that align with your actual operations.

## Full Transparency

Owning and operating a subsidiary gives you comprehensive visibility into how every premium dollar is managed. Premiums, overhead, claims payments, reserves, and administrative costs are all accessible for review.

## A Safer Workplace

The financial alignment between safety performance and insurance cost creates powerful incentives. When every prevented claim improves your bottom line, organizations invest more heavily in training, equipment, early intervention, and return-to-work programs. An independent study found that group captive participants experienced 48% fewer fatalities and 22% fewer total workers' compensation claims compared to industry averages.[1]

That safety dividend is not a coincidence. It is the natural outcome of financial alignment: when you own the insurance company, every claim directly impacts your bottom line.

[1]Independent study across 15 mature group captives and 1.5 billion work hours, conducted by Captive Resources LLC and referenced by the Insurance Information Institute. See also Zurich Insurance, "Experts Explore the Benefits of Group Captives," September 2023.

# What a Commercial Group Captive Covers

A commercial group captive typically covers multiple lines of property and casualty risk simultaneously. The most common combination brings together three coverage areas that, for many businesses, represent their largest and most volatile insurance costs.

## Workers' Compensation

Insures against workplace injuries and illnesses employees sustain on the job. Workers' comp is the most common entry point into captive insurance because claims are frequent, relatively predictable, and supported by strong actuarial data. For many organizations, it serves as the foundational line before other coverages are added.

## General Liability

Covers common premises liability, completed operations, defamation claims, and other third-party exposures. GL claims tend to be lower in frequency than workers' comp, but they can carry significant severity when they do occur.

## Commercial Auto

Insures against vehicle accidents in which employee drivers cause injuries or property damage, as well as physical damage to company-owned vehicles. Auto exposure sits between workers' comp and GL in terms of frequency and severity patterns, with seasonal and geographic variability influencing outcomes.

## Specialized Coverages

Depending on the captive structure and the industries represented, additional coverages may be available for particular risks. These can include supply chain interruption, product recall, or other exposures that are difficult to place in the traditional market.

# Why Multi-Line? The Strategic Advantage

The first conversation about captives often begins with a single question: Should we place workers' compensation into a captive?

That question is reasonable. But for organizations with meaningful premium volume across general liability and commercial auto as well, it may be incomplete. Starting with only one coverage line can leave meaningful financial advantages on the table.

## How Each Line Behaves Differently

Each coverage line follows its own loss pattern and claim cycle. Workers' comp claims tend to be frequent and moderate in severity, with predictable tails. General liability claims are lower frequency but can carry significant severity. Commercial auto sits between the two, with outcomes influenced by seasonal patterns, geography, and fleet utilization.

When those three patterns run through separate commercial policies, your organization bears the full volatility of each line independently. A bad workers' comp year hits your mod and increases your renewal premium. It does nothing to offset a clean year in auto or GL. You are managing three separate cost trajectories with no unified strategy.

In a multi-line captive, leadership gains visibility across all three categories simultaneously. Whether reserves are managed independently by line or pooled across lines, the structure gives you a more complete picture of your total cost of risk and enables more targeted operational improvements.

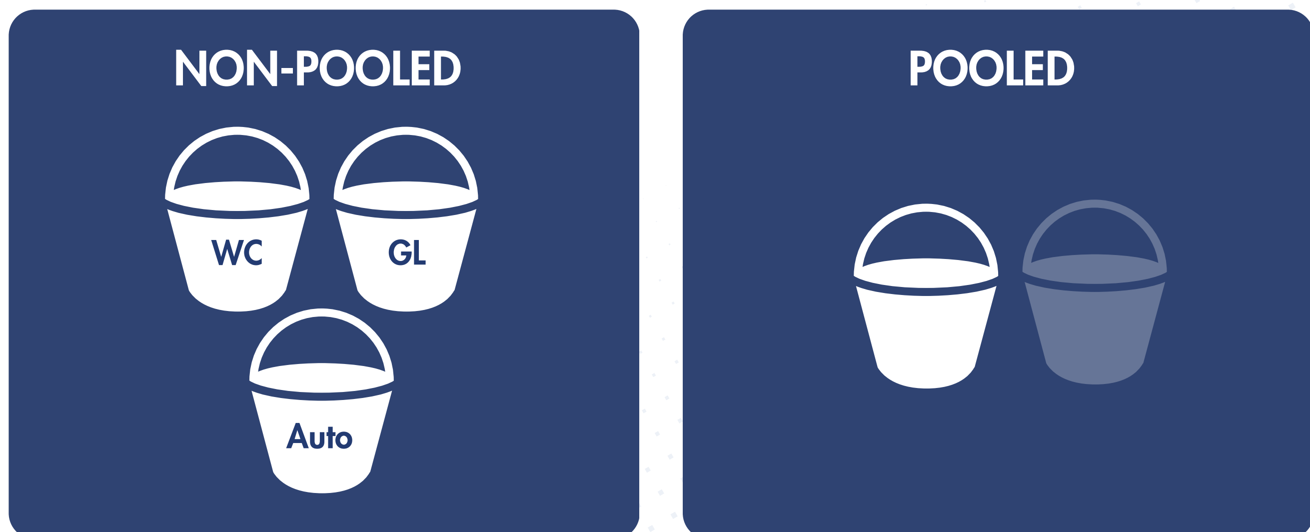
## How the Structure Works: Pooled vs. Non-Pooled

Not all multi-line captives are built the same way. The key distinction is how reserves and capital are managed across coverage lines.

**In a non-pooled structure,** reserves are allocated and maintained separately for each line. Workers' comp surplus stays within the workers' comp program. If commercial auto has a higher-than-expected loss year, it draws only from its own reserves and reinsurance. This approach provides clear accountability by line of coverage and is often preferred by organizations that want maximum transparency into each risk category.

**In a pooled structure**, reserves are held in a shared pool that can respond to losses across any covered line. Because the probability of all three lines experiencing their worst year simultaneously is statistically low, the required total capital is typically lower than the sum of what each line would need independently. This creates capital efficiency and can smooth results across years.

Many organizations start with a non-pooled structure to build familiarity and confidence, then evolve toward pooling as their data matures. Your captive advisor will help determine which approach fits your risk tolerance and financial goals.



# How Reinsurance Protects the Structure

Every captive retains some risk and transfers the rest. The portion transferred goes to a reinsurer, which steps in when losses exceed a defined threshold called the attachment point. This is the mechanism that protects the captive from catastrophic loss years.

In a single-line captive, reinsurance is structured for that one line. Each claim above the per-occurrence or aggregate retention triggers the reinsurer. In a multi-line captive, reinsurance can be designed in several ways:

## Per-Line Reinsurance

Each coverage line has its own attachment point and reinsurance layer. This is the clearest and most conservative approach, and it aligns naturally with non-pooled structures.

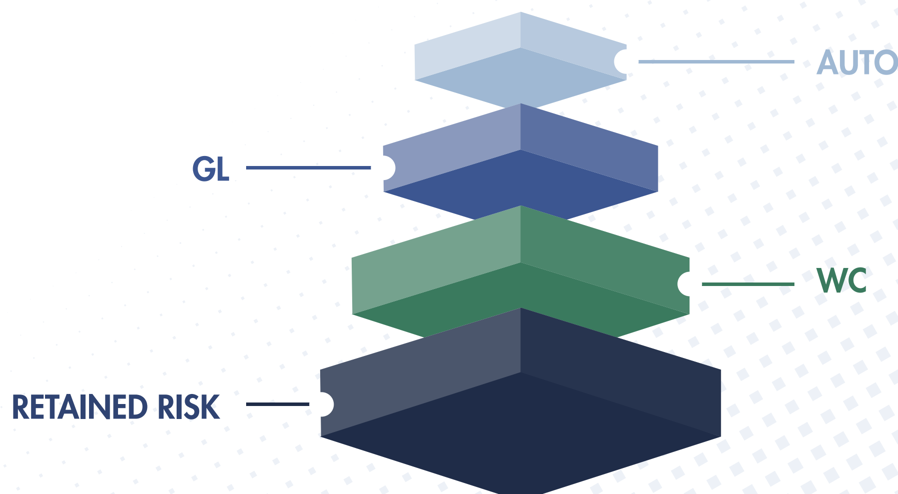
## Aggregate Stop-Loss Reinsurance

The reinsurance attaches based on total losses across all lines combined. This allows the captive to retain more risk at a lower cost because the aggregate threshold accounts for diversification.

## Blended Excess Layers

Some captive structures layer reinsurance across the entire multi-line book, pricing the protection based on the correlation between lines rather than the worst case in each.

The right reinsurance design depends on your risk tolerance, cash flow, and how correlated your loss patterns are across lines. An experienced advisor should model multiple scenarios before recommending an approach.



# Single-Line vs. Multi-Line: At a Glance

This comparison outlines the key differences between placing a single coverage line into a captive versus structuring a multi-line program.

| Factor | Single-Line Captive | Multi-Line Captive |
| --- | --- | --- |
| Risk diversification | None. Single exposure pool. | Diversified across WC, GL, and auto. |
| Financial stability | Volatile. One bad claim year can hurt significantly. | More controlled. Each line evaluated independently or pooled for smoothing. |
| Capital efficiency | Reserves tied to one line. | Capital allocated per line; pooled structures may require less total capital. |
| Reinsurance cost | Higher per-line pricing. | Per-line or aggregate options; cost varies by structure. |
| Admin complexity | Lower. One program. | Higher. Requires stronger operational infrastructure. |
| Best suited for | 50-99 employees testing the model. | 50+ employees with $250K+ combined premium and stable multi-line loss history. |
| Upside potential | Moderate. | Strong across each line; less dependent on any single coverage area. |
| Strategic control | Limited. | High. |

## Does Adding More Lines Increase Downside Risk?

This is a fair concern. Adding more lines does increase the total amount of risk being retained. But whether the structure is pooled or non-pooled, the risk is segmented and managed with discipline rather than absorbed blindly.

The downside risk increases meaningfully only when loss data across new lines is thin or inconsistent, when risk management discipline does not extend to the added lines, when the captive is undercapitalized, or when reinsurance is improperly structured. Proper feasibility analysis, actuarial modeling, and an ongoing advisory relationship mitigate these risks. The question is not whether a multi-line captive carries risk. It does. The question is whether that risk is well-understood, properly structured, and actively managed.

# Industries Where Multi-Line Captives Work Well

Multi-line captives tend to work best in industries where organizations carry meaningful exposure across several coverage lines. The common thread is not simply size. It is predictable operations and the ability to actively manage risk across workers' comp, general liability, and commercial auto.

## Manufacturing

Significant workers' comp exposure alongside product liability and general premises liability risks. When combined with fleet operations for distribution, these organizations frequently carry premium volume across all three lines.

## Construction and Contracting

High workers' comp exposure, general liability risks tied to project work and subcontractor relationships, and sizable vehicle fleets making commercial auto another major line.

## Distribution and Logistics

Substantial commercial auto exposure alongside workers' compensation and liability coverage. Warehousing, trucking, and regional distribution companies are natural candidates.

## Healthcare and Senior Care

Large workers' comp programs along with professional liability and general liability exposures. In some structures, these lines can be incorporated into a broader captive strategy.

## Multi-Location Service Businesses

Facility services, hospitality groups, and regional service providers often generate stable loss data across several lines and benefit from consolidating those risks into a single structure.

Manufacturing

Construction

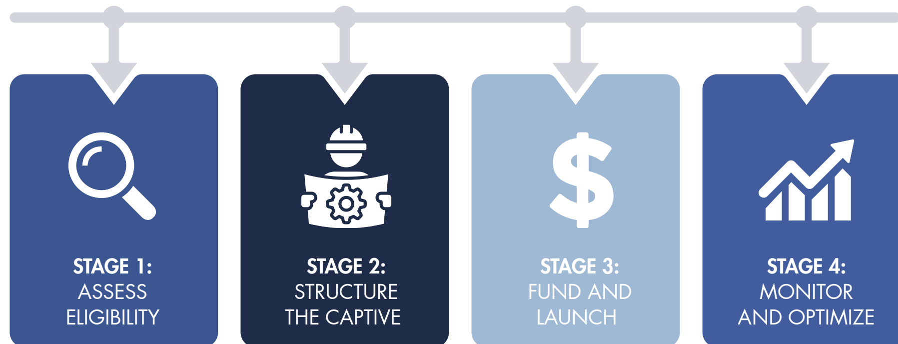
Distribution

Healthcare

Service Businesses

# From Evaluation to Optimization: The Four-Stage Journey

Moving into a captive is not an overnight decision. It is a structured process that unfolds across four stages, each building on the one before it.




## Stage 1: Assess Eligibility

This is where you determine whether a captive is even the right conversation. Your advisor evaluates your organization's size, premium volume, and loss history across all lines. You will need to gather five years of loss runs, your current experience modification rate, payroll breakdowns by class code, OSHA logs, and a description of your safety programs.

If your combined premiums are at least $125,000, your loss ratio is consistently at or below 50%, and you have documented stability across your coverage lines, you are likely in the qualifying range.

## Stage 2: Structure the Captive

Once eligibility is confirmed, the focus shifts to design. This stage involves choosing retained risk layers, setting reinsurance attachment points per line, and determining whether a pooled or non-pooled reserve model fits your goals. If you are joining a group captive, you will also evaluate the membership composition and whether a homogeneous or heterogeneous peer group is the right fit.

## Stage 3: Fund and Launch

With the structure defined, the captive is capitalized and the per-line reserve and reinsurance structures are established. Initial capital requirements are typically 25-50% of retained risk. This is a meaningful financial commitment, and it is why joining a captive should be viewed as a long-term strategic decision rather than a short-term premium fix.

## Stage 4: Monitor and Optimize

A captive is not a set-it-and-forget-it structure. Annual reviews of loss ratios, reserve adequacy, and performance by line of coverage ensure the program stays aligned with your evolving risk profile. This is where the ongoing advisory relationship matters most.

# Are You Ready for a Commercial Group Captive?

Use this checklist to assess your organization's readiness. A strong candidate checks most of the items below and has a clear plan to address the rest.

- ✔ 50 or more employees with consistent headcount and operations
- ✔ Combined annual premium of $250,000 or more across workers' comp, GL, and auto (group captives may be feasible at $125,000+)
- ✔ At least 3 years of documented, stable loss history across multiple lines
- ✔ 5-year loss ratio consistently at or below 50% of premiums paid
- ✔ Formal claims management process with documented return-to-work or incident response programs
- ✔ Leadership commitment to proactive risk management, not just compliance
- ✔ Ability to fund initial capital requirements (typically 25-50% of retained risk)
- ✔ Active exposure in at least two of three lines: workers' comp, general liability, commercial auto
- ✔ Long-term perspective: joining a captive is a multi-year strategic commitment

# Organizations That See the Greatest Returns

Not every qualifying business will see the same level of benefit. The organizations that get the most out of a captive structure tend to share a few additional traits: a strong safety culture that produces consistently below-average loss ratios, centralized operations that allow for standardized risk controls across locations, predictable growth trajectories that support accurate premium and loss modeling, and proactive claims management, especially return-to-work programs for workers' comp.

# Why Winter-Dent?

Choosing a captive advisor is not just a vendor decision. It is a long-term partnership that shapes how your organization manages some of its most significant financial exposures. Here is why businesses across the Midwest trust Winter-Dent to guide that process.

## 100% Employee-Owned

Winter-Dent became a 100% employee-owned company through an ESOP structure in 2018. Every person you work with is an owner with a tangible stake in your success. That ownership mindset drives superior service, lower turnover, and relationships built to last. When you win, we win.

## Over a Century of Trusted Service

Founded in 1912, Winter-Dent has never forgotten its roots while embracing modern tools and strategies. We are the largest privately held insurance agency in Mid-Missouri, with comprehensive risk management capabilities across personal lines, commercial insurance, employee benefits, and financial services.

## Deep Captive Experience

Captive insurance is not a side offering at Winter-Dent. It is a core capability backed by years of hands-on experience structuring, launching, and managing captive programs across a range of industries and sizes. Our team has guided organizations through every stage of the captive journey, from initial feasibility conversations through actuarial modeling, reinsurance design, and the ongoing annual reviews that keep programs performing. That experience matters because captives are not one-size-fits-all.

## The Prevent365 Approach

Captive evaluation at Winter-Dent is not treated as a product recommendation. It is part of our Prevent365 risk advisory process, where we analyze how operational risk performance, insurance structure, and capital strategy interact over time. We are not looking to sell you a captive. We are looking to determine whether a captive is the right tool for your specific situation, and then to structure it properly if it is.

## Straightforward Accountability

We tell you what you need to hear, not what you want to hear. Our accountability model is simple: we do what we say we are going to do. If we do not, you should fire us. That philosophy applies to every aspect of the captive relationship, from feasibility analysis to annual performance reviews.

## Your Risk, Not Just Your Policy

Most agencies focus on placing policies. We focus on understanding and reducing risk across your entire organization. With specialists who understand workers' comp, general liability, commercial auto, and the operational realities of the industries we serve, we bring depth that goes far beyond the renewal cycle.

### The Numbers

100% employee-owned. Over 112 years of service. 90%+ client retention rate. Three offices across Missouri, serving businesses of all sizes.

# The Prevent365 Perspective

A multi-line captive, structured correctly and monitored annually, can fundamentally change your relationship with risk.

Instead of paying premiums into a market that profits from your losses, you build reserves that belong to you. Instead of absorbing the volatility of each coverage line independently, you gain visibility and control across multiple lines of risk. And instead of renewing the same program every year hoping the market cooperates, you gain measurable control over your long-term cost trajectory.

That outcome does not happen because you signed up for a captive. It happens because your organization makes a genuine commitment to understanding and reducing risk across every line of coverage. That is what Prevent365 is built to support.

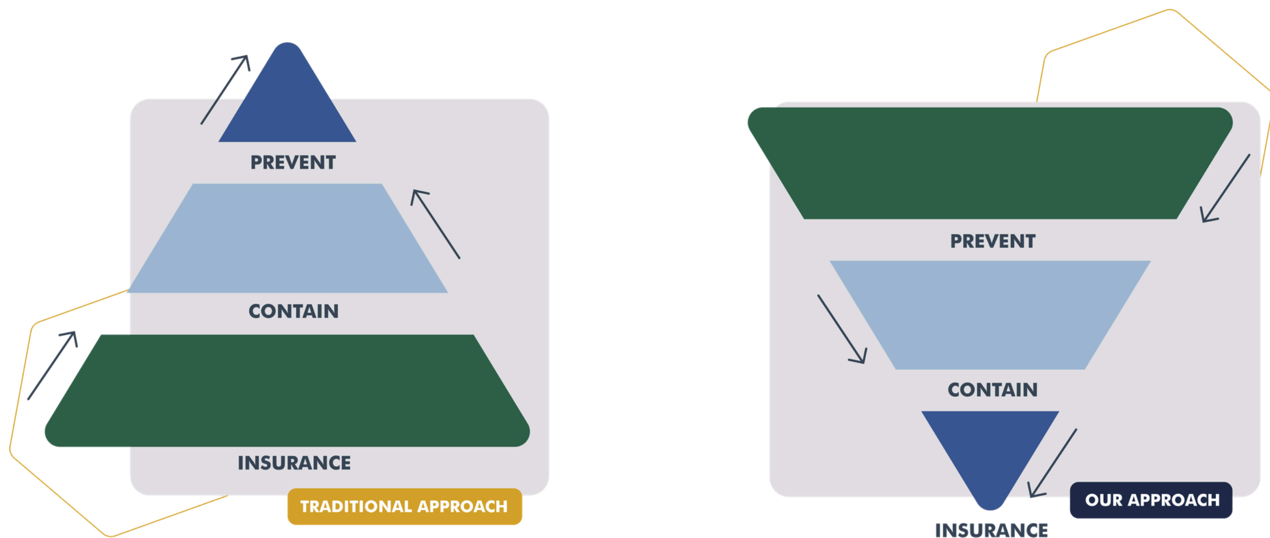
We walk through every stage with you: from the initial eligibility assessment, through captive structuring and launch, and into the annual monitoring and optimization that keeps the program performing. We bring the actuarial rigor, the advisory depth, and the accountability that a structure like this demands.

## What Is Prevent365?

Most brokers start with coverage. Winter-Dent starts with your business.

Prevent365 is our proprietary risk advisory framework. It flips the traditional insurance model on its head. Instead of reacting to incidents and paying for claims after the fact, Prevent365 focuses on identifying and reducing risk at its source, year-round. The goal is to prevent losses before they happen, contain exposure when issues do arise, and use insurance strategically for what truly cannot be controlled.

Applied to captive insurance, this approach is what makes the difference between a captive that simply exists and a captive that consistently outperforms. Here is how the four pillars of Prevent365 work within a captive program:




## 1. Diagnose the Root Cause

Before a captive is even discussed, we need to understand what is actually driving your insurance costs. Premiums are based on more than claims history. Your operations, employee classifications, workplace behaviors, contractual risk transfer practices, and risk culture all play a role.

In the context of a captive, this diagnostic work is critical. It tells us whether your organization's risk profile is strong enough to retain risk profitably, or whether there are underlying issues that need to be addressed first. We analyze loss runs across all three lines, examine claims patterns for frequency and severity trends, review your experience modification rate and what is influencing it, and identify exposures that may be hiding in your processes, culture, contracts, or supply chain.

This is the foundation. Without it, a captive is a financial structure built on incomplete data.

## 2. Differentiate Your Business

In the traditional insurance market, underwriters assess your business based on industry classification and broad actuarial data. If your industry is having a bad year, your renewal reflects it, regardless of your own performance.

Prevent365 helps you stand out. We work with your team to document and present what makes your organization a better-than-average risk: your safety programs, your return-to-work protocols, your fleet management discipline, your claims management process. In a captive, this differentiation is even more powerful because your premiums are directly tied to your individual performance. The better you can demonstrate risk management maturity, the stronger your captive results will be.

### 3. Go Beyond the Policy

Insurance covers financial exposure. It does not prevent injuries, accidents, or liability claims from happening in the first place. Prevent365 focuses on the operational side of risk: safety initiatives, process improvements, training programs, ergonomic assessments, fleet telematics, and the day-to-day controls that reduce the likelihood and severity of claims.

In a captive, this is where the financial incentive and the operational strategy align completely. Every prevented claim directly improves your captive's performance. Every dollar not spent on a loss stays in your reserves. The organizations that see the strongest captive returns are the ones that invest in prevention across every coverage line, not just workers' comp.

### 4. Build for Long-Term Impact

A captive is not a one-year experiment. It is a multi-year strategy that builds value over time as reserves accumulate, loss data matures, and your organization's risk management capabilities strengthen.

Prevent365 supports that long view. We guide decisions that align with your values and your business vision, helping you build a more resilient organization that is protected for years to come. This includes annual captive performance reviews, ongoing feasibility assessments as your business evolves, and strategic recommendations for when to expand coverage lines, adjust retained risk levels, or evolve from a non-pooled structure into a pooled model.

The result is not just a better insurance program. It is a fundamentally different relationship with risk, one where your organization is in control, your costs are tied to your performance, and your long-term trajectory improves with every year of disciplined execution.

## TAKE THE NEXT STEP

If your business might be a good fit for a commercial group captive, the process starts with a straightforward assessment. Winter-Dent offers a structured evaluation tool that provides an initial read on whether a captive is worth pursuing for your specific situation.

From there, one of our advisors will take a comprehensive look at your business to understand its unique risk profile and insurance needs across workers' comp, general liability, and commercial auto. We will walk you through the details, model the scenarios, and help you make an informed decision.

The worst-case outcome? You invest a few minutes gathering data and learn that traditional insurance is still your best path forward. The best-case outcome? You discover a structure that could save your business hundreds of thousands of dollars over the next decade while improving safety and giving you strategic control you never had before.

## START THE ONLINE ASSESSMENT

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*Important Note: This guide is for informational purposes only and does not constitute legal, tax, or insurance advice. Captive insurance structures involve significant regulatory, actuarial, and financial considerations. Organizations considering a captive should conduct a formal feasibility study and consult qualified advisors before making any decisions. Actual captive performance depends on many variables, including loss history, premium volume, industry risk characteristics, actuarial assumptions, and reinsurance structure.*