

More Companies Are Looking to This Health Insurance Trend in 2021

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Health insurance is among the most desirable employee perks. Workers appreciate knowing they have coverage for medical emergencies and routine preventive care. However, company leaders who provide such benefits face rising costs.



A 2020 survey found that [55% of small firms and 99%](#) of large ones offer health coverage to at least some workers. However, the research also showed that annual premiums for employer-sponsored health coverage rose 4% compared to the previous year.

Captive health insurance is an emerging trend that could help employers manage their costs. It involves company owners setting up in-house insurance to mitigate an organization's specific risks rather than going through a commercial provider. Thus, a company creating its own insurance allows going outside the commercial marketplace, saving money in the process.

COVID-19 Helped Drive Interest in Captive Insurance

According to one source, [captive insurance experienced 200%](#) year-over-year growth in 2020. That figure represents the creation of 76 new captives worldwide that year. Analysts say the COVID-19 pandemic was a significant factor in helping that happen.

As commercial insurers received billions of dollars in pandemic-related claims, many raised their premiums to compensate. Employers saw the direct effects of those decisions, and they looked for more reasonable options. In many cases, that meant exploring captive insurance.

Moreover, some business representatives buying commercial insurance found that firms placed more restrictions on their coverage or implemented more conditions for customers to meet. Those trends, too, made commercial insurance less attractive and steered business owners toward captive insurance.

Company Leaders See Numerous Benefits of Captive Insurance

Companies with full insurance through commercial providers usually discover there's no monetary benefit to having fewer claims than expected. The insurers still keep all the money associated with premium costs. Other kinds of insurance like captive insurance [bring affordability to claims risk protection](#), helping employers save.

People familiar with the captive insurance sector report noticing rising interest in the option. A lower cost is probably not the sole driver of that trend, but it's almost certainly a decisive factor.

1. Patrick Gallagher, chairman, president, and CEO of Arthur J. Gallagher & Co., was recently interviewed about the increased interest in captive insurance. He noted that captives "[take the bumps out](#) of the market." Gallagher also confirmed that captive insurance is a long-term decision for the companies that choose it. They don't "jump in and out of captives" the same way they might when getting coverage from commercial insurance providers.

Moreover, he confirmed, "We're seeing a lot more demand for captives on medical stop loss and health insurance," and called the current interest in captives "sky high." It'll be interesting to see if the trend continues, but it shows no signs of slowing.

Patrick Johnson of The Horton Group, an insurance and risk advisory company, pointed out, "If a company is traditionally making money for their insurance company, then the company owner [has the opportunity to be](#) that insurance company with a captive so that they're profiting from their hard work."

He continued, "It's a natural progression for those companies that take safety, claims management, and risk control seriously and a way for them to optimize their insurance purchase."

Employee Benefits Help Companies Compete

Job candidates assess several factors when deciding whether to apply for positions. Many ultimately decide that working at organizations that don't provide health insurance for their workforces is too risky. However, captive insurance is a [cost-effective way for business owners](#) to offer it, showing that they keep pace with benefits trends.

There's another advantage for employers, too. In-house insurance makes it easier for them to analyze claim trends. They can then use that newly acquired knowledge to determine the best ways to reduce overall claim numbers by helping employees stay healthier. When that happens, it also has a direct link to competitiveness.

Business leaders are well aware of the connection between absenteeism and lost productivity due to illness. Captive insurance helps them see which issues are most likely to generate claims and, potentially, keep people out of work. Company executives can then respond proactively to reduce such situations and understand why they happen.

Captive Insurance Is Worth Consideration

Captive insurance is not the right solution for every company. However, when business owners become increasingly frustrated with the rising costs of commercial insurers, it's well worth a look.

Employees will undoubtedly keep prioritizing companies that offer health insurance. The examples here highlight how captive programs could make such benefits more manageable for the companies providing them.