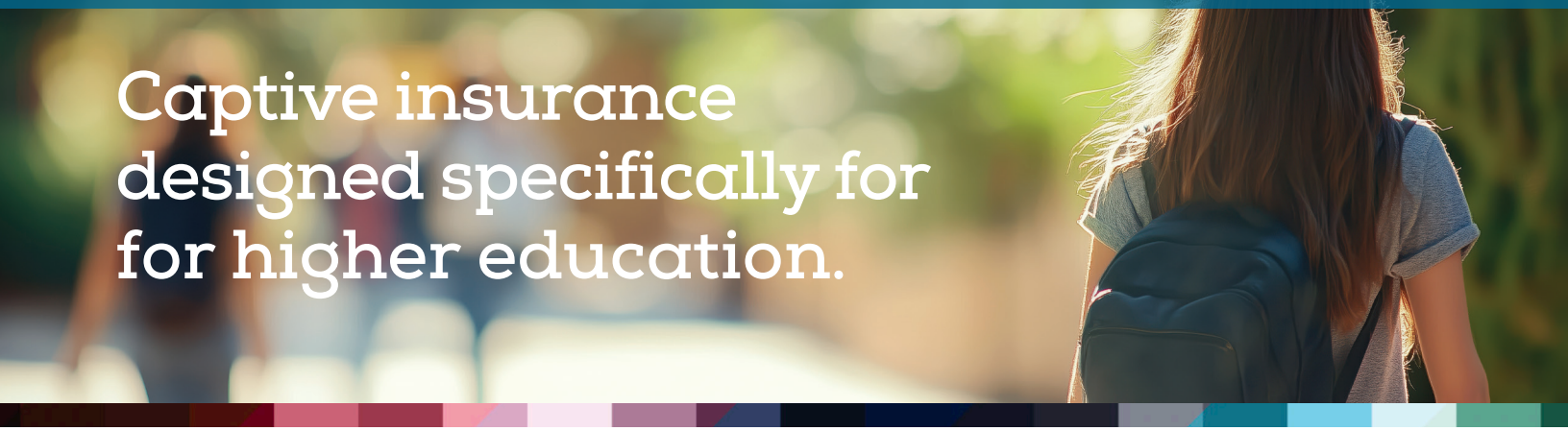
MIDWESTERN HIGHER EDUCATION COMPACT

Captive Insurance Program



Captive insurance designed specifically for for higher education.

The Higher Education Insurance Market is Changing

The insurance landscape has become challenging for colleges and universities. Rising costs, tighter underwriting, coverage gaps, and emerging risks prompt new thinking on financing and managing risk.

Year-over-year premium increases put additional pressure on budgets. Stricter underwriting means institutions may face higher deductibles, reduced limits, more exclusions, or declined coverage. Coverage gaps leave higher-risk exposures difficult or expensive to insure. Increasing claim severity and social inflation create rising liability costs, putting pressure on liability programs. Insurance-market consolidation can reduce competition and institutional choice, leaving fewer options.

These pressures lead higher education institutions to explore new ways to finance and manage risk, including captive insurance.

MHEC's new Sponsored Cell Captive Insurance Program Offers a New Approach to Higher Education Risk

The **Midwestern Higher Education Compact (MHEC)** has been a trusted leader in higher education for nearly 40 years, helping the Midwest save more than $144 million in 2025 alone. It established the **MHEC Captive Insurance Program** to help higher education institutions save time and money.

MHEC's sponsored cell captive offers colleges and universities another way to finance risk—without the cost and complexity of forming their own. Institutions can control costs, customize coverage, fill gaps, and gain greater control.

MHEC's sponsored cell captive offers customization, transparency, and long-term financial resilience where other insurance falls short—and at a reasonable cost. It works alongside existing insurance.

$601M → $1.2B

The total value of publicly reported large losses affecting educational institutions nearly doubled from 2023 to 2025.

19%

Increase in U.S. umbrella/ excess liability insurance rates in Q4 2025.

98%

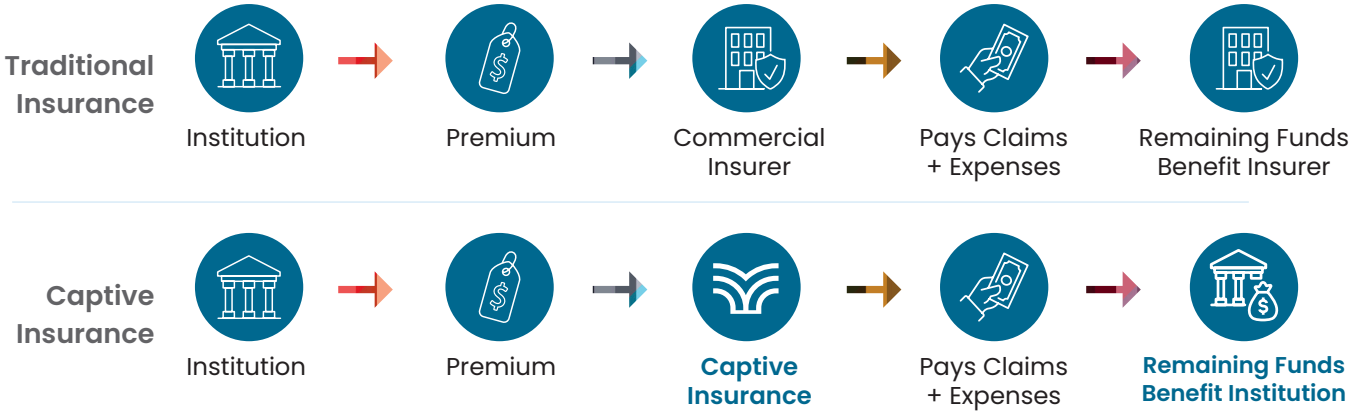
Growth in captive premium among education organizations in 2025.

MIDWESTERN HIGHER EDUCATION COMPACT | Captive Insurance Program

What is Captive Insurance?

An Alternative Way to Finance and Manage Risk.
A captive is an insurance company created to insure the risks of its owner or participating organizations. Instead of transferring all its risk to commercial insurers, an organization can use a captive to retain and finance a portion of its own risk. Colleges and universities can use a captive as a predictable and protective layer while relying on commercial insurance or reinsurance for larger or catastrophic losses. A captive gives institutions another tool for managing risk when traditional coverage is costly, limited, or does not fully meet their needs.

How is a Captive Different?



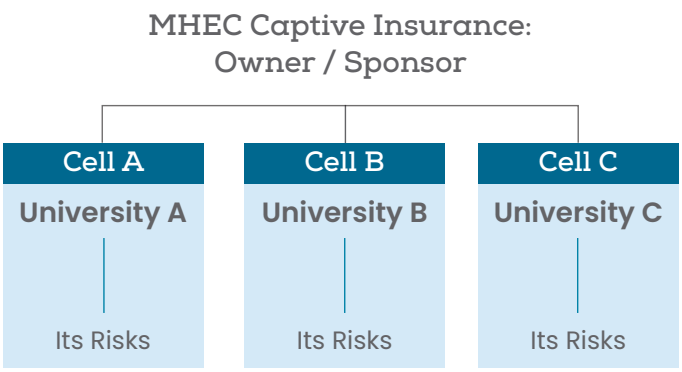
With traditional insurance, institutions transfer both risk and premium to a commercial insurer. With a captive, institutions retain a portion of their risk—and can benefit financially when losses and expenses are lower than anticipated. Captive insurance combines the control and flexibility of self-insurance with many of the capabilities of traditional insurance—giving institutions a way to manage risk while retaining greater financial control. A captive can also provide access to reinsurance markets.

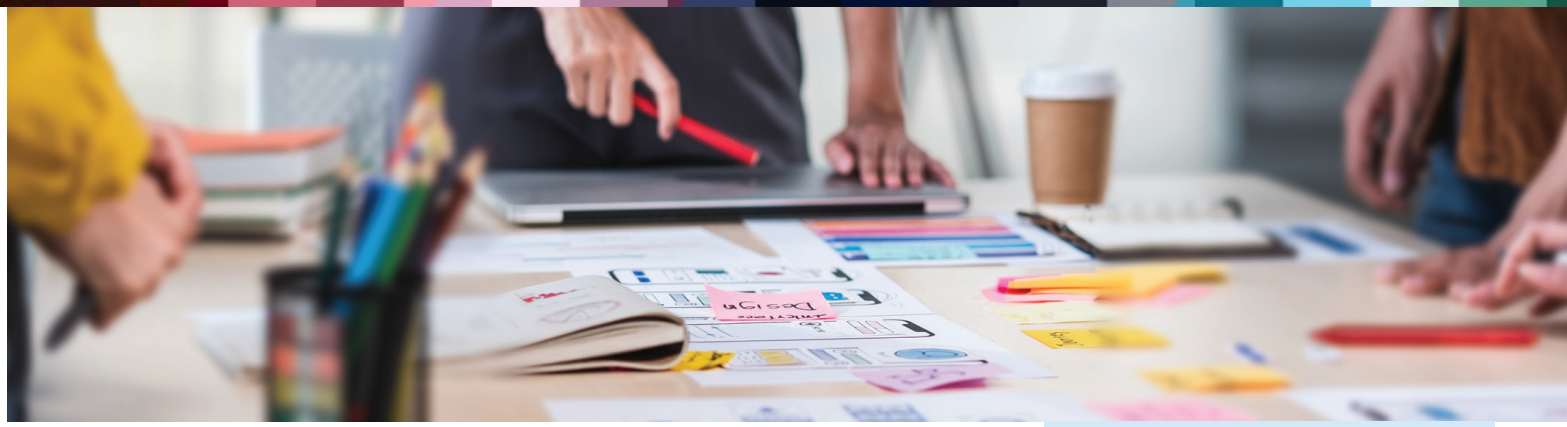
How Sponsored Cell Captives Work

Your cell. Your risk. An institution establishes its own legally segregated cell through MHEC's captive (Stone Arch). It uses that cell to insure one or more layers or lines of risk.

No shared risk between institutions. Each cell is separate, so one institution's risk does not affect another institution's cell.

Multiple coverage possibilities. Institutions can finance a layer of risk for one area or insure multiple lines of coverage.





What Could You Do With Your Cell?

Reduce volatility.
Retain a predictable and protective layer of risk while transferring catastrophic exposure.

Fill a coverage gap.
Create coverage for exposures that are unavailable or prohibitively expensive in the commercial market.

Take an active role in managing risk.
Retain more risk when your institution's loss experience supports doing so.

Build coverage around your institution.
Design terms and limits around institutional needs rather than relying solely on standardized commercial products.

Access additional risk-transfer options.
A captive may provide access to reinsurance and other risk-transfer arrangements.

More financial flexibility.
Retain a predictable layer of risk, potentially improve cash flow, and keep favorable financial results rather than transferring the full premium to a commercial insurer.

Enhance budget predictability.
Help stabilize insurance costs and simplify financial planning by spreading the financial impact of potential loss over time.

And You Don't Have to Do It Alone.

A MHEC sponsored cell captive enables you to establish a cell within an existing captive structure, gaining benefits of captive insurance with a lower overhead and administrative burden.

Common Risks to Insure in a Captive

- Workers' Compensation
- Medical Stop-Loss
- Employee Benefits
- Property
- Casualty
- Cyber Risks
- Sexual Misconduct Liability
- Traumatic Brain Injury
- Research-related Exposures
- Name, Image, and Likeness (NIL) Risks

Here For You From Exploration to Launch

Establishing a captive cell is a significant decision, but you don't have to navigate the process alone. MHEC, along with its partner, Marsh, will bring together your institution and experienced captive professionals to help you explore your needs, evaluate whether a cell is a good fit, design a program, and guide it through implementation.

1. EXPLORE

Meet with MHEC to discuss your risk-management objectives and explore opportunities where a captive might add value. Learn more about sponsored cell captives and how they could work for your institution.

2. ASSESS

MHEC helps your institution assess how a captive could support your risk management strategy. This step may be brief, or it may include a feasibility study to help evaluate risks, loss history, current insurance costs, potential captive structures, projected claims and expenses, and capital requirements. MHEC can assist with an initial assessment at no cost. More complex feasibility studies may involve a fee.

3. DESIGN

We help institutions determine which risks and layers of coverage will be placed in the cell and establish the program structure, including funding, limits and retentions, service providers, and risk-transfer arrangements.

4. ESTABLISH

MHEC guides you through the process of formally establishing and registering your cell—completing an application, establishing the incorporated cell, obtaining regulatory approval, and capitalizing the cell.

5. LAUNCH

Once launched, MHEC and our captive's service providers support the institution with management, actuarial, audit, and legal services to promote compliance and long-term sustainability.

The Midwestern Higher Education Compact (MHEC) brings together colleges, universities, and states to solve shared challenges and reduce costs. For nearly 40 years, MHEC has developed cooperative programs and contracts that leverage collective purchasing power, reduce administrative burden, and deliver savings for higher education. It is governed by higher education and state leaders from across the Midwest.

Contact us to learn more.

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The Midwestern Higher Education Compact and its staff are not licensed insurance agents or brokers and do not provide insurance brokerage services. Stone Arch is a separate legal entity wholly owned by MHEC. Insurance coverage and related obligations are governed by the applicable insurance policies and agreements and are not obligations of MHEC.