

GROUP/ASSOCIATION CAPTIVES

WHAT IS A CAPTIVE?

Captive insurance refers to a subsidiary corporation established to provide insurance to the parent company and its affiliates. A captive insurance company represents an option for many organizations, from Fortune 500 companies to nonprofits, that want to take financial control and manage risks by underwriting their own insurance rather than paying premiums to third-party insurers.

A **GROUP/ASSOCIATION CAPTIVE** is a licensed insurer or reinsurer that is formed and owned by an industry, trade, or heterogeneous group of employers, and is strictly for the benefit of its members. When a group is sponsored by an industry association, this is known as an association captive.

BENEFITS OF ESTABLISHING A GROUP CAPTIVE:

Establishing a group captive insurance company provides the same benefits of single-captive insurance significant benefits to organizations and risk management professionals. Group or association captives provide a vehicle for members that may be too small to effectively assume a large risk position within their own single parent or sponsored captive arrangement to reap the benefits of captives. Participants in this type of captive can share or pool their insurance risks and efficiently spread the fixed costs of the captive among its many members.

The advantages of group captives include:

- ✓ Mass purchasing power
- ✓ Reduced overhead
- ✓ Improved loss forecasting and greater risk retention
- ✓ Return of profits in cost-effective manner
- ✓ Coverage tailored to meet specific needs
- ✓ Greater control over claims
- ✓ Control of cash flow
- ✓ Pricing stability, investment income, and underwriting profit
- ✓ Potential tax benefits
- ✓ Funding, underwriting and risk management flexibility
- ✓ Access to the reinsurance market

IS GROUP CAPTIVE RIGHT FOR YOUR ORGANIZATION?

As organizations of all sizes seek to gain greater control over the costs and opportunities of risk management, captive insurance continues to increase in popularity as an alternative or enhancement to purchasing insurance in the traditional marketplace. However, when deciding whether to form a group or association captive, organizations should keep in mind that with multiple parties, there's the potential for decision making problems, profit distribution conflicts, or withdrawal of participants.

The world of captive insurance can be confusing, with so many different structures available, and so many different factors that need to be taken into consideration. Contact the AHT Captive Team to learn if a group captive is right for your organization.

Learn more about Captives
800.648.4807 | ahtins.com/captive

