CAPTIVES

Since COVID-19 impacted pricing, availability of coverage, renewals, and underwriting trends, **organizations are taking action as they seek to find cost-effective solutions for their insurance spend. The most popular alternative option is a captive.** Captives have been around since the 1950's, and they currently account for half of all property and casualty premiums, according to a 2011 survey by Insurance Journal. The National Association of Insurance Commissioners estimates that today, there are over 7,000 captives globally compared to roughly 1,000 in 1980. While popular among the Fortune 1000s, with 90% reporting captive participation, middle market companies represent the fastest growing segment of the market.

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.

BENEFITS OF ESTABLISHING A CAPTIVE:

Establishing a captive insurance company often provides significant benefits to organizations and risk management professionals. **The advantages of going captive include:**

- Coverage tailored to meet specific needs
- Greater control over claims
- Reduced operating costs
- Control of cash flow
- Potential tax benefits
- Funding, underwriting and risk management flexibility
- Access to the reinsurance market
- Incentive for loss control
- Capture underwriting profit
- Pricing stability
- Investment income
- Potential additional profit center

TYPES OF CAPTIVES WE OFFER

SINGLE PARENT
insures the risks of related companies and is owned and controlled by the related company or its affiliates

GROUP/ASSOCIATION
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

RISK RETENTION GROUPS (RRGs)
RRGs allow businesses with similar insurance needs to pool their risks and form an insurance company that they operate under state regulated guidelines

831b MICRO CAPTIVES
small captive insurance company that may be taxed under Internal Revenue Code § 831(b) - not paying tax on its underwriting income

IRS Acknowledges 831(b) Captive Insurance Companies Are "A Legitimate Tax Structure"
Read Full Article

What Every CPA Needs to Know about Captives

Keeping Captives Compliant

Captive Insurance: The Answer to Managing Costs?

IS CAPTIVE INSURANCE 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.

Having a captive insurance company gives organizations better control over risk management and can reduce the overall cost of risk. While captive insurance companies can be valuable strategic tools, they are not always the best approach for every organization. Well-planned captives are formed for long-term risk management solutions; the most successful captives are those where the parent company views the captive as a long-term strategy.

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. The AHT Captive Team will help you determine if captive insurance is right for your business.