

SINGLE PARENT 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.

SINGLE PARENT CAPTIVES are still the most common type of captive being used today. This type of captive is owned by one company, typically the one being insured. It is often the choice of larger insureds with more sophisticated risk management profiles. Single parent captives have been in use for over 50 years, which means this model has stood the test of time. They are an effective alternative to traditional insurance for managing the risks of commercial business.

BENEFITS OF ESTABLISHING A CAPTIVE:

Establishing a captive insurance company often provides significant benefits to organizations and risk management professionals. Single parent captives are often used to provide reinsurance on workers compensation programs, and are increasingly being used for property insurance, directors and officers liability, terrorism, and toxic mold. Captives help organizations mitigate specific risks associated with their lines of business. **The advantages of single parent captives 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

IS SINGLE 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 as an alternative or enhancement to purchasing insurance in the traditional marketplace. Having a captive insurance company gives organizations of all sizes better control over risk management and can reduce the overall cost of risk. However, when deciding whether to form a captive, companies need to justify the investments of time and resources needed to form and operate a successful captive insurance company. While captive insurance companies can be valuable strategic tools, they are not always the best approach for every organization.

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 single captive insurance is right for your organization.

Learn more about Captives
800.648.4807 | ahtins.com/captive

