

Captive Insurance: Increase Control and Reduce Costs

What is Captive Insurance?

A captive insurance company represents an option for many businesses and groups that want to take financial control and manage their own business risks by underwriting their own insurance through a captive insurer.

Why Consider a Captive?

- ▶ Average annual cost savings of up to 40%
- ▶ You are interested in putting capital to work and are willing to assume some risk, knowing that there can be meaningful financial benefits by creating your own insurance company
- ▶ You are looking for an alternative to the traditional insurance marketplace
- ▶ You would like assistance in achieving your risk financing goals

**Average annual savings of up to 40%.
This includes savings from reductions in
fixed costs, captive retained underwriting
savings and earned investment income**

Notable Benefits of a Captive:

- ▶ Improved cash flow and pricing stability
- ▶ Coverage specifically structured to meet your needs
- ▶ Increased capacity
- ▶ Investment income to fund losses
- ▶ Greater control over your claims
- ▶ Transparent data and management reporting
- ▶ Insuring third-party risk in your captive generates additional income for the captive owner

How a Captive Works

1. Insured pays premium to captive instead of a carrier:
\$1.00

2. Captive retains premium minus fixed expenses (\$0.10) to pay out future claims

3. Claims (\$0.65) are paid out of captive over time

4. Remaining underwriting profit is retained:
 $\$1.00 - \$0.10 - \$0.65 = \0.25
Plus Investment Income
 $\$0.25 + \$0.15 = \$0.40$

Common Captive Options

Single Parent Captive- A single parent captive is an insurance entity that provides insurance to cover the losses of its parent company and is 100% owned by that parent organization.

Group Captive- A group captive is an entity that is owned by several different businesses who are normally from the same industry, but not in all cases.

Companies may select a group captive when:

- You wish to reduce the start-up costs associated with the captive.
- You are prepared to pool your risks and claims experience with other similar businesses.
- Your current premium level is not large enough to make a single parent captive economically viable.

Cell Captive - A cell captive solution has lower regulatory capitalization requirements and offers turnkey solutions for businesses new to the captive concept, therefore, implementation is a little easier and more cost effective.

Typical Risks to Consider in a Captive

- ▶ General Liability
- ▶ Products Liability
- ▶ Professional Liability/Errors & Omissions
- ▶ Property Damage/Business Interruption
- ▶ Workers Compensation/Employers Liability

- ▶ Disability
- ▶ Group Term Life
- ▶ Medical Stop Loss
- ▶ Voluntary Benefits

Is a Captive Right for You?

At Alera Group, our award-winning team of captive experts will help you answer that question. We will work with you to evaluate options so that you can make an educated decision that can help you realize a positive financial outcome. For more information, contact an Alera Group representative today.

Captive Awards



US Captive Awards – 2020 Top Captive Feasibility Study Firm



US Captive Awards and Captive Review Awards- Actuarial Firm of the Year (Multiple Years)



Captive Review Awards- Captive Professional of the Year (Multiple Years)

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