



A Guide to Group Captives

FAQ

Delivering Outstanding Service

A group captive insurance company is an entity owned collectively by several organizations to insure or reinsure the risks of its owners. It allows the members, often businesses from similar industries and risk profiles, to benefit from a shared approach to risk management.

In a group captive, each member company contributes capital to fund the captive and shares in the underwriting profits and investment income. The structure of a group captive can vary depending on the members' needs, but operates similarly to a traditional insurance company, providing policies, handling claims, and managing reserves.

One of the primary advantages of a group captive is the potential for cost savings. By pooling risks, members can achieve economies of scale, potentially leading to lower insurance costs compared to traditional insurance markets. Because the members are also the owners, they have significant control over the captive's operations, including underwriting standards, claims handling, and investment policies. This level of control leads to more tailored insurance solutions that better fit the specific needs of the members.

Another benefit is the potential for improved risk management. In a group captive setting, members are incentivized to manage their risks proactively, as this can directly impact the captive's overall performance and, consequently, the cost of their insurance. This mutual interest often fosters a strong focus on loss prevention and safety programs.

What exactly is a "Group Captive?"

A "Group Captive" is a unique arrangement where multiple organizations come together to form an insurance company. Unlike traditional commercial insurance, where companies pay premiums to external insurers, group captives allow these organizations to retain certain risks at lower costs while still transferring other risks (often catastrophic losses) to an insurer.

Why would companies form a Group Captive?

Multiple organizations may form a group captive to help with controlling the cost of insurance, claims management and/or program design. A group captive can also reduce long-term risk with stable annual costs, improve the safety and quality through sharing of best practices on insurance and risk management related issues while centralizing administration, and build an efficient and profitable venture that provides market competitive insurance rates.

What are the challenges that come with forming a Group Captive?

Challenges can arise when forming a group captive. Things like up-front capital, finding a front company for a long-term partnership, or the willingness to be transparent in operations and loss results all can act as barriers when establishing a group captive.

What makes a Group Captive successful?

A strong, robust loss control program is key to a group captive's long-term success. A viable safety environment can reduce employee and customer fatalities, injuries, and/or illness. This results in cost savings in a variety of areas including loss costs, avoiding OSHA penalties, and improving the overall productivity and financial health of the members.

Group captives can return underwriting profits and investment income to their members, unlike traditional insurance where profits are typically retained by the commercial insurer. This can provide an additional financial incentive for companies to join and actively participate in a group captive.

It's important to note that while group captives offer many benefits, they also require commitment and active involvement from their members. The success of a group captive depends on the collective risk management efforts of its members and their willingness to collaborate and share risk. Through collective risk sharing, improved risk management, and potential financial returns, group captives can offer a compelling alternative to traditional insurance solutions.

Group Captive Stats

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Group Captives

Active Domiciles

Barbados
Bermuda
Cayman Islands
Hawaii
Montana
Vermont

Industries Served

- Agriculture
- Construction
- Real Estate
- Healthcare
- Transportation
- Financial Services
- Retail
- Professional Services

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