

WALSH

Is Captive Insurance Right for Your Company?



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For More Information

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Is your company paying \$250,000 or more per year in insurance premiums? Are your financials strong? Do you place a solid emphasis on workplace safety and training?

If you answered “yes” to these questions, then captive insurance may be right for you.

If you are new to the concept, captives are insurance companies created and wholly owned by one or more non-insurance businesses to insure the risks of its owners. A captive is similar to self-insurance — except the insurer is owned by those being insured.

In the past few years, captive insurance has increased significantly in popularity with over 5,000 captives currently active worldwide, according to credit rating agency AM Best. The reason for the growing interest is simple: a volatile insurance marketplace and rising commercial insurance costs.

Some features and benefits of captives include:

- **Premiums are based on a company’s own loss history** (not grouped together with your industry’s poor performers). That is why a commitment to safety and loss control is essential to the success of a captive. To help keep premiums low and steady, captives often provide loss-control services for members.
- **A high level of control remains with members of the captive.** They have input on prospective participants, how premiums are invested, and the services and coverages that will be provided.
- **Participants in a captive program can receive unused premiums** and investment income based on the performance of their captive group.
- **When a company joins a captive program, it becomes a long-term partnership.** Members essentially partner with the other members in the captive. During captive meetings, for instance, they have the opportunity to meet other business operators and share best practices.

- **If a company has to file for bankruptcy,** the funds in the captive are protected against claims from creditors.

Today’s challenging business climate means that now is a good time to take a more active interest in controlling expenses.

If you’re interested in learning more about captive insurance, your first step should be to find a quality insurance agent who can walk you through the ins and outs of this option. The agent should be able to provide specific examples of how your company can benefit from a captive.

It is also a good idea to speak with the members of the captive first hand to learn more about a particular program. And remember, you should start the process of researching your options three to four months before the expiration date of your current policies.