The Captive Industry is more prominent than ever with conferences scheduled across the U.S. Attended by a wide range of risk mitigation professionals, each conference provides a unique perspective to current market trends in the captive industry and key insight into regulatory compliance and the benefits of a properly structured captive. Regional and National events of interest:

- Delaware Captive Insurance Association Mid-Year Forum: May 12-13, Wilmington, DE
- Western Region Captive Insurance Conference: May 19-21, Salt Lake City, UT
- Self Insurance Institute of America International Conference: June 9-11, Miami, FL
- Montana Captive Insurance Association: July 22-23, Whitefish, MT.

**Industry Events**

**CICA 2014 International Conference**

The 2014 conference held March 9-11th in Scottsdale, AZ had a record attendance and focused on topics ranging from Global Reinsurance Trends, Captive Ratings and Best Practices. For a complete list of presentations, visit the CICA site at: www.cicaworld.com.
“Robert” was entering another crop season when the annual premium bill arrived for commercial insurance and he decided enough was enough. Instead of covering all his companies’ risk only by policies offered by the commercial market, Robert decided to also go captive.

Robert’s family has ranchland in the Central Valley, dating back to the 1800s. Protecting this family legacy with the necessary coverage specific to the farming industry drove his decision to augment his traditional insurance and customize his overall insurance and risk management program with captive insurance.

At Active Captive Management, we hear Robert’s story repeated countless times. “We were paying for things that have no bearing on our business and not getting adequate coverage for the areas we felt more vulnerable,” he shared.

Agribusiness has its own unique set of risks that don’t exist in other industries. Farmers experience huge losses due to environmental conditions that are out of their control---such as drought or flood. Pests and plant disease pose another enormous threat, and each individual crop has its own distinct range of these. Farmers also suffer financial loss from potential food-borne illnesses that affect consumers, such as listeria and e-coli.

The general concept of captive insurance has been around for centuries, but its biggest growth has taken place over the past 30 years. Today, more than 90 percent of Fortune 1000 companies have a captive insurance company.* So, what is a captive? A captive is a wholly owned insurance company that insures the risks of its affiliated entities. Captives are just like traditional insurance companies in that they collect premiums, pay claims, and have financial and regulatory obligations.

Sometimes traditional insurance policies don’t meet the needs of a company. Many companies have found the solution in a captive, which can provide a customized insurance program to meet the specific risk management driven insurance needs for the entities insured by the captive. For example, some industries are so small that insurance carriers don’t have products for them, while others may be at such high risk that they are unable to secure an appropriate policy through the traditional insurance marketplace, or the coverage, while generally available through the commercial market, is nonetheless too expensive.

Many industries qualify for and have captives including real estate development, health care, energy, manufacturing, automotive, agriculture, technology, and legal industries and beyond. Some sectors are especially well suited to the use of captives, such as in the construction industry, where many construction defect claims routinely get denied by commercial carriers as uncovered faulty workmanship or warranty claims or because certain construction related or business risk exclusions in commercial policy lines preclude coverage. Captive insurance has gained popularity with mid-size and large contractors seeking to protect themselves financially (especially relative to long tail claims) and gain more control over how they are insured.

The growing attraction to captives comes with a wide range of benefits for businesses. Under IRS Code Section 831(b), qualified insurance companies with under $1.2 million in premiums pay no federal tax on their underwriting income, which increases their ability to develop stronger reserves. Control and flexibility to customize captive coverage, and the ability to manage claims administration with more ease all contribute to the appeal of captive insurance.

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However, it is paramount that businesses understand, that in forming a captive, they must have an appropriate risk management purpose for doing so, and be prepared to comply with all insurance code or domicile regulations and strict Internal Revenue Service guidelines.

Captives were tested in recent years when they maintained their market share during the recession, proving that they offer stability and flexibility over soft and hard insurance market conditions. Given current market conditions, this might be a good time to explore if your business would benefit from the alternative risk insurance option of a captive.

“We were paying for things that have no bearing on our business and not obtaining adequate coverage for the areas we felt more vulnerable”

*Insurance Journal, January 24, 2011

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