

# Captive Insurance

## Types of Captives



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### Captive Insurance

A captive is an insurance company created by its parent company to insure its risk(s) and better manage its costs. Captives are essentially a form of self-insurance whereby the insurer is owned wholly by the insured. They are typically established to meet the risk-management needs of the owners or members. The type of entity forming a captive varies from major multinational corporations to small nonprofit organizations. Once established, the captive operates like any commercial insurance company and is subject to state regulatory requirements, including reporting, examination, capital and reserve requirements.

In 2014, Governor Kasich signed into law House Bill 117, allowing Ohio businesses the ability to form captive insurance companies in the state, making Ohio the 30th state to become a captive domicile in the United States. This new law provides significant new opportunities for Ohio businesses to better manage their own risk by insuring themselves instead of seeking insurance in the commercial market

### Types of Captives in Ohio

- **Pure** - insure the risks of its parent company and any of the parent's affiliated companies only (i.e., excludes controlled unaffiliated business)
- **Protected Cell** - consist of a core and an indefinite number of cell entities which are kept legally separate from one another. Each cell has dedicated assets and liabilities so that the assets of an individual cell cannot be used to meet the liabilities of any other cell. The core cell company may also have non-core assets, which may be made available to meet liabilities that cannot be attributed to another single cell
- **Special Purpose Financial Captives** - reinsure the risks of a parent or affiliate, usually a life insurance company, to facilitate the securitization of the risk as a means of accessing alternate sources of capital to address the (excess) reserve requirements for specific life products.

### Contact Information

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