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## Why More Businesses Are Turning to Captive Insurance



By Pamela Romano, Director of Captive Services

In today's unpredictable business environment, companies are facing rising insurance costs, evolving risks, and growing uncertainty about whether traditional insurance programs will provide adequate protection. Premiums continue to increase, coverage limitations are becoming more common, and businesses often find themselves paying more while receiving less protection.

As a result, many companies are looking for smarter and more strategic ways to manage risk. One solution gaining significant momentum among both large corporations and mid-sized businesses is **captive insurance**.

### Captive Insurance

A captive insurance company is a licensed insurance company owned by the business it insures. Instead of relying solely on outside carriers, the company forms its own regulated insurance entity to insure selected risks. While this strategy has long been used by Fortune 500 companies, it is increasingly becoming a practical

option for mid-sized businesses seeking greater control over their insurance programs.

The growing interest in captives is driven by several compelling advantages.

### Control Costs and Retain Profit

One of the biggest frustrations for business owners is watching premiums increase each year—even when claims are minimal. In the traditional insurance model, underwriting profits remain with the insurance carrier.

With a captive, premiums remain within the company's insurance entity. When claims are lower than expected, underwriting profits accumulate inside the captive, building capital and long-term financial strength.

This creates a long-term financial asset rather than simply an annual insurance expense.

### Coverage Designed for Your Business

Commercial insurance policies are built for broad markets and often leave gaps in coverage. A captive allows companies to design protection that addresses their specific exposures.

This may include risks such as cyber threats, supply chain disruptions, product liability exposures, environmental risks, or employee-related issues. By tailoring coverage, businesses can close gaps that traditional policies may not address.

## Improved Cash Flow and Capital Accumulation

Traditional insurance premiums are simply an expense paid to outside carriers. With captive insurance, those premiums are paid into a company-owned insurance entity where they accumulate and can be invested over time.

Over time, a well-managed captive can accumulate significant capital, creating a valuable financial resource for the parent company. Instead of premiums disappearing into the commercial insurance market, those funds remain within the business ecosystem.

## Stronger Risk Management

When a business owns its insurance company, it naturally becomes more focused on risk prevention and operational safety.

Every improvement in safety procedures, employee training, or operational efficiency has a direct financial impact on the captive. Fewer losses mean greater profitability within the insurance company.

As a result, companies with captives often develop stronger internal risk management practices. Management teams become more proactive in identifying potential risks, tracking claims, and implementing strategies to reduce losses.

This proactive mindset can lead to safer operations, fewer disruptions, and stronger long-term performance.

## Greater Control Over Claims

Captive owners also gain greater influence over the claims process. Instead of relying entirely on outside insurers, businesses can ensure claims are

handled efficiently and in a manner consistent with the company's operational priorities.

## No Longer Just for Large Corporations

While captives were once associated primarily with large multinational companies, they are increasingly being used by mid-sized businesses. Advances in captive management and regulatory frameworks have made them more accessible than ever before.

For companies seeking greater control over insurance costs, improved risk management, and the opportunity to build financial strength, captive insurance is becoming an increasingly attractive strategy.

## A Conversation Worth Having

Every business faces risk. The question is whether those risks will simply be transferred to outside insurers—or managed in a way that builds long-term value.

Captive insurance provides a pathway for businesses to take control of their risk strategy while strengthening their financial position.

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