

# Captive

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Captive insurance companies are limited purpose insurance companies established with the specific objective of financing risks emanating from their parent group or groups, they sometimes also insure risks of the parent company's customers. In the simplest terms, it is an in-house self-insurance vehicle. Captives usually represent commercial, economic and tax advantages to their sponsors due to the cost reductions they help create, the ease for insurance risk management and the flexibility for cash flows they generate. Additionally, they provide coverage for risks that are neither available nor offered in the traditional insurance market at reasonable prices, and allow the relevant group direct access to reinsurance markets.

The administration of a captive is usually outsourced to a specialized captive manager, who is often located in an offshore jurisdiction.