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# Captives: Back to Basics

Rob Hoyt

# Agenda

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Brief History of Captives

Quick Reminder of What They Are

Two Watershed Events and Insights  
from the Past

Growth in Numbers and Domiciles

Pressures (Opportunities) Currently



# The History of Modern Captives

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property-protection engineer in Youngstown, OH in 1955

Youngstown Sheet and Tube (formed its wholly-owned insurer, Steel Insurance Company of America)

Availability and cost of traditional insurance

Reiss established the first captive insurance company in Bermuda in 1962, International Risk Management Ltd.



# Captives

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## Definition

A subsidiary owned by one or more parent organizations established primarily to insure the exposures of its owner or owners

In the risk management context, captives combine

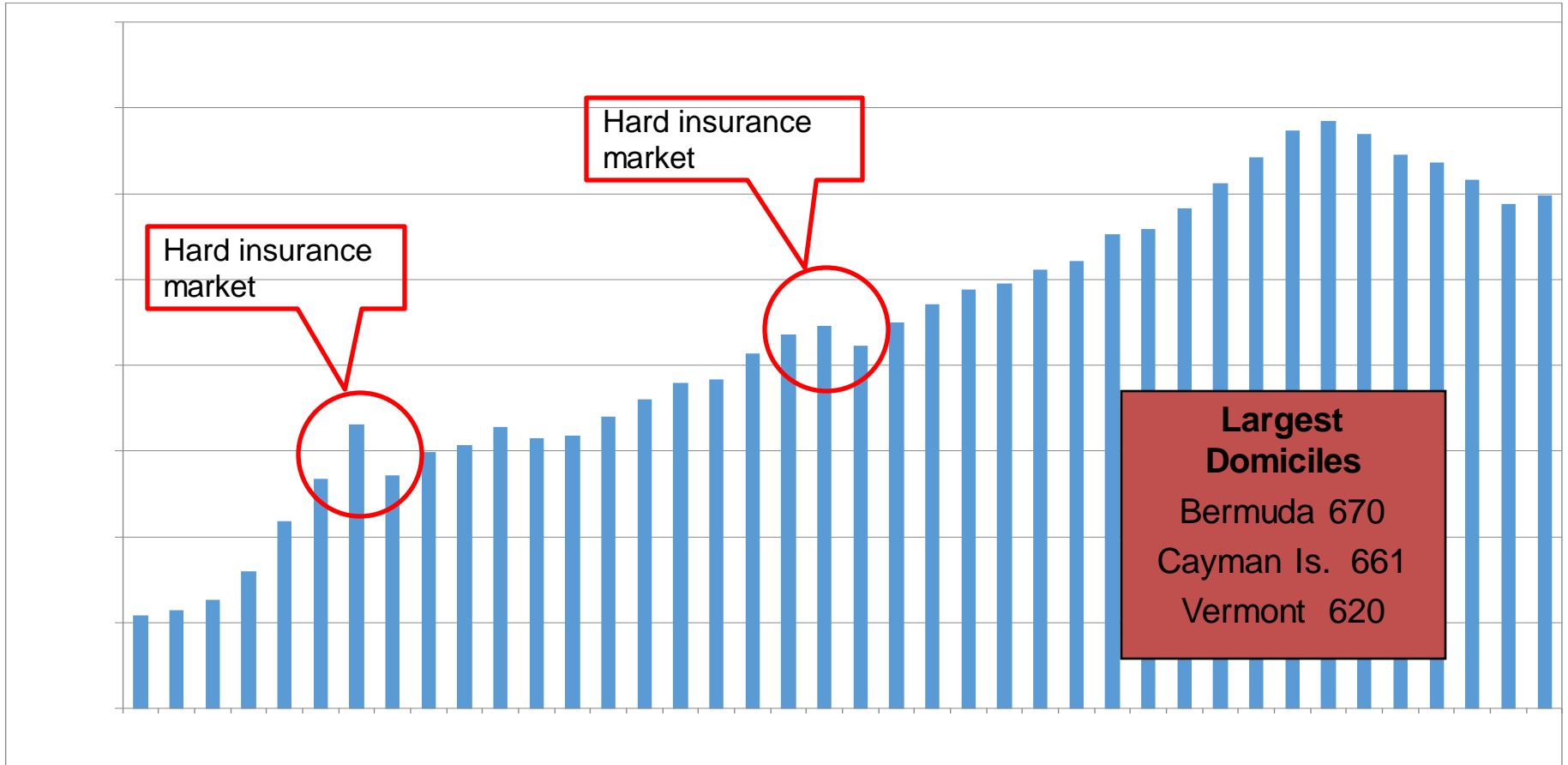
Risk retention

Risk financing





# Total Number of Captives



# Watershed Events for Captives

## Liability Insurance Crisis

General liability insurance premiums skyrocketed  
from 1984 to 1987 increased from \$6.5bn to \$19.5bn (300%)

## Medical Liability Crises

Medical malpractice crisis from the 1970s

one of the first events that led to insurers seeking relief by  
forming captives (growth in Cayman Islands)

End of soft market in 1984

some healthcare providers experienced increased premiums of  
50-100% during 1984-1985



# Watershed Events for Captives

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September 11

General market capacity  
*An insurance broker*

Terrorism risk

For airlines - passenger and third-











# Pressures (Opportunities) Currently

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Hard insurance market

Cat-exposed Property, Excess Liability, and Reinsurance  
Deductibles, limits and coverage terms

Growing concern over Cyber risks and D&O

Interest in cell and group captives by middle-market companies

IRS scrutiny of 831(b) - microcaptives

Other emerging risks

Pandemic risks

ESG strategy

