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Captive Insurance Services

# Captive Insurance for Private Equity

Here's a few facts regarding the Private Equity world currently

- Multi $Trillion industry *
- The essence of Private Equity is mergers & acquisitions.
- For a typical, established PE company, their companies are paying $10 to $20 Million dollars in insurance premiums to third parties annually.


Private Equity firms are under-utilizing Captive Insurance. Why?

Top 5 excuses why Captive Insurance is not used:

1. **Ignorance.** PE firms don't know what they don't know. Traditionally, PE firms have left the insurance decisions to their individual companies, or they were introduced to a Captive model that didn't fit their needs.
2. **Implementation is Hard.** Not really. People outside the Private Equity marketplace often say, "Private Equity is hard." Experts in any field make their field simple and efficient.
3. **Change is Hard.** Yes it is. Utilizing Captive Insurance is different than utilizing the commercial P&C outlets. New knowledge, trust, and relationships must be developed. The way companies traditionally insure risk is how many companies begin. The Captive Insurance industry itself is not new, and in fact is a multi-billion dollar industry itself. Many companies have and are marking the change.
4. **I can spend my money to grow / acquire new companies.** You are already spending these insurance dollars. Redirecting premiums to your own company where

possible creates a new multi-million dollar profit center, you can and should eventually use insurance company assets to do the very things you are built to do – grow and acquire companies. A new insurance company is not necessarily a mature insurance company. Timing and a vision are appropriate and achievable.

5. **It's Risky.** Insurance is the antithesis of risk. You are already paying millions of dollars to insure, protect, cover, or indemnify your business(s). As an owner of companies, protect your investments as efficiently as possible. Own your own insurance company(s) and turn premiums into profits.

## Top 5 Captive Insurance benefits for the Private Equity industry:

1. **Insurance.** These firms have significant exposures to insure. Specifically, medical, workman's comp, general liability, reps & warranties, cyber, errors & omission, and excess lines. These firms, or their partners are already paying $10 to $20 million dollars annually to third parties annually.
2. **Efficiency.** $! With a Captive Insurance company(s), premiums are no longer a sunk cost. Premiums become Profits. The PE firm can now utilize economies of scale. The cost of insurance is reduced significantly. HR can be streamlined as new companies come online.
3. **Purchasing Power.** Purchasing power refers to how much you can buy with your money. Through centralization the cost of insurance drops, and therefore your money can buy more. Centralization of HR, access to the re-insurance market, and transparency of data are all benefits.
4. **Control.** Gain control over your risk management program, centralizing where you can which lowers costs and allows you to manage your risk how, when, where you want.
5. **Flexibility.** You can choose what lines should be centralized, and what lines your companies should insure through your Captive and through the traditional market.

By the Way, any and every operating company who qualifies should own their own Captive Insurance company, not just Private Equity companies. Many do. Let's start today, and create

# Your Link to Security!


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* McKinsey Global Private Markets Review 2023, Mar 21, 2023 — Private markets AUM totaled $11.7 trillion.