2024 Captive Industry Survey & Trend Report

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INTRODUCTION

The 4th Annual Self-Insurance Industry of America, Inc. (SIIA) Captive Industry Survey is meant to help member companies and individuals understand the current state of the captive industry, and serve the needs of current and potential business. Over 40 individual captive companies, service providers, brokers and owners provided feedback, covering a number of important topics in the captive space.

SIIA would like to thank the members of the Captive Committee, survey participants, and the captive owners who participated in this survey, as well as the members who continue to proactively engage in advocacy activities to improve, grow, and strengthen the industry.

SIIA CAPTIVE SURVEY REPORT INDEX

GENERAL INDUSTRY TRENDS AND HIGHLIGHTS

The 2024 Captive Survey results demonstrate consistent and encouraging growth for the industry over recent years. For the third straight year, respondents collectively ranked their sentiments on the future of the captive industry as a 9 on a scale of 1-10. This year's survey features a general industry section, service provider section, and owners' section, largely consistent with the previous year's questions in order to observe valuable year-over-year industry trends. SIIA's Captive Committee also included new sections this year, targeting medical stop-loss specific captives, brokers, and prospective captive owners to analyze areas of growth in the captive space.

You can view highlights, data, and historical trends from this year's survey below.

- **General Industry Outlook Remains High**
  Captive Survey respondents rated the future of the captive industry a 9 on a scale of 1-10. This is the same result from last year, and similar to the 2022 survey when close to 90% of respondents reported having a bullish outlook on the future of the captive industry.
- **Continued Strong Staff Hiring Numbers**
  Nearly 64% of respondents reported that they have added staff in 2023. Like last year, a significant number of these additions were in management staff, underwriting, sales, and accounting. This result shows a slight decrease from years past which reported 74% (2022) and 66.7% (2021) of respondents adding staff. However, the average and total number of staff added nearly doubled last year's reported additions.

- **Captive Formations Again Outpacing Closures**
  For the fourth year in a row, captive formations have significantly outpaced closures. Survey respondents reported an average of nearly 3 new captive formations for every 1 captive closure per respondent in 2023. This was slightly down from last years survey when respondents reported an average of 4 new captive formations for every 1 captive closure.
- **Group Captive Formation**
  38% of respondents reported cell captives as the captive structure most formed in 2023, with group and single-parent captives coming in a close second at 29%. This is the third straight year in which respondents have selected a different structure as the most formed (Group in 2022, Single Parent in 2021).
- **Captive Client Growth**
  The average respondent reported 548 captive clients being served by their organization in 2023. This is a large increase from last year's survey, which reported an average of 206 clients served, as well as 2021 which reported 137 served. The total number of captive clients served by all respondents in this year's survey was 7,665. This is a significant increase from last year's total of 5,377.
- **Total Captive Premium Amounts Reported Similar to Last Year**
  The average total captive premium amount was over $1.3 billion, which is a slight increase from last year's total of $1.2 billion. The median reported total captive premium was nearly $4.6 billion, and the single highest reported total amount was over $8 billion.
- **Average Estimated Average Premium Per Captive**
  Respondents reported an average estimated average premium per captive of $6,304,545, which is slightly down from last year's average of $6,734,722.
- **Employee Benefit/ MSL and Property & Casualty See Growth**
  Respondents were split 50/50 between Employee Benefits and Property & Casualty in which area they saw the most captive growth this past year.
- **Price Inflation and Staffing Shortages Remain a Concern**
  29% of respondents listed both price inflation and staffing shortages as the biggest trends this year. While the number of respondents that reported price inflation remained similar, staffing shortages received a significant increase from last year.
- **Again, Captive Domiciling Moving Onshore**
  Respondents are again seeing captives moving domciles from offshore to onshore. The top onshore state listed this year was Tennessee.
- **Captive Owners Setting Up Multiple Captives**
  Similar to last year, Captive owners reported an average of about 2 captives per business.
- **Captive Owners Benefit from Captives**
  Again this year a significant majority (83%) reported that they had not considered leaving their captive.

Broker and Prospective Owner Insights

- **Opportunity to Increase Captive Education Among Prospective Captive Owners**
  The overarching theme the Captive industry can take away from the new prospective captive user sections is that there is an opportunity to increase captive education. Prospective captive owners reported that theywould consider a captive but feel as though they do not know enough about captives to decide if one is appropriate for their company. This remains true with brokers that are not currently using a captive. A majority report that a reason for not introducing clients to a captive option is a lack of sufficient knowledge or understanding of alternative risks. 75% of brokers not currently using a captive reported that they would be interested in learning more about captive options if those resources existed.
- **100% of Brokers (without Captives) Report Insurance Market is Limiting Client's Ability to Effectively Manage Their Risks**
- **100% of Brokers (without Captives) Report Complain About Cost of Their Insurance**
- **Majority of Brokers (without Captives) Reported They Believe Offering Captive Insurance Could Enhance Relationship With Clients**
  75% of those surveyed
- **Majority of Brokers (with Captives) Have Clients in MSL Space**
  80% of respondents, reported having clients that participate in the medical stop-loss space.
- **Majority of Brokers (with Captives) Mostly Compensated Through an Advisory Fee**
  The majority of respondents (60%) report they receive compensation through an advisory fee. The rest report a commission structure or no compensation.
- **Brokers (with Captives) Expect Demand to Grow Within 5 Years**
  100% of respondents report an expectation for captive insurance demand to continue growing over the next 5 years.
- **Brokers (with Captives) are Likely to Recommend Captive Options to Other Clients**
  All respondents reported that they are either likely or highly likely to recommend captive options to other clients.

Full response data, including full data charts, can be found below in section III. Additionally, the 2023 SIIA Captive Industry Survey may be found **here**.

SIIA ACTIVITIES & CAPTIVE ISSUE UPDATE

SIIA remains actively involved in advocacy and education for its members and the broader captive insurance industry. SIIA connects members with Congress, Congressional staff, Federal regulators, and State regulators through our Government Relations team and industry-leading advocacy efforts.

SIIA and its members have engaged with members of Congress and their staff in numerous meetings, with a specific focus on key Congressional committees of jurisdiction, including Senate Finance and House Ways and Means, as well as leadership offices in both the House and Senate, for both political parties. We also engage regularly with State regulators, particularly from captive domicile states, as well as Federal regulators, including IRS officials. Our advocacy efforts center on educating policymakers on matters ranging from how captive insurance works and risk mitigation, and challenges faced by industry stakeholders. SIIA has also provided ongoing data, advocacy, and amicus briefs in support of significant captive tax cases, both independently and through coalitions.

In addition to our ongoing advocacy efforts, SIIA and the Captive Committee remain dedicated to raising awareness and educating policymakers about the captive insurance industry. Over the past year, SIIA has expanded its focus on developing more educational resources. Alongside conference sessions, existing materials, and industry surveys, SIIA is currently creating a series of educational courses to be made available to members and the public.

These courses will feature concise and accessible content, including webinars, key term one-pagers, and other materials, offering an efficient way to learn about the captive insurance industry and support its growth. The first course, "Captives 101," is set to launch later this year, with more advanced courses, such as "Captives 202," to follow, diving deeper into complex industry topics.

U.S. Federal Regulatory & Legislative Landscape

The Federal legislative and regulatory landscape has been relatively quiet outside of the continued spotlight of the IRS on 831(b) Micro Captives. Micro Captives have been a continued high-priority enforcement area for the IRSthrough increased audits and lawsuits, and even proposed legislation.

Last year, SIIA submitted formal comments in response to proposed regulations issued by the Internal Revenue Service (IRS) that severely limit access to captive insurance programs for small and medium-sized businesses in the U.S. SIIA's comments can be found **here**.

The Proposed Rule 109309–22 would impose excessive regulations on § 831(b) captives, including untenable loss ratio requirements (65%), loan back restrictions, and a 10-year retroactive provision. These proposed measures, go beyond Congress's original intent of section 831(b) and the PATH Act, would limit the ability of mid-market companies to protect themselves from legitimate business risks. Particularly concerning is the un-precedented 10-year retroactive application, which places an arbitrary and unfair burden on U.S. businesses. None of the four criteria outlined by the IRS in the proposed regulations are inherently abusive, and using them to classify transactions as "listed transactions" or "of interest" is inappropriate unless tax avoidance is guaranteed.

SIIA urges the IRS to adopt regulations that align with existing law, respect Congressional intent, and avoid retroactive overreach. The section 831(b) election remains a valid and important tax provision for small business estblishing a captive arrangement. SIIA also continues to recommend that the IRS engage with the captive insurance industry to develop rules that address abuses while acknowledging the role of legitimate risk mitigation.

Policymaking at the State level has been largely encouraging for the captive Industry as a whole. We have seen a trend of States supporting captive insurance growth both in 2023 and 2024. States like Vermont, North Carolina, and Utah have passed legislation and regulations to meet the needs of a quickly growing captive market and attract additional business to their state.

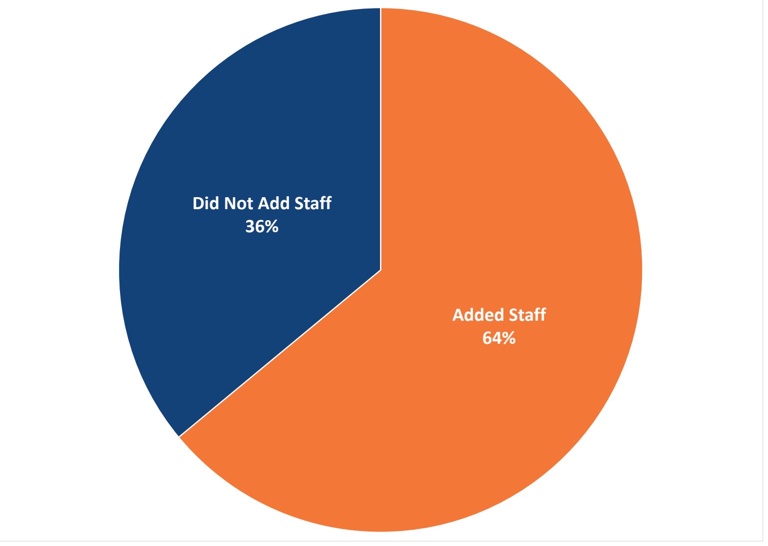
2024 CAPTIVE SURVEY DATA & RESULTS

General Industry Section

1. Did you add staff/headcount in 2023? If so, how many and what disciplines?

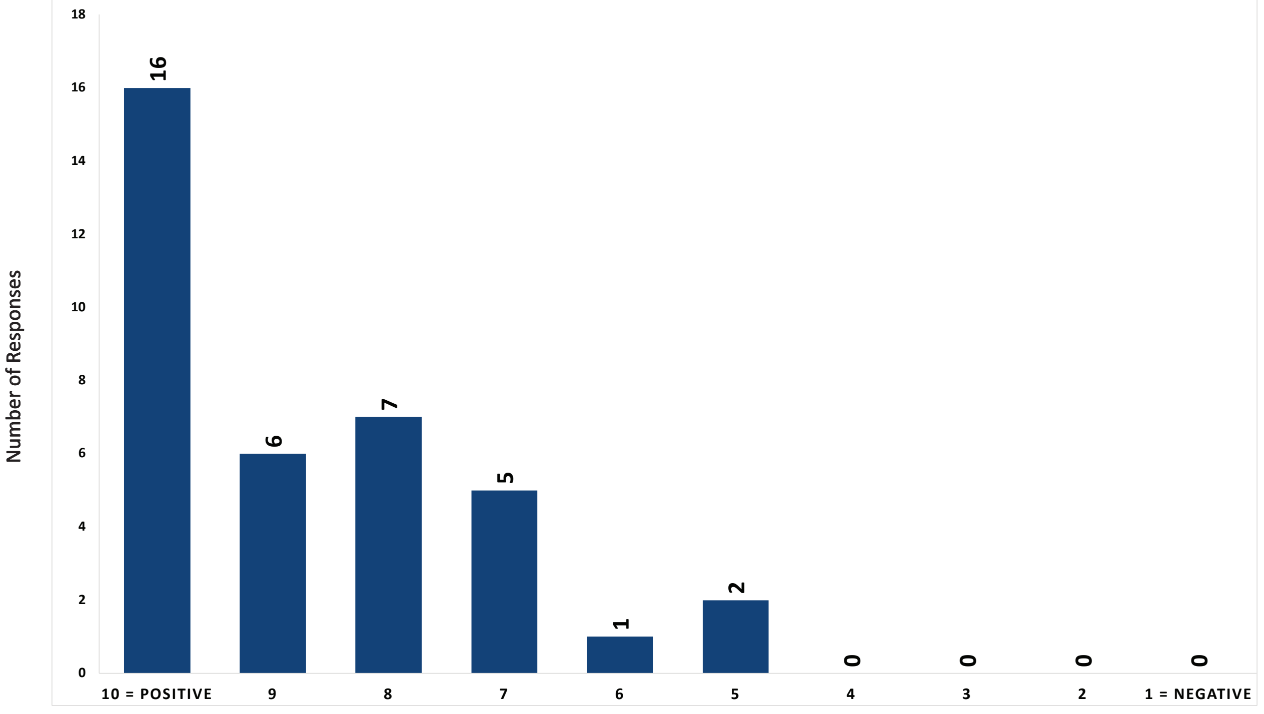
Average Reported Staff Added: 13
Median Reported Staff Added: 2
Total Reported Staff Added: 258

The most common disciplines cited include management staff, underwriting, sales and accounting.



2. On a scale of 1-10, what are your sentiments on the future of the captive industry?

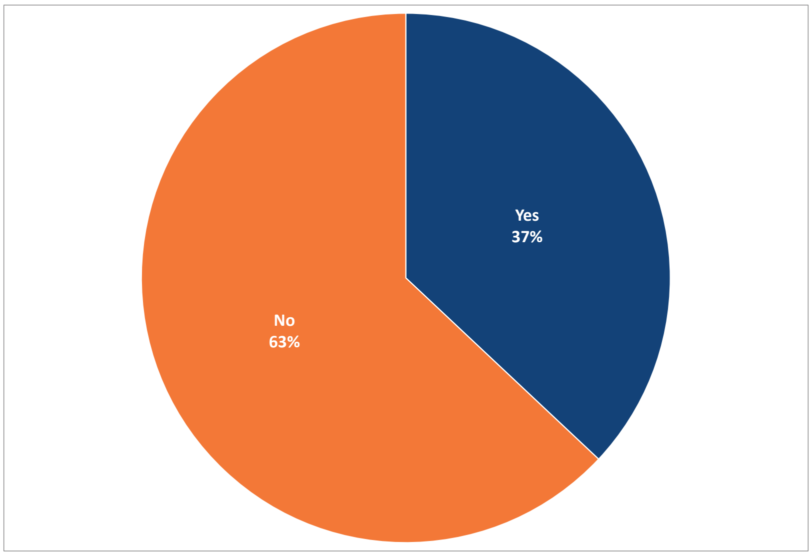
1 = Negative   Average Reported Sentiment: 9
10 = Positive   Median Reported Sentiment: 9



3. What is the biggest trend/ emerging risk you currently see in the captive insurance space?

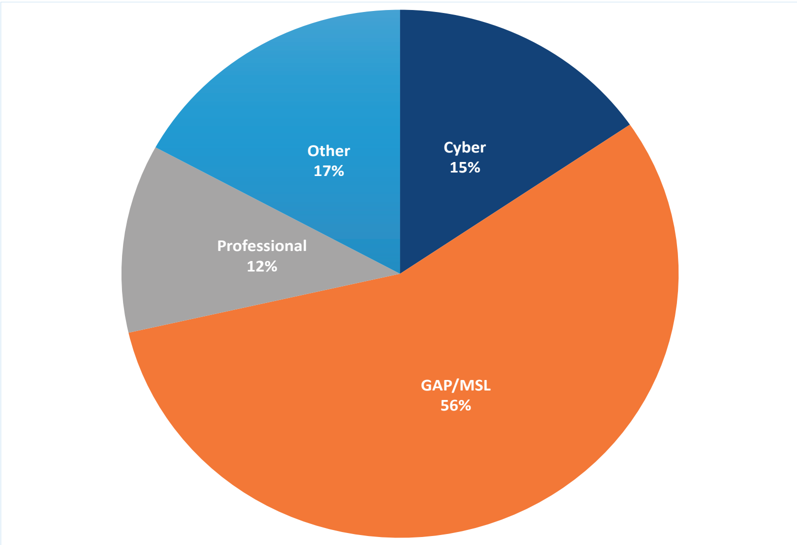
4. Have you noticed any evolving regulatory trends increasing or decreasing captive interest?

The majority of respondents (63%) reported that they did not notice any evolving regulatory trends affecting captive interest. The most common answers cited by the 37% of respondents that did notice trends affecting captive interest include IRS scrutiny for micro captives, and state regulations allowing a more favorable landscape for captives.



5. **In what areas are you seeing an increase in interest or captive use?**

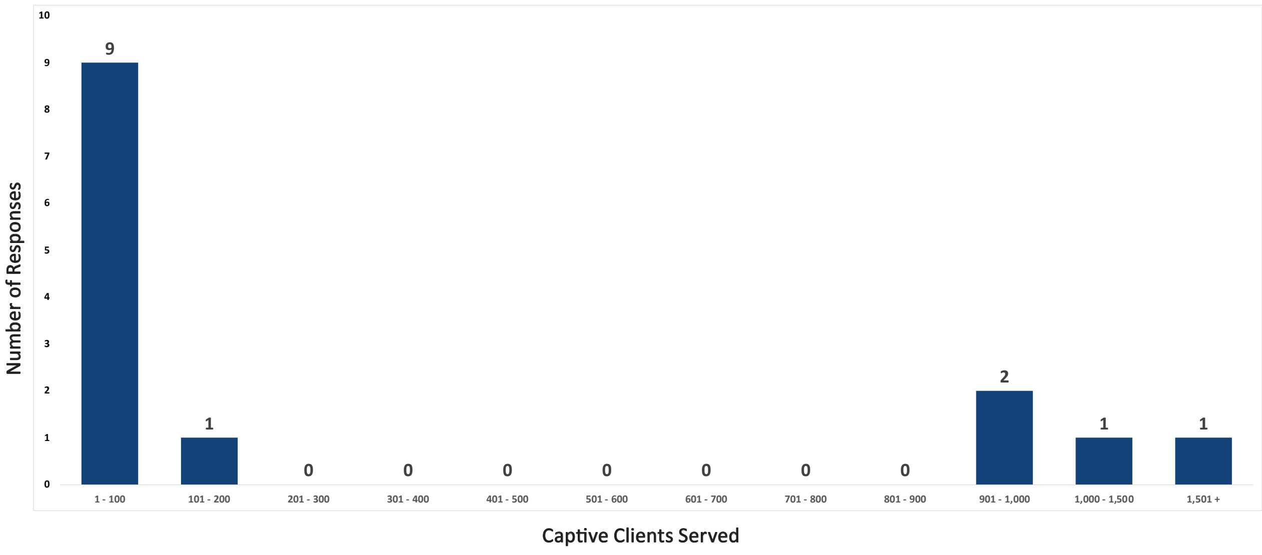
Most respondents (55.8%) reported seeing an increase in captive interest in gap or medical stop-loss area. The 17% that chose “other” all cited “property” as an area with an increased interest in captive use.



Service Provider Section

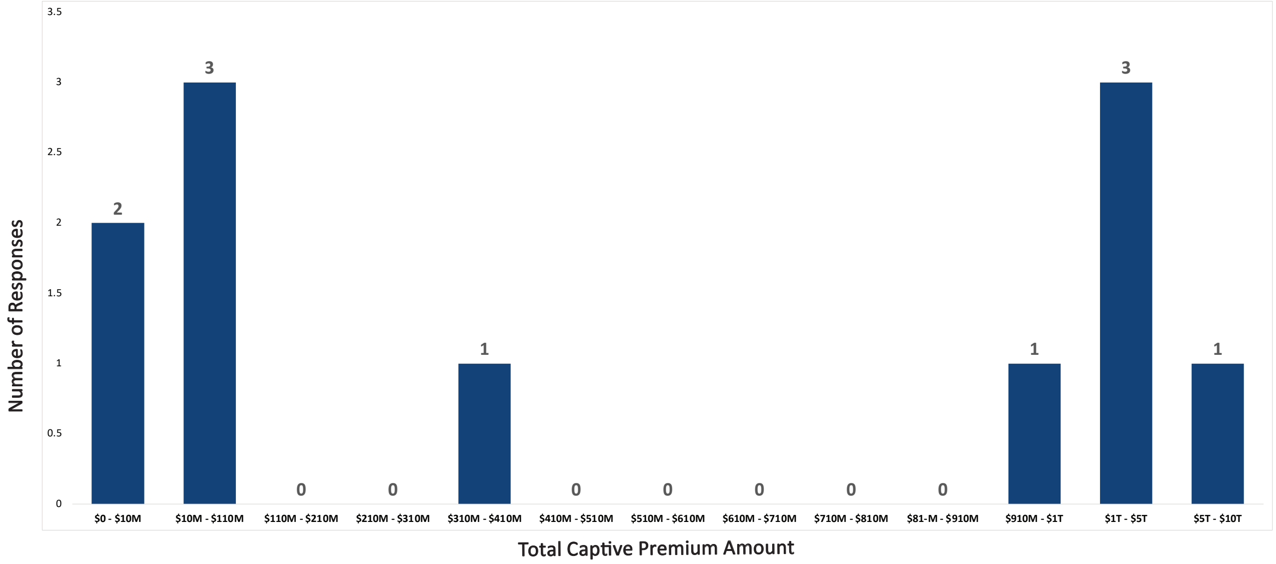
1. **How many captive clients do you currently serve? (For structures such as rent a captives, please count individual cells)**

   Average reported clients currently served: 548
   Total reported clients currently served: 7,665
   Median reported clients currently served: 80
   Highest reported clients currently served: over 3,000



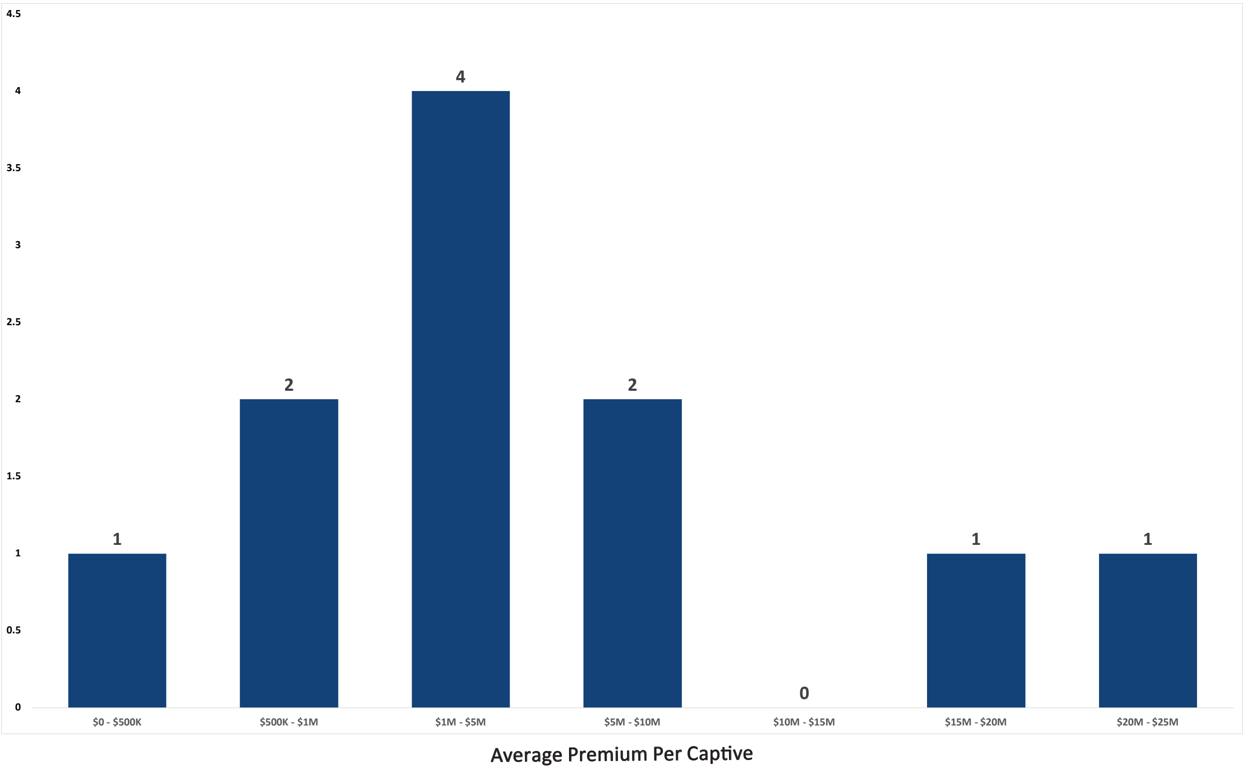
2. **What is your total captive premium amount? (Gross written premium)**

Average reported total captive premium: $1,389,181,818
Total reported total captive premium: $15,281,000,000
Median reported total captive premium: $4,572,000,000
Highest reported total captive premium: >$8,000,000,000



3. **What do you estimate is your average premium per captive?**

Estimated average premium per captive: $6,304,545



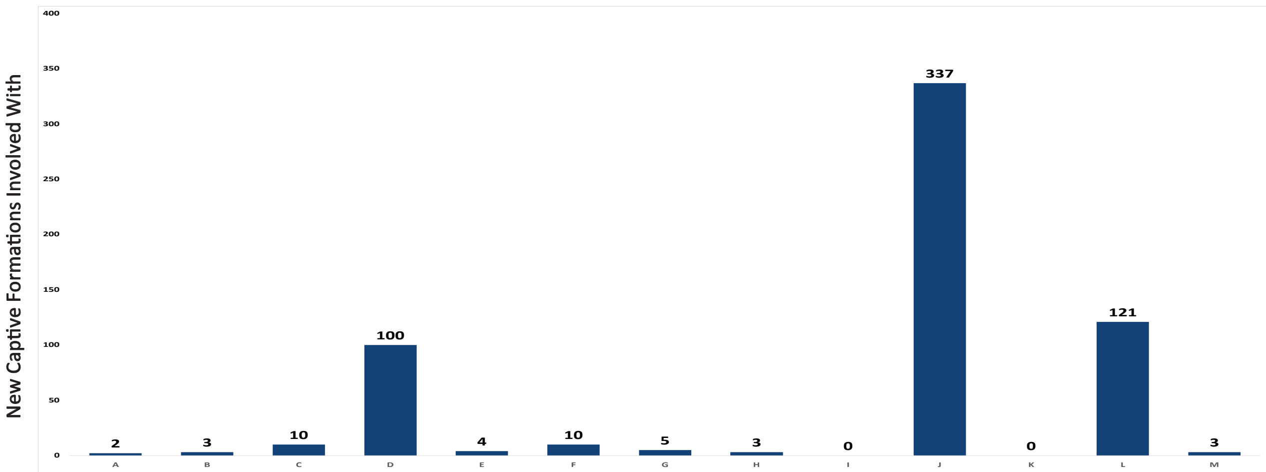
4. **What percentage of your customers have multiple captives?**

   Average reported percentage of customers with multiple captives: 9%
   Median reported percentage of customers with multiple captives: 5%

Percentage with Multiple Captives

5. **How many new captive formations were you involved with in 2023?**

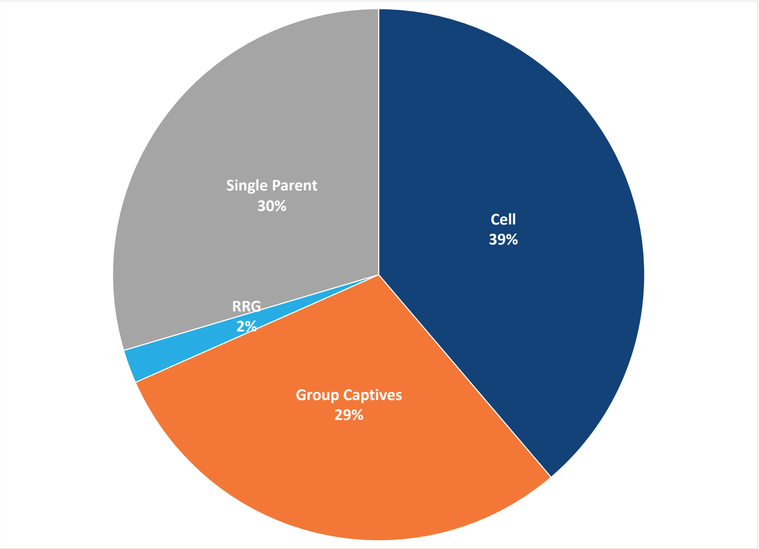
   Average reported new formations involved with: 46
   Median reported new formations involved with: 4
   Total reported new formations involved with: 598
   Highest reported new formations involved with: Over 300



Individual Responses

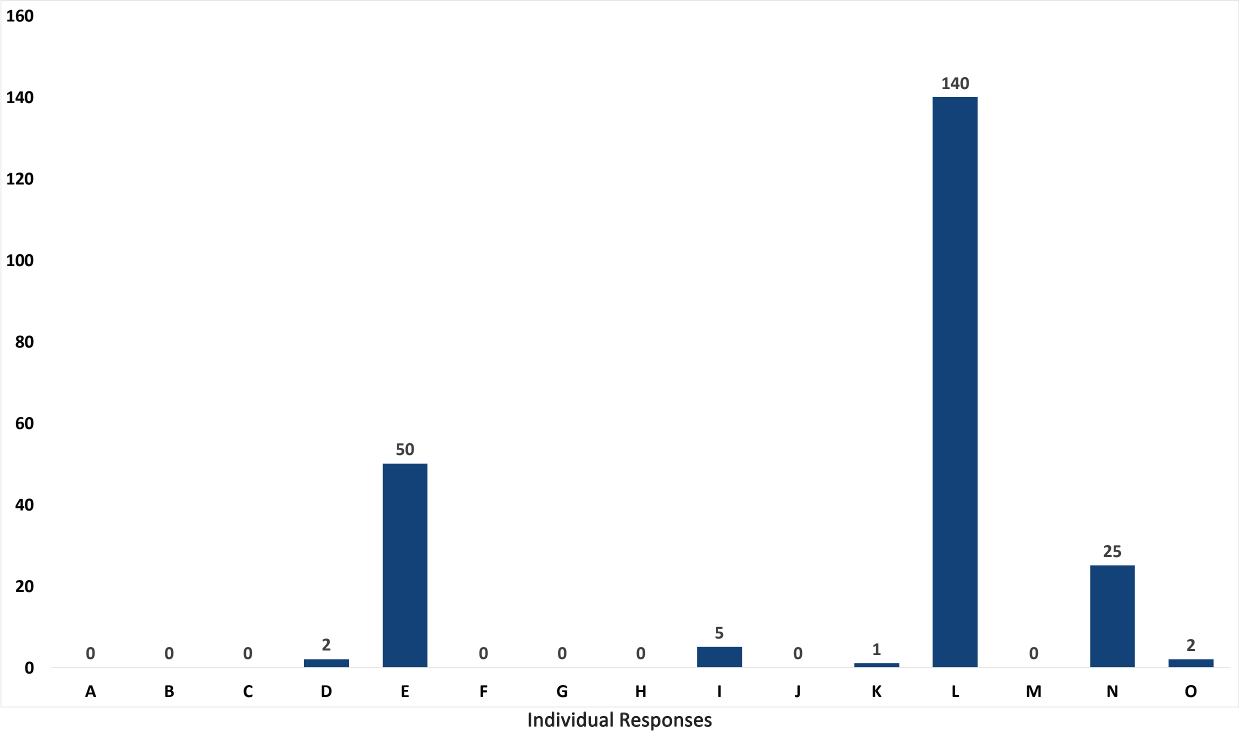
6. **What kind of captive structures have you seen formed the most in 2023?**

Respondents reported group captives as the most seen captives formed in 2023.



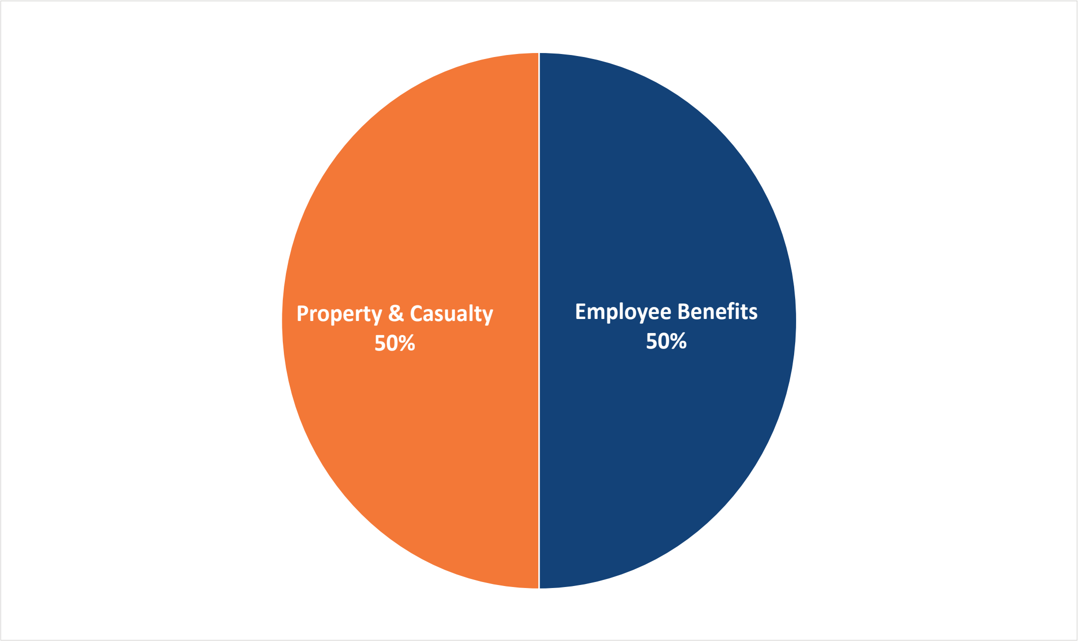
7. **How many captive closures did you experience in 2023?**

Average captive closures experienced: 16
Median captive closures experienced: 0.5
Total captive closures experienced: 225
Highest captive closures experienced: 140

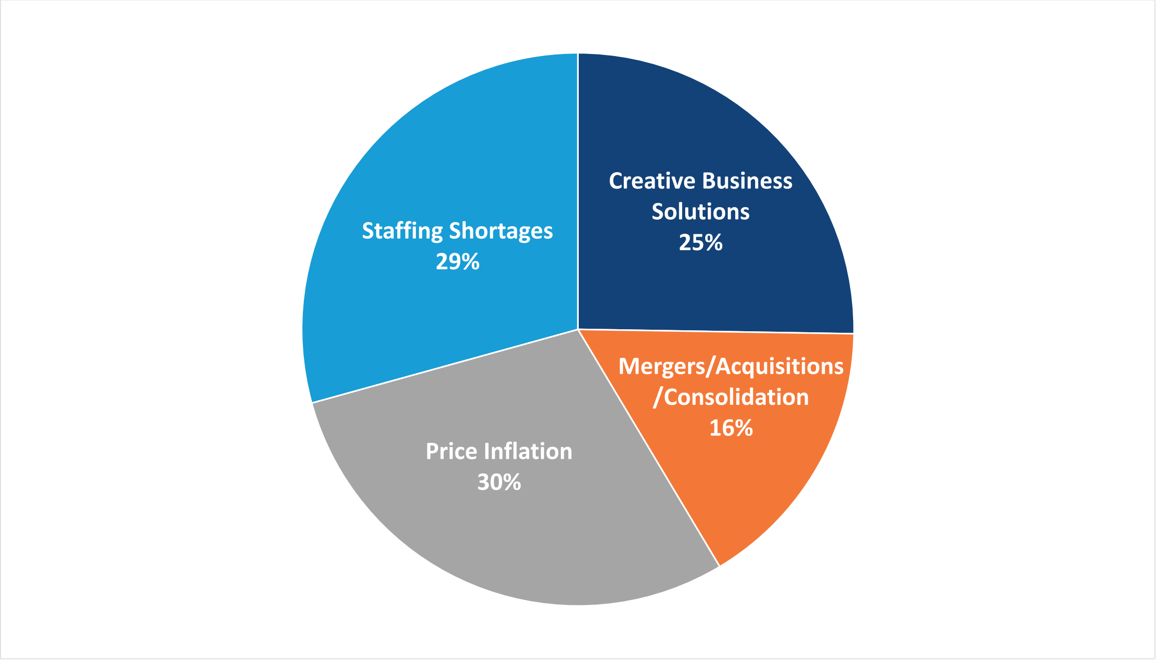


8. **In which area are you seeing the most growth? (additional captive premium/new captive formations)**

   Respondents were split between selecting Employee Benefits/Medical Stop Loss and Property & Casualty. Interestingly, not a single respondent selected enterprise risk or workers' compensation as an area for the most growth this past year.



9. **Which of the following trends have you noticed?**

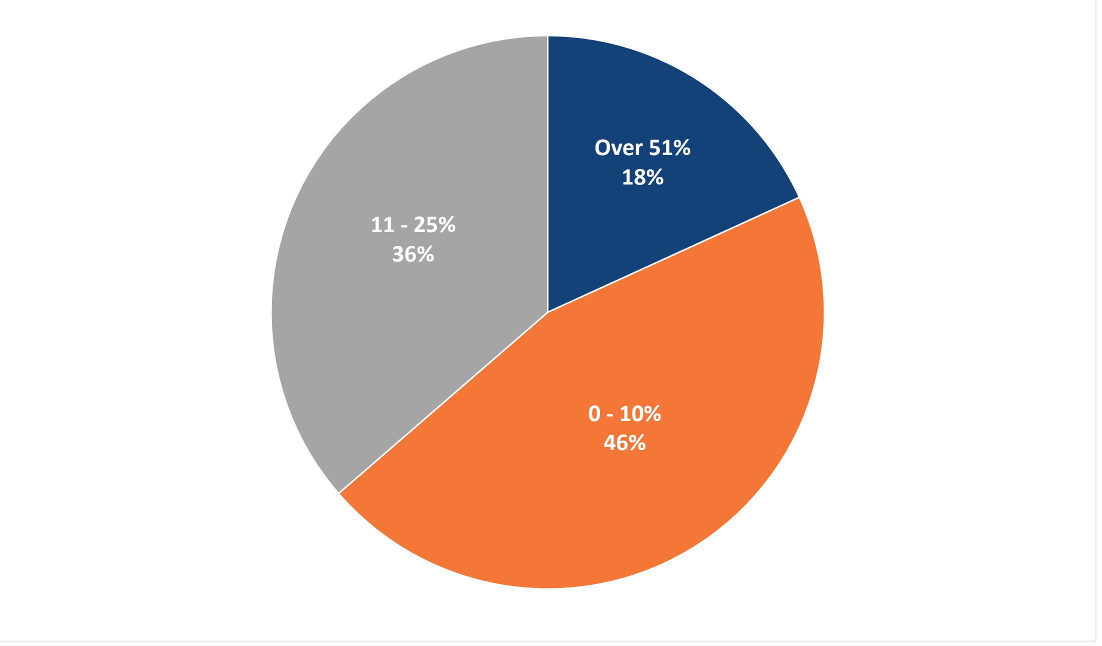


10. How many of your captives have been redomiciled?

The majority of respondents did not have their captive redomiciled (71%) Of the 29% who did, report in between 2 and 20 of their captives redomiciled. The average per respondent that did report captives being redomiciled was 8.5. The total number of redomiciled captives reported was 34.

11. For those captives that loan money to the captive's affiliates and/or parent, what percentage of assets are loaned?

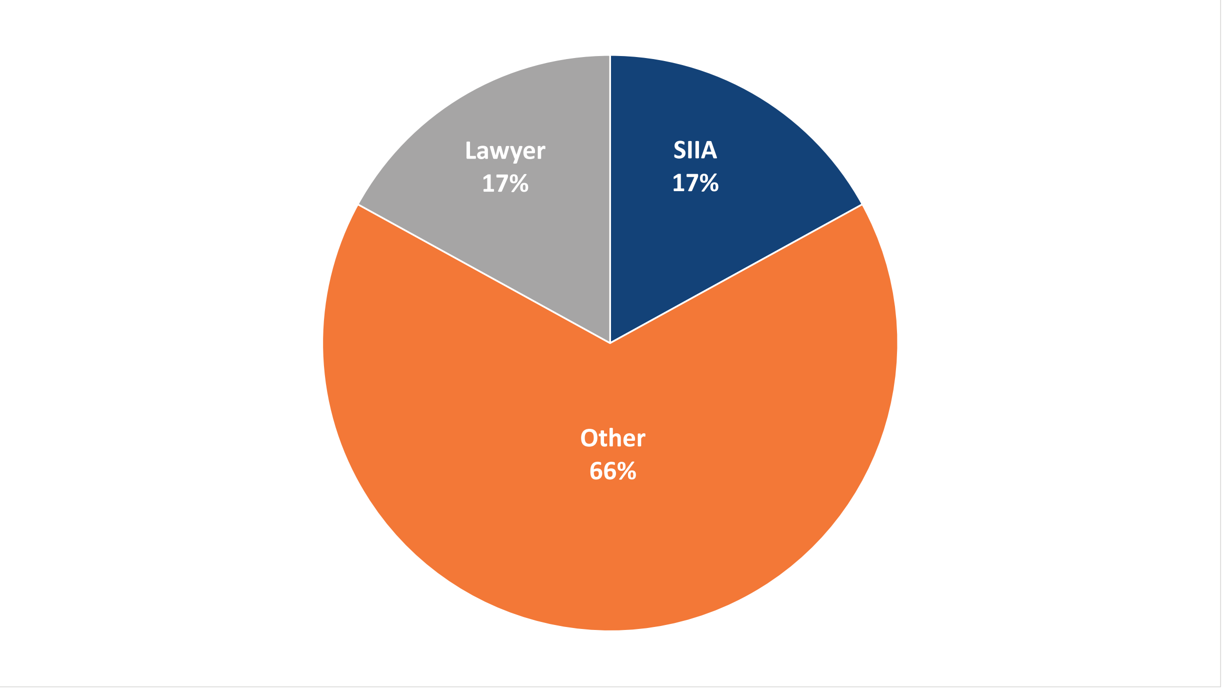
The majority of respondents reported about 0-10% of assets loaned. Interestingly, several respondents reported over 51% of assets loaned.



Captive Owner / Policy Owner Section

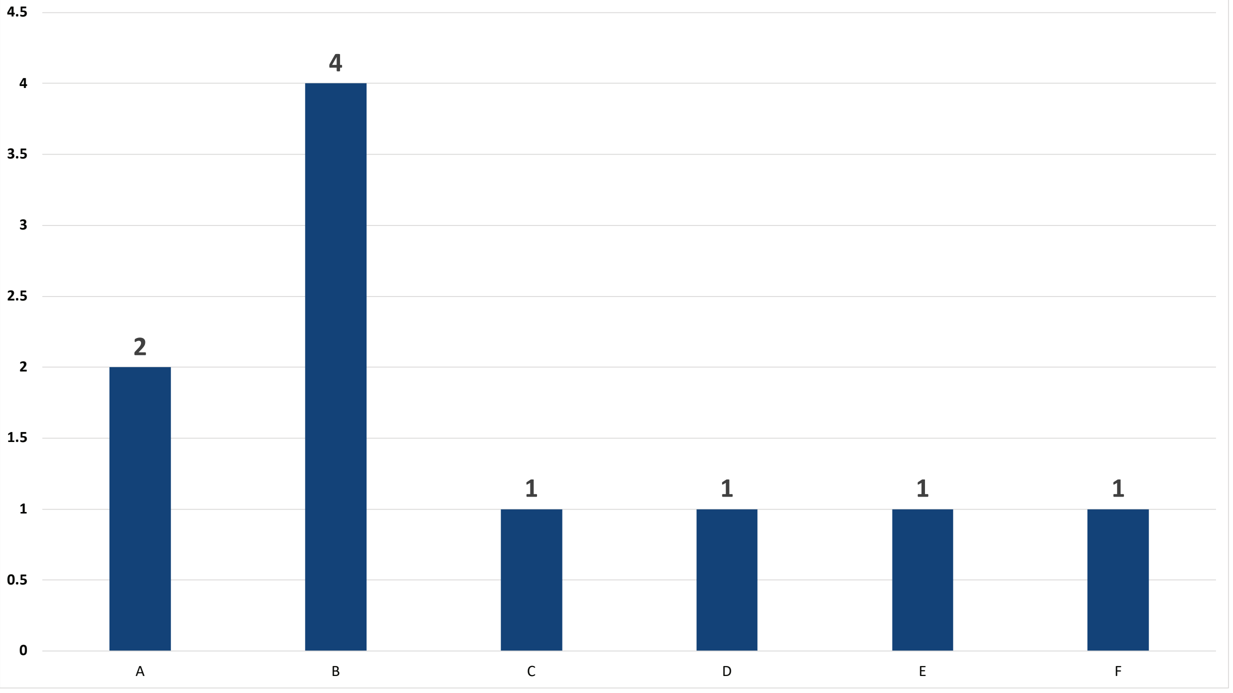
1. How did you first hear about captives?

Most Captive Owners (66%) reported hearing about captives from workers in the insurance industry. The others cited SIIA and their attorney.



2. How many captives do you currently have set up for your business?

Average number of captives set up: 2
Total number of captives set up: 10
Median number of captives set up: 1

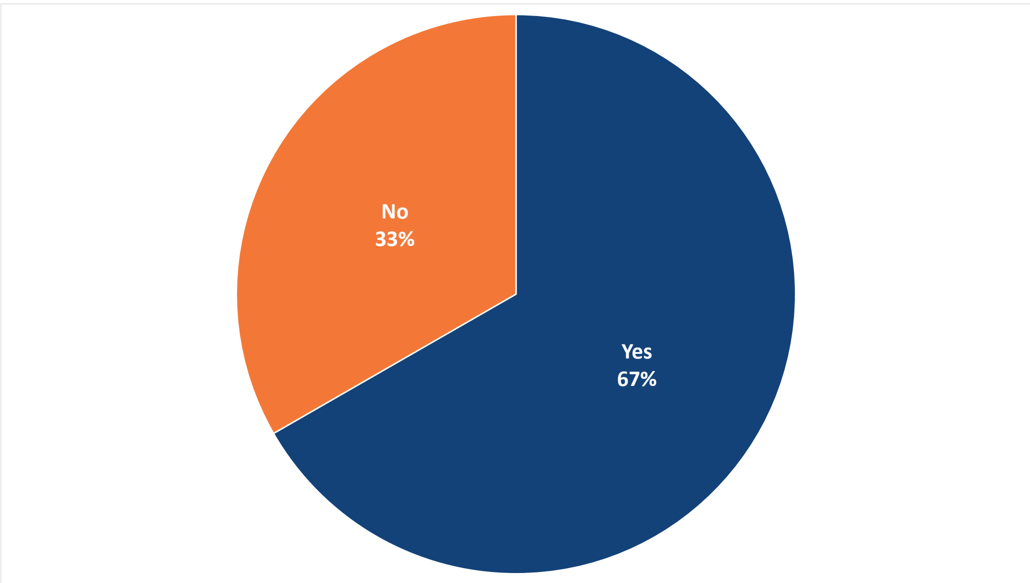


3. **What was your main purpose in setting up a captive?**

4. **What risk does your captive insurance cover?**

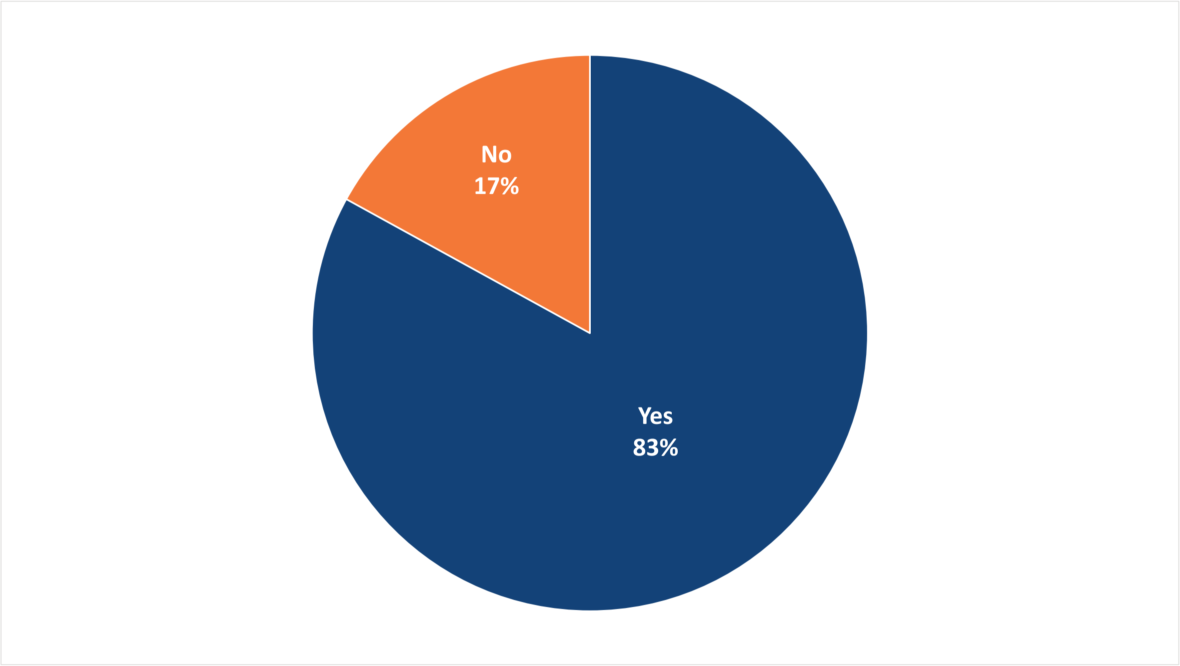
5. **Do you employ third-party risk?**

Average number of captives set up: 2



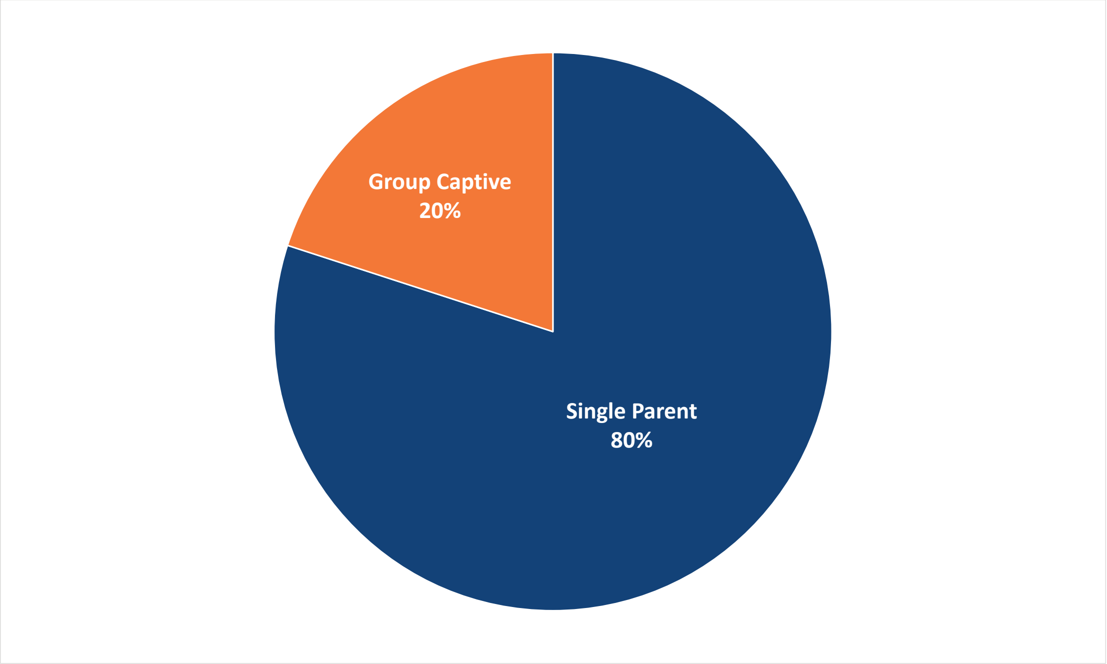
6. **Were you able to find coverage for your captive-related risk in the commercial market?**

   The majority of Captive Owners (83%) reported that they were able to find coverage.

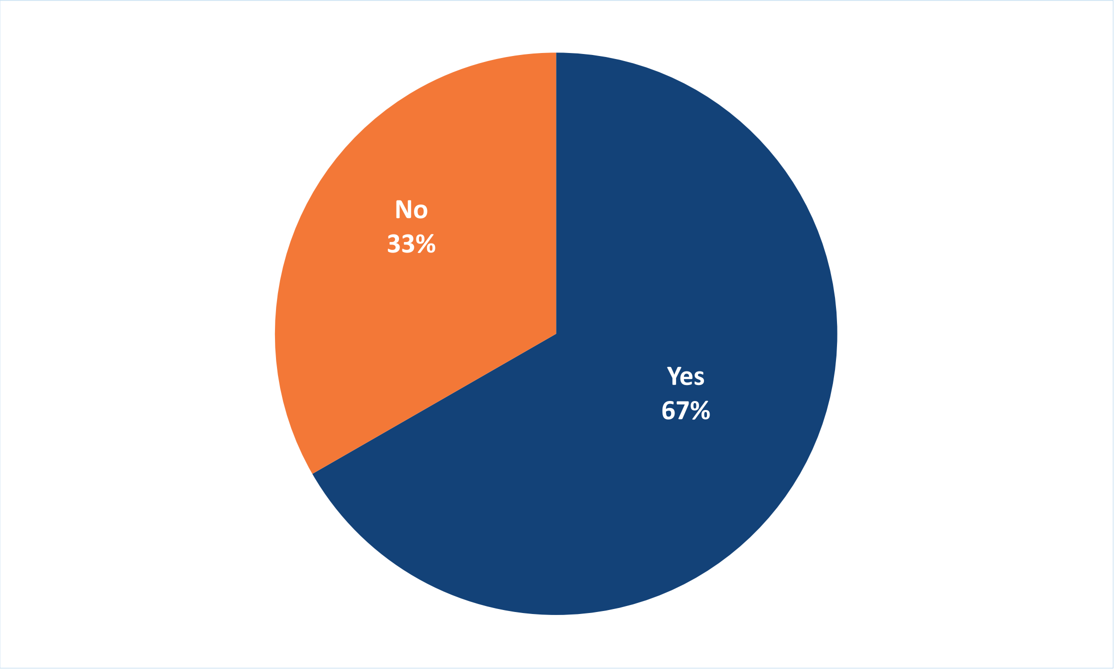


7. **What kind of captive structure does your business have?**

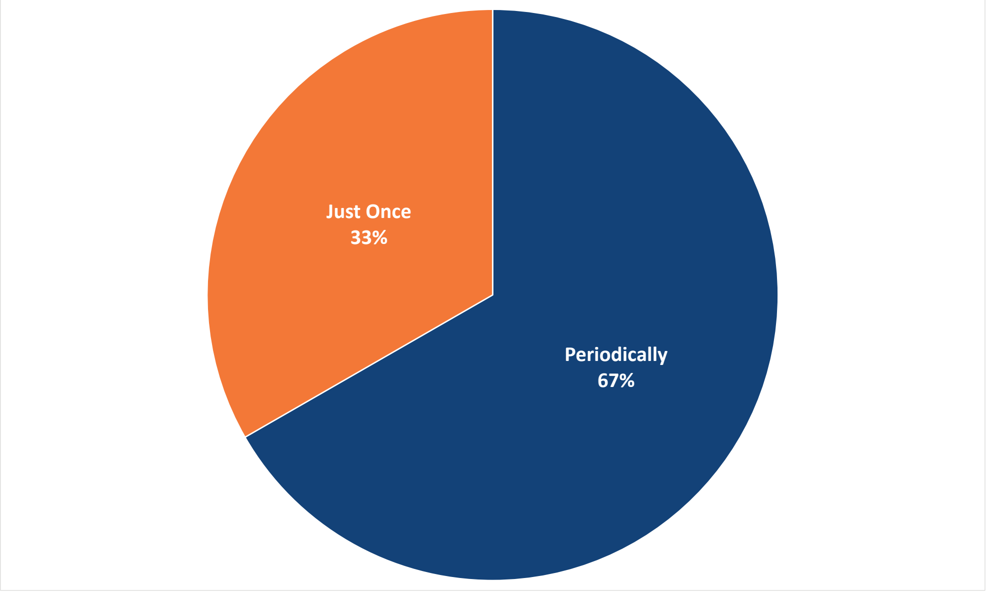
   Most Captive Owners (80%) reported having a single-parent captive structure set up for their business.



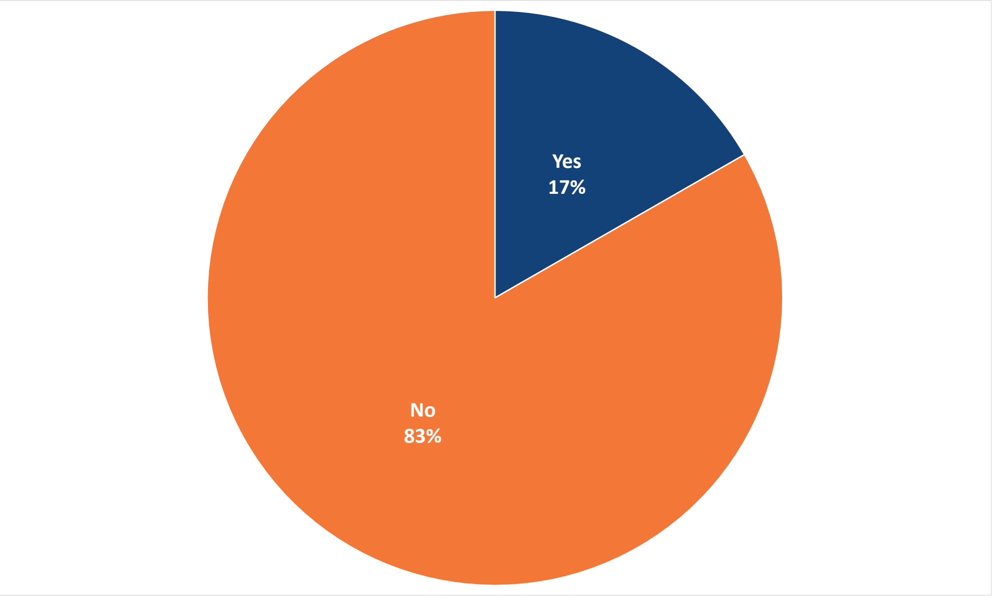
8. Do you also self-insure your employees' health or other benefits?



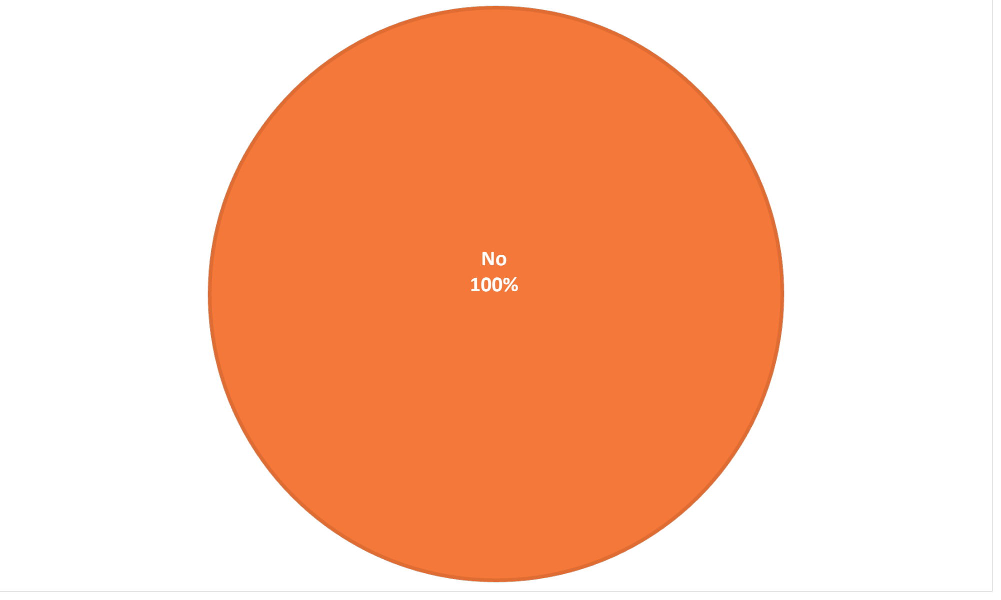
9. How often does your captive's board of directors normally meet each year whether in person or via phone/web conference?



10. Have you considered closing or leaving your captive?



11. Have you had difficulty with insurance renewals?



12. What other risk would you like to insure with your captives?

The most commonly cited answer was stop-loss.

13. Did the captive produce a dividend/surplus, and if so, in how many treaty years over the last 5?

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