

## Captive insurance program growing in Wisconsin

*By Daily News staff*

Captive insurance programs provide innovative, tax-favored ways of risk financing by sharing the risk among several different sized companies. Many companies are choosing captive insurance, or other methods of alternative risk financing, as an alternative to standard insurance.

The captive insurance market is growing in the Milwaukee area, according to Michael Wosick, CPCU, of Alternative Risk Resources (AAR) in Wauwatosa and Madison. "One large captive company we represent shares the risk of over 90 businesses that make up its owners and the premium dollars of the captive is over \$75 million," said Wosick.

The Merrill based company Semling- Menke (SEMCO) Windows & Doors is involved with captive insurance, and Controller Jim Belisle stated captive insurance allows SEMCO to recapture the premium, invest income, and gain ownership control. "Insurance premiums and lack of control over insurance choices is daunting," said Belisle, "We found that through ARR's expertise and myriad captive insurance programs we were able to decrease premiums and increase our involvement in claims review."

In captive ownership, a member company makes a one-time cash capitalization as a stock purchase and earns investment income while the funds are being held. Seeking financial benefits, captive insurance allows its member-owners to capture the underwriting profits of a program when losses are lower than anticipated. The member-owner earns investment income on the tax-deductible premiums from when they are paid into the captive until they are paid out to claimants.

Unlike other insurance programs, services are often unbundled to allow captive companies to choose group service providers. "Self insurance programs primarily provide workers' compensation insurance, but captive programs can include general liability and automobile insurance," said Wosick. "By placing business risks in a captive, a company can achieve predictability of insurance costs. Premiums are largely determined by the five-year loss experience of the participating company."