



Family Offices and Captive Insurance

A Framework for Generational
Risk Stewardship

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Executive Summary

Family offices occupy a unique position in the risk landscape. The assets you protect tend to be concentrated, long-lived, and deeply personal. Yet the commercial insurance market was designed for a different kind of client: one operating within predictable parameters, on an annual cycle, with risks that fit neatly into standardized categories.

The result is a persistent mismatch. Premiums rise and fall with market conditions that have nothing to do with your actual loss experience. Coverage terms shift. Exclusions multiply. And the insurer on the other side of the policy has every incentive to optimize for their own returns rather than your long-term stability.

A Property and Casualty (P&C) captive insurance company offers a different model. By establishing a regulated insurer that exists to serve your family's specific risks, you regain control over how risk is priced, retained, and managed across generations.

This paper explores why captives are increasingly part of the conversation for sophisticated private wealth, and what families should understand before deciding whether one is right for them.



Focus is given to the Cayman Islands international insurance sector, a leading global captive domicile whose regulatory framework and depth of institutional expertise make it well suited to family-owned insurers. With roots in Cayman dating back to 1982, GCM brings firsthand knowledge of what it takes to structure and sustain a captive program within one of the world's most respected jurisdictions.

The analysis here focuses on P&C captive structures and does not address life insurance-based planning.



The Family Office Risk Landscape

Family offices typically oversee a complex mix of operating businesses, real estate, private investments, and personal assets. The scale of capital may be significant, but diversification across those holdings is often limited. That concentration is both a feature of how family wealth is built and a source of meaningful insurance complexity. **This risk exposure generally falls into two broad categories.**

1

Operating Businesses

These frequently represent the core of the family's economic identity and carry the full spectrum of commercial exposures: general liability, professional liability, workers' compensation, and executive risk. Most of these placements land in the commercial market, where pricing is manageable but rarely optimized for a long-term owner's perspective.

2

Long-Lived and High-Value Assets

Real estate portfolios, aviation interests, marine assets, and specialized infrastructure share a common profile: capital-intensive, jurisdictionally diverse, and subject to low-frequency but high-severity loss events. The commercial market has grown increasingly unwilling to price these risks on terms that make long-term sense. Over the past decade, underwriting standards have tightened, emerging risk exclusions have expanded, and hard market cycles have pushed premiums sharply higher.

For families who think in decades rather than annual policy periods, this creates real friction. The commercial market is built to optimize short-term returns on underwriting capital. Your family's priorities are continuity, predictability, and capital preservation across generations. Those objectives rarely align well.



What a Captive Insurance Company Actually Is

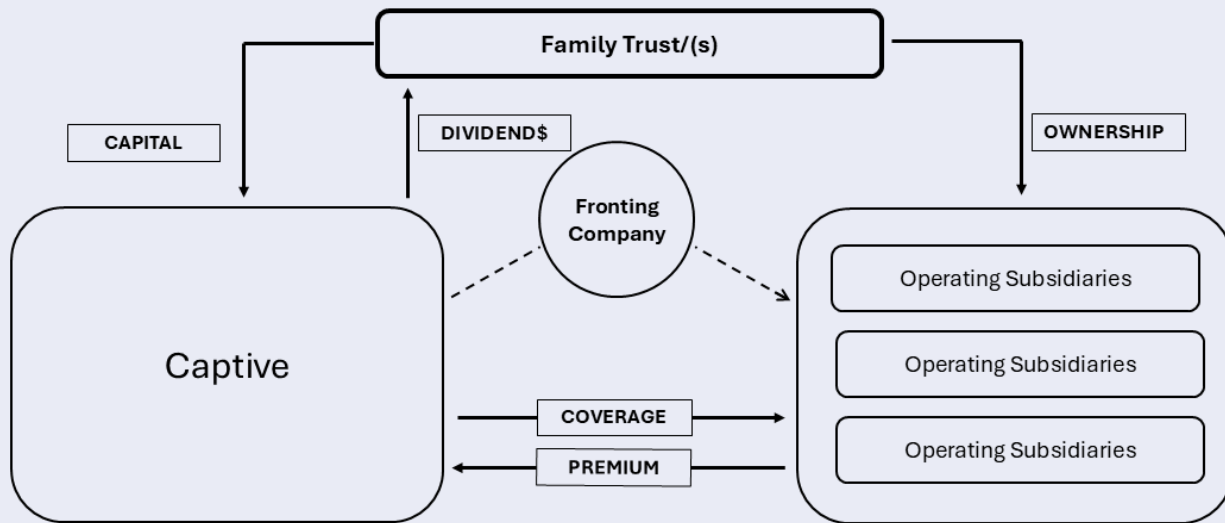
A captive is a licensed, regulated insurance company established to underwrite the risks of its owner or affiliated entities (Figure 2.1). In the P&C context, captives commonly cover general liability, professional liability, property damage, cyber exposure, and layers of risk that sit beneath or above commercial programs.

What separates a captive from simply holding reserves is its institutional character. Premiums are priced actuarially. Capital is

committed to support claims obligations. Financial statements are prepared under regulatory standards. When losses are lower than anticipated, underwriting profits and investment income stay within the captive and accrue to the benefit of the owner.

For a family office, this is not just an alternative insurance mechanism. It is a structured way to retain and manage risk within your long-term capital framework, on your own terms.

Figure 2.1: Single-Parent Captive Structure (Owned by a Trust insuring affiliated business)



When losses come in below expectations, the **surplus stays in the family**. That is a fundamentally different relationship with risk than anything the commercial market offers.



Why Family Offices Establish Captives

Control

The primary driver is control over how risk is financed. A captive allows you to design coverage that reflects your actual risk profile rather than assumptions imposed by a third-party insurer. Policies can be tailored to address market gaps, cover non-standard risks, and maintain consistent terms across market cycles.

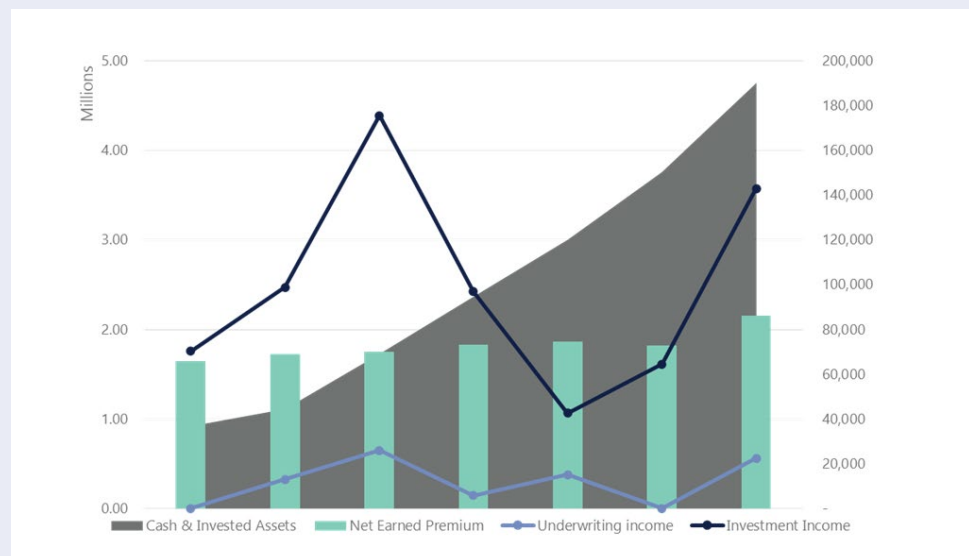
Economic Efficiency Over Time

Captives require initial capitalization and ongoing governance, but the cumulative cost of risk tends to decline as underwriting profits are retained and premium volatility stabilizes. For families with strong balance sheets and the ability to absorb some volatility, this tradeoff becomes increasingly attractive over long periods.

In our experience working with long-tenured captive owners, programs that have been running for seven years or more often look dramatically different from what the commercial market would have cost over the same period.

Figure 3.1 demonstrates the impact of a formalized self-insurance program over a seven-year period. The program covers the first \$350k of risk across the workers' compensation, auto liability and general liability lines of a fourth-generation owned group of convenience stores in the U.S. Despite fluctuations in the market as well as growth in the underlying business operations, the premiums remain stable, while invested assets grew over the same time span.

Figure 3.1: 7-year financial results of family office owned program



Why Family Offices Establish Captives

Strategic Alignment

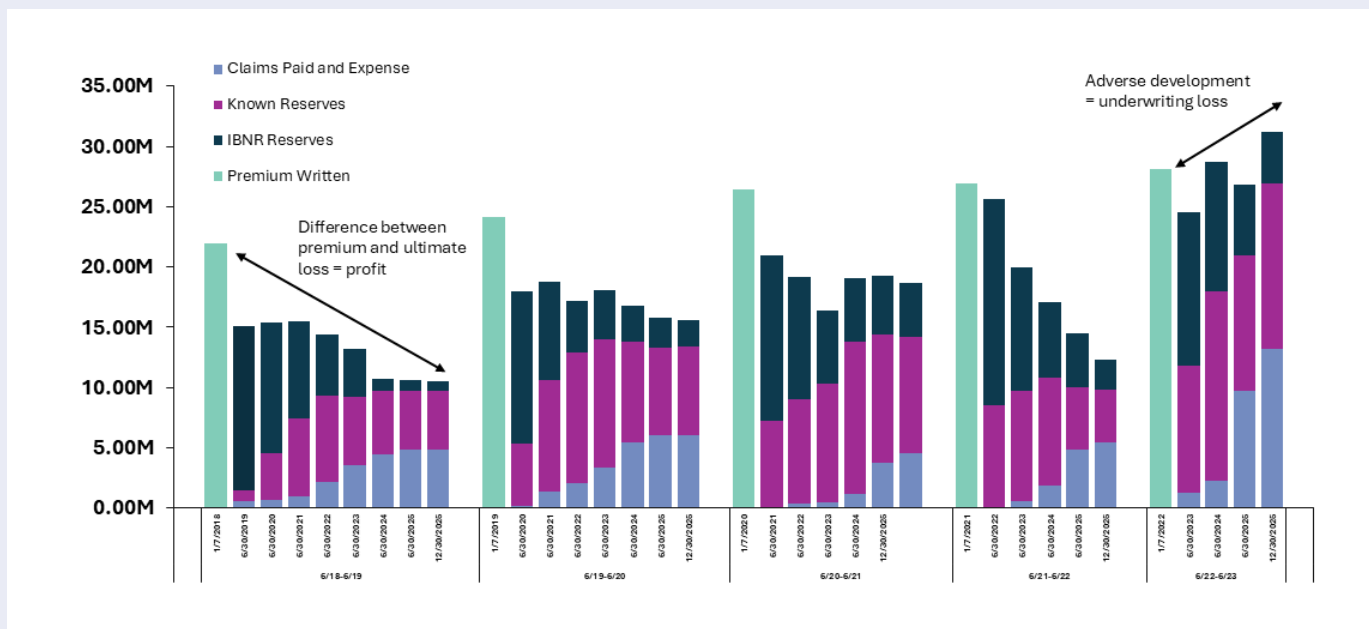
Commercial insurers price risk annually and exit lines opportunistically. Captives allow families to align insurance strategy with long-term capital preservation goals. Loss years are absorbed as part of a multi-decade cycle, rather than triggering abrupt coverage changes or pricing spikes.

Figure 3.2 demonstrates how traditional P&C insurance losses can develop in a captive program over multiple financial years. The difference between the premium in any given year compared to the ultimate loss (claims paid + known



reserves + actuarial determined reserve) is either retained underwriting profit or an underwriting loss, which is funded from either accumulated capital reserves or additional capital injections.

Figure 3.2: Insurance loss development vs. captive premium



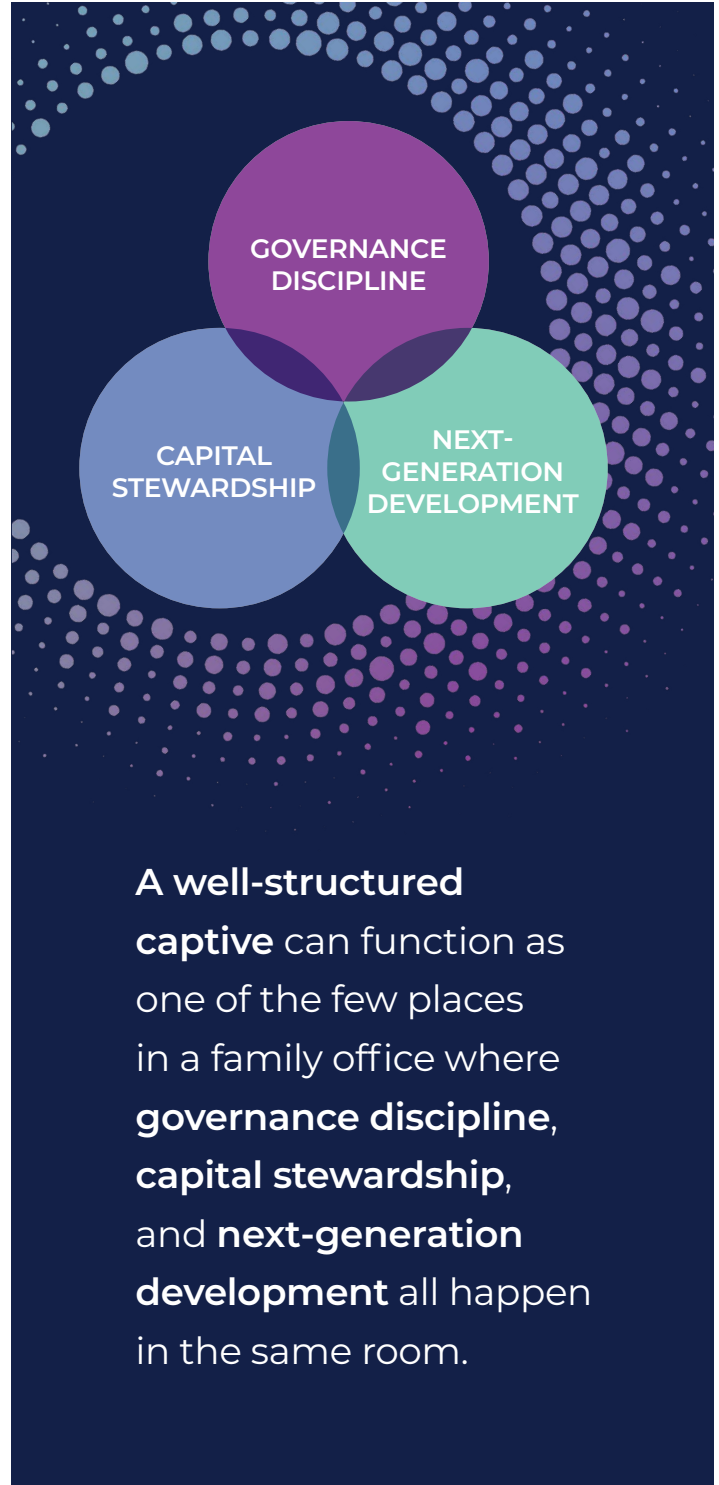
Captives and Multi-Generational Wealth Planning

From a wealth planning perspective, P&C captives provide a mechanism for accumulating and stewarding capital within a regulated environment. Underwriting profits and investment returns build surplus over time, creating a pool of capital that serves both risk management and balance sheet resilience objectives.

The regulatory discipline imposed on captives plays a constructive role here. Actuarial reviews, solvency requirements, and formal governance encourage prudent capitalization and discourage opportunistic behavior. For multi-generational families, this structure helps institutionalize financial discipline beyond the founding generation.

The governance of a captive is often viewed as a feature rather than a constraint. Captive boards, underwriting policies, and investment guidelines provide a framework through which next-generation family members can gain meaningful exposure to risk assessment, financial decision-making, and fiduciary responsibility. The captive becomes both a financial tool and an educational platform.

Long-lived assets and operating businesses can remain insured under a consistent philosophy across ownership and leadership transitions. Rather than renegotiating coverage at moments of change, families can rely on an internal insurer that reflects their long-term priorities.



The Importance of Formalizing Risk

One of the most important distinctions between a captive and informal self-insurance is what happens when risk is formalized through an insurance contract.

Holding capital in reserve to address potential losses is not the same as insurance. Without a defined policy, there is no articulation of covered events, no agreed pricing of risk, no claims protocol, and no systematic accumulation of experience data. The capital is earmarked, but it is economically indistinct from any other balance sheet reserve.

A captive requires risks to be translated into legally enforceable policies with defined coverage terms, limits, exclusions, and claims triggers. Premiums are established actuarially. Losses are evaluated against contractual criteria. Claims payments follow documented processes.

This discipline becomes especially important for emerging or poorly defined risks. Exposures like cyber incidents, regulatory action, supply chain disruption, or reputational harm are frequently excluded or narrowly written in the commercial market, largely because of limited loss history and ambiguous triggers. When underwritten through a captive, those risks must be articulated in clear policy language and supported by consistent pricing assumptions and claims protocols.

Over time, this process builds credible experience data. And credible data is what opens the door to the reinsurance market. Reinsurers deploy capital against risks that are well defined, actuarially priced, and supported by documented performance. The captive, over time, creates exactly that foundation.



The Cayman Islands as a Captive Domicile

The Cayman Islands has become one of the world's leading captive insurance jurisdictions, particularly for sophisticated private capital. That standing reflects decades of experience regulating owner-insured structures and a deep professional infrastructure that includes captive managers, actuaries, legal advisors, and auditors.

Captive insurers in Cayman are licensed and supervised by the **Cayman Islands Monetary Authority (CIMA)** under a comprehensive legislative framework that emphasizes solvency, transparency, and appropriate governance. Importantly, the framework recognizes the distinct risk profile of captives that insure affiliated parties rather than the general public.

For family offices, the Cayman regulatory approach is attractive because it is both rigorous and proportionate. Capital requirements are risk-based, business plans are evaluated holistically, and regulators are experienced with closely held insurers. This allows family-owned captives to operate within a credible regime without unnecessary complexity.

Cayman also enforces economic substance and governance standards consistent with international expectations. These requirements impose real obligations, but they also enhance the captive's legitimacy as a long-term institutional vehicle. That legitimacy matters more over time, particularly in a multi-generational context.



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Practical Considerations When Establishing a Captive

Captives reward long-term commitment. Unlike a commercial insurance placement, which can be adjusted or walked away from annually, a captive is designed to operate across multiple risk and economic cycles. Families that enter and exit these structures often fail to realize their full benefits and can undermine the credibility and performance of the insurer itself.

Scale Matters

Programs with combined annual premiums of approximately \$1 million or more are generally well-positioned to operate efficiently. At that level, the captive can absorb fixed operating costs, support meaningful actuarial analysis, and establish credible reserving practices. Below that threshold is not automatically unviable, but it tends to limit the program's ability to generate durable results over time.

Diversification of Risk

A captive that insures only a single line of coverage or a single operating entity carries more volatility. Programs that span multiple coverages and multiple entities tend to benefit from more stable loss patterns, where favorable experience in one area can offset adverse developments in another.

Geographic Diversification

For family offices with international operations or asset footprints, exposure across different legal regimes, weather patterns, and regulatory environments can reduce the likelihood of correlated losses. That breadth also supports more robust data analysis and strengthens the captive's standing with reinsurers.

Is This Right for You?

The families best positioned for a captive program tend to share a few characteristics:

Meaningful premium volume
across multiple lines

Assets or businesses
with long time horizons

Tolerance for holding some risk
on the balance sheet

Genuine interest in treating insurance as a capital management tool rather than a commodity purchase.



Concluding Remarks

The growing adoption of P&C captive insurance companies by family offices reflects a broader shift toward institutionalized, long term capital management. By internalizing risk financing, families gain control, economic efficiency, and strategic alignment with multi generational objectives. Captives also impose governance disciplines that support responsible stewardship and continuity across generations.

The Cayman Islands offers a well-developed framework for families that want to establish these structures within a credible and internationally recognized environment. And the mechanics of a well-run captive, properly capitalized and governed, can provide a durable foundation for risk management across generations.

When approached thoughtfully and operated with genuine risk management intent, P&C captives can serve as durable components of a family office's long term strategy—bridging insurance, governance, and wealth preservation in a way that commercial markets rarely allow.

For more information, visit www.global.ky or contact Global Captive Management to schedule a conversation.



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