



## 2022 Annual Conference



# Everything You Need to Know About Captives And Then Some!

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**Andrew Marson – Managing Director, Strategic Risk Solutions (West) Inc.**

**Michael Douglas – Director Business Development Aon Captive & Insurance Management**

# Introductions

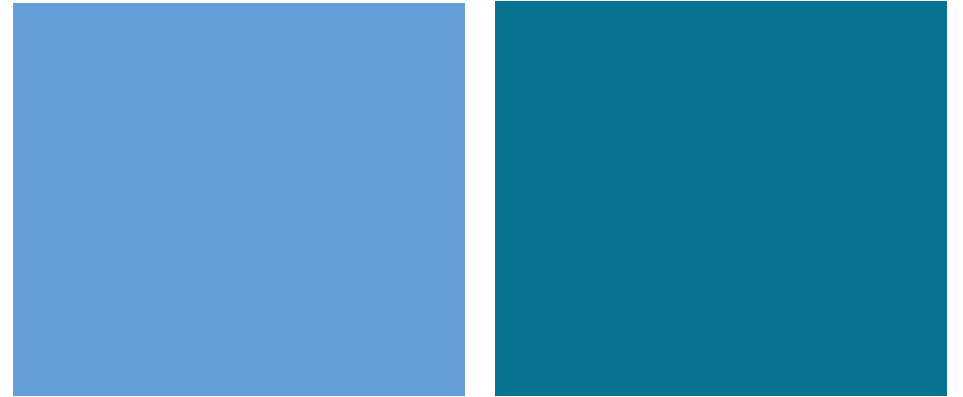
- Andrew Marson
- Mike Douglas



# **Big Subject – Diverse Crowd..... What's The Worst That Could Happen?**

**Well now – with such a broad topic title  
we have big canvass to fill!**

**To help us out, let's start the morning  
with a couple of Straw Polls questions!**



# The Old-Fashioned Way!

- **Who Is New To The Captive Concept?**
- **Who Has A Captive Already?**
- **Who Would Like To Have a Captive Soon?**





# Setting the Scene



- Traditional market cycles leave the insureds vulnerable and without adequate cover whenever insurance markets cycles turn hard.
- Insurance buyers are demanding alternatives and not just for a short-term fix
- This form of “Next Gen” critical thinking is an evolving enterprise risk management framework that encourages organizations to **leverage their own risk bearing capacity** to pivot towards becoming the “**Underwriter of Choice**” in the place of the traditional market and take on more risk in a controlled manner.
- Captives provide that long-term alternative to traditional insurance.

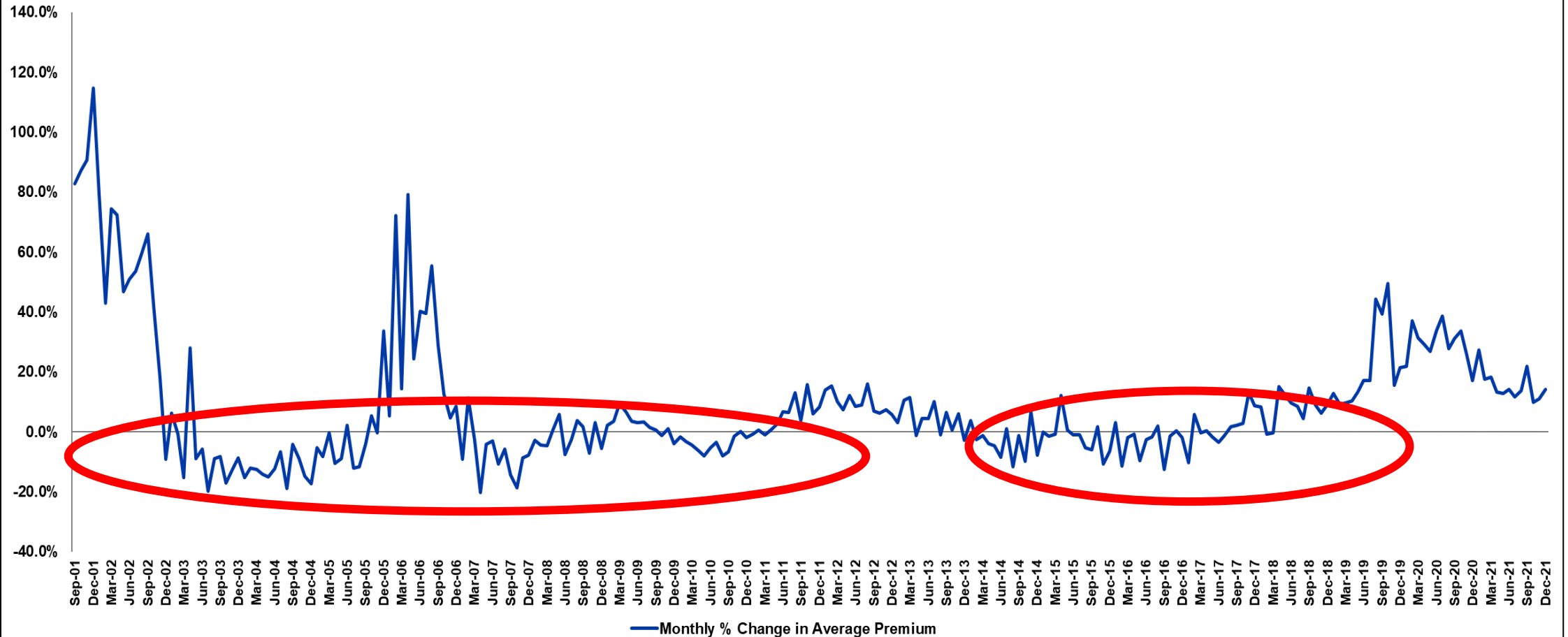
OK....

But How Did We Get Here?



# Insurers Can't Keep Selling a \$1 of Claims For 75 Cents!

Monthly Change in Average Premium  
September 2001 Through December 2021  
Source: Aon Data



# Options Facing Companies In This Hard Insurance Market

- Status Quo

1. Pay the higher commercial premium
2. Accept more restrictive conditions
3. Basically – You Get What You are Given!

- Captive Option

- Stabilize Pricing
- Reduce Reliance on Commercial Insurance
- Provision of Cover Where Otherwise Unavailable
- Capture Underwriting Profits
- Improved Cash Flow Benefits
- Ability to Customize Insurance Programs
- Greater Control & Leverage
- Flexibility and Nimbleness



**OK Sign Me Up!!!**

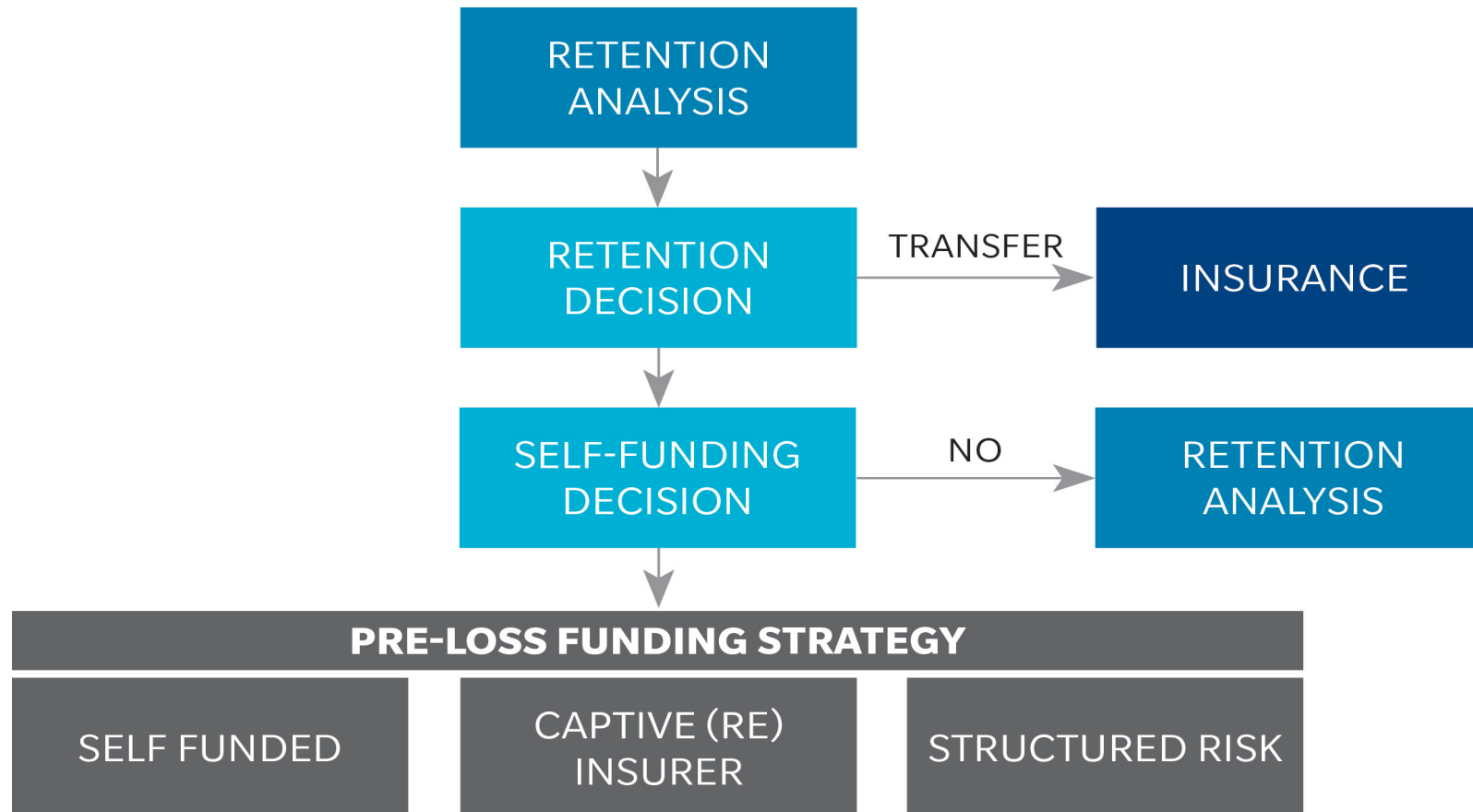


**Well – Hang on.....Captives Are Just a form of Self Insurance..**

**Ask Yourself - Do You Want To Self Insure?**

# Retaining Risk vs Financing Risk

A corporation's decision on the amount of risk to assume is independent and a priority over determining how to finance the risk, whether on the books of the parent or through a wholly owned captive insurer as illustrated below.





# Soooo – What /S a Captive?

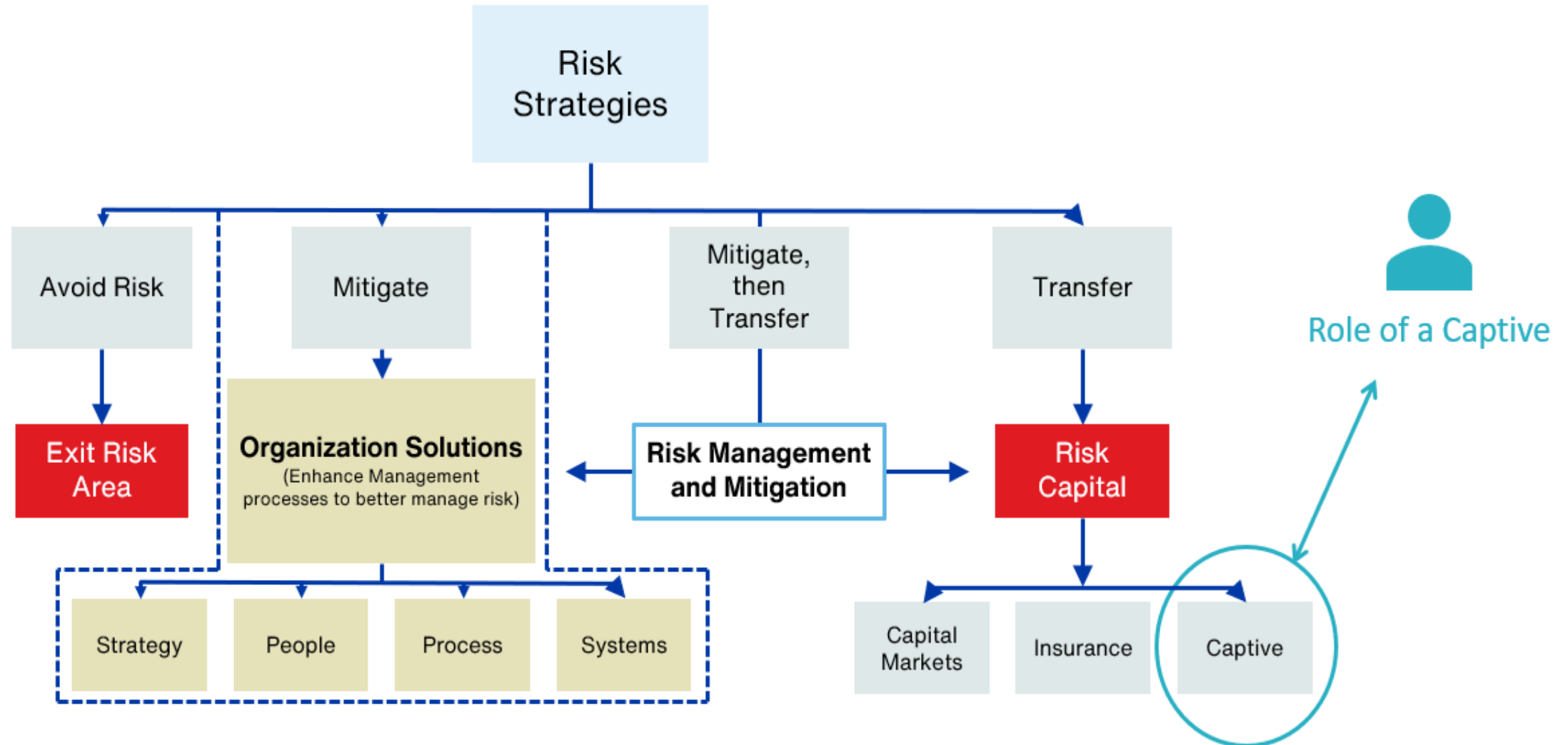
## Definition:

**A closely held insurance company that is owned and controlled primarily by its insureds**

## Characteristics

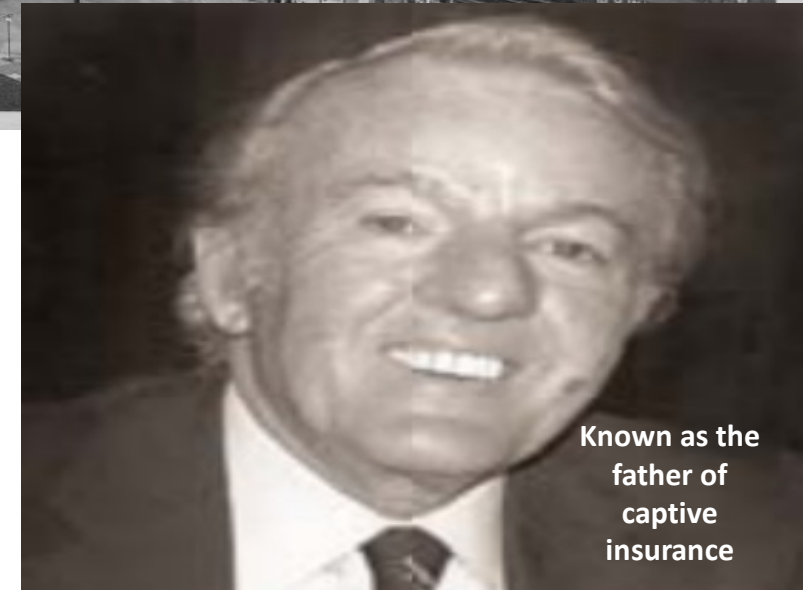
- A licensed insurance company
- Formed to insure or reinsure the risks of its owners or related parties of their choosing
- Regulated under special legislation regulating captives
- Located onshore or offshore
- Generally licensed in only one domicile
- The owners of captives choose to put their own capital at risk by working outside of the traditionally regulated commercial insurance marketplace. As a result, there are a few moving parts to the process of forming and using a captive to its best effect.

# Where Does a Captive Fit Within the Wider Risk Strategy?



# OK...So....Why is it Called “Captive” Insurance?

- **Fred Reiss formed the first captive insurance company (in the modern era) for Ohio-based Youngstown Sheet & Tube Company in 1955**
- **Fred was tasked with procuring insurance for the mills and was an Engineer by trade.**
- **At the time, most policies were underwritten by only a handful of large insurance companies**
- **Youngstown Steel Company's financial stability was threatened by rising insurance rates as capacity dried up with only a few insurance carriers willing to underwrite for large factories and mills.**
- **Fred saw the inequity of loss control dollars paid by insureds toing to benefit the insurers!**
- **So, he invented captive insurance.....and formed International Risk Management Group – Later sold to Aon in 2000.**



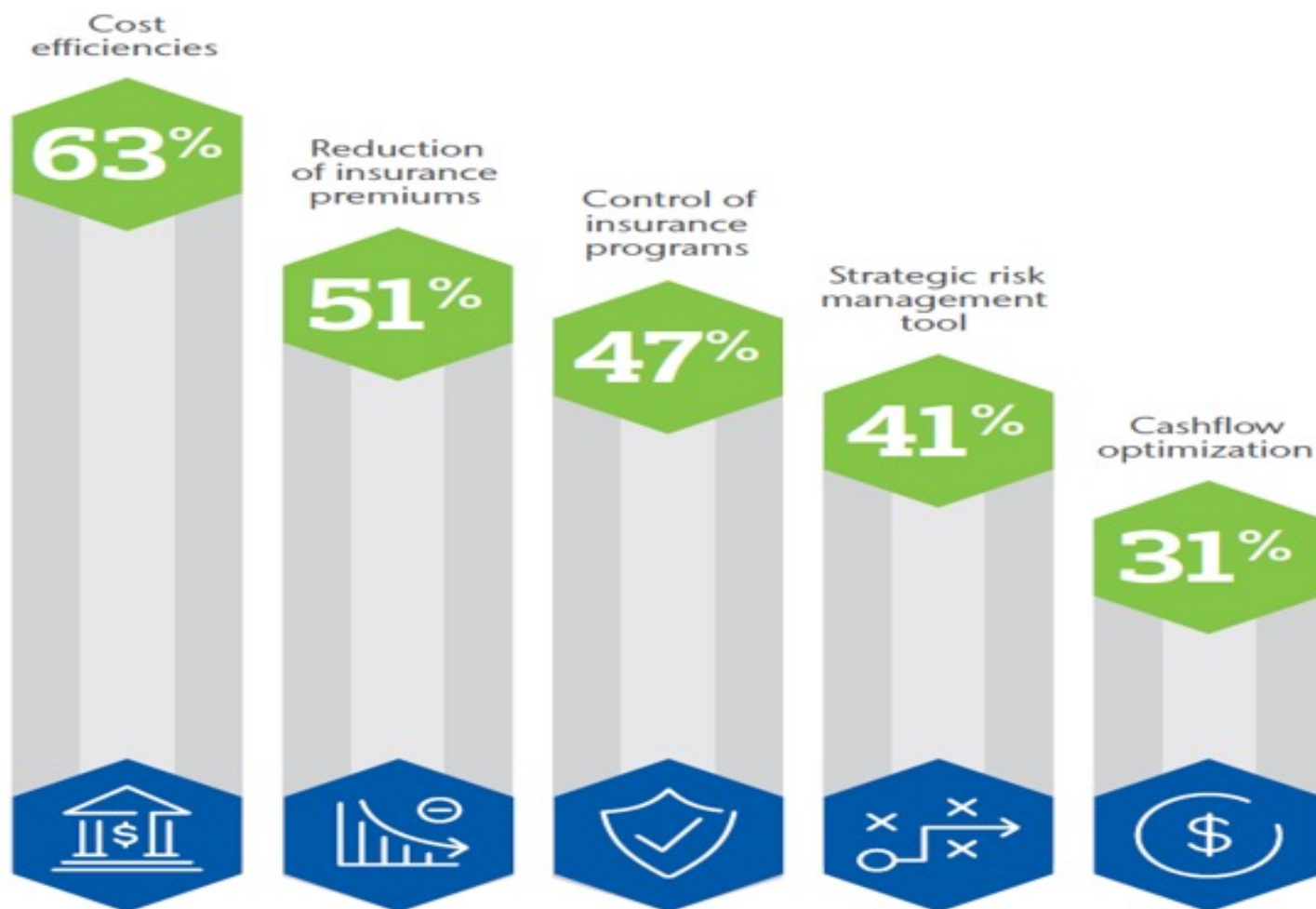
Known as the  
father of  
captive  
insurance

# By The Numbers



Yes – We Just Have To Do It!

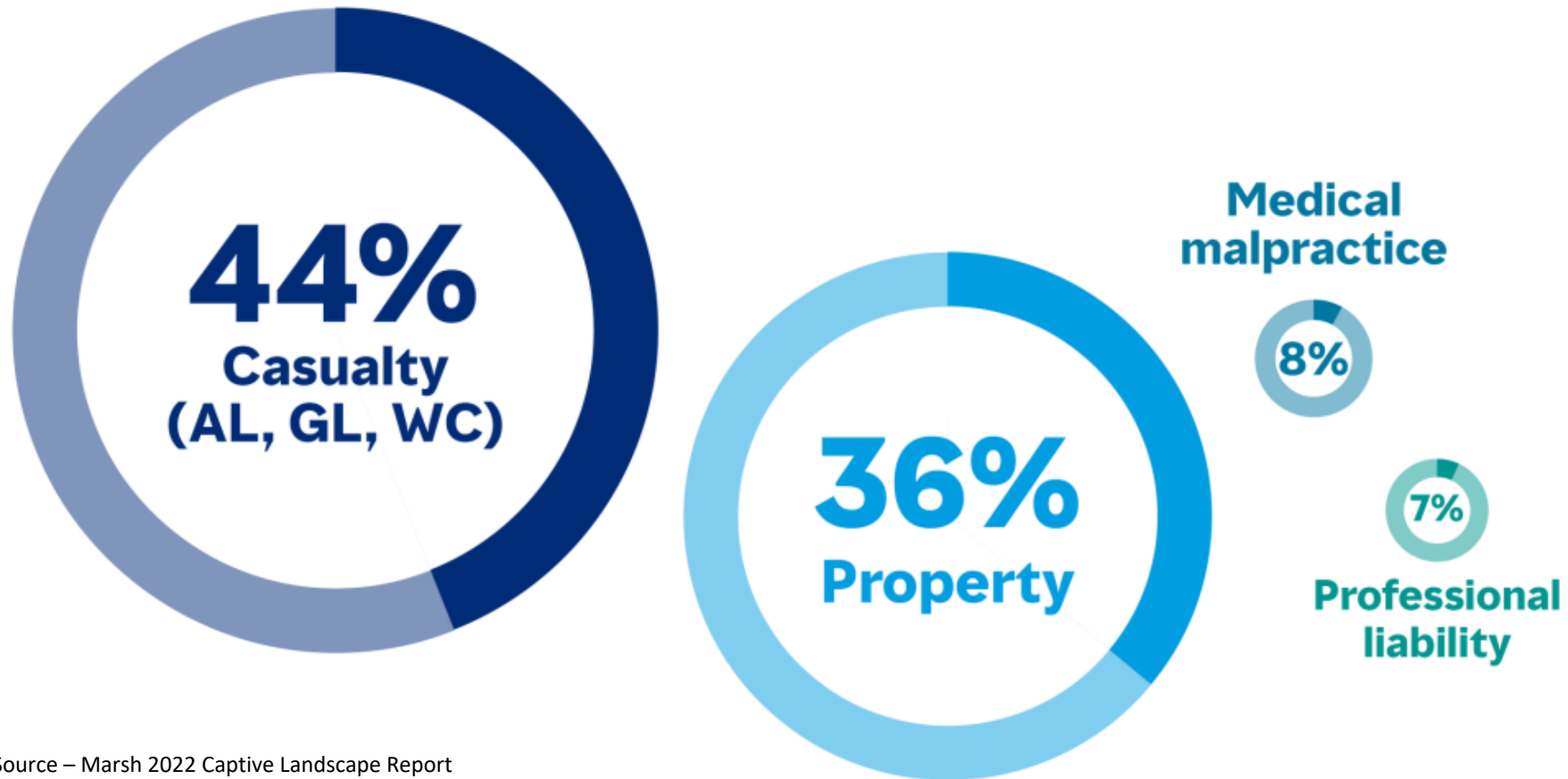
# Why Do Companies Form Captives?



Source - Aon Captive Benchmarking Survey 2022

# What Lines Of Business Typically Go Into a New Captive?

Traditional lines of business

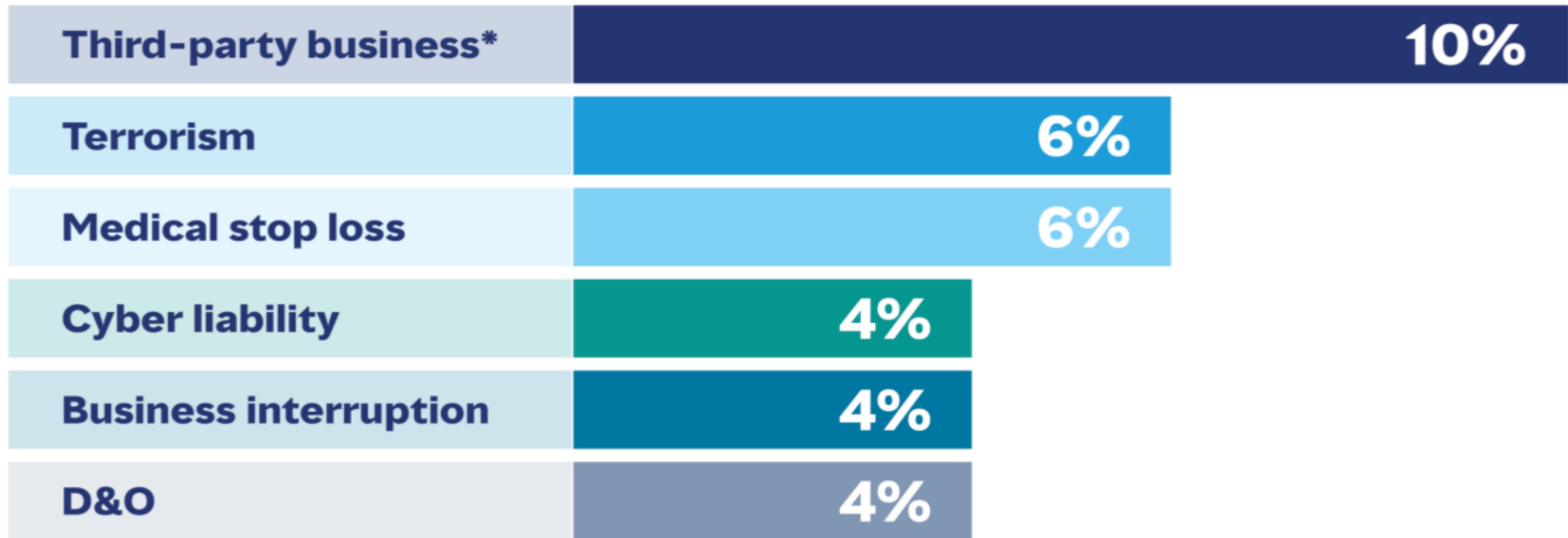


Source – Marsh 2022 Captive Landscape Report



# What New Lines Of Business Are We Seeing In Captives?

## Non-traditional lines of business

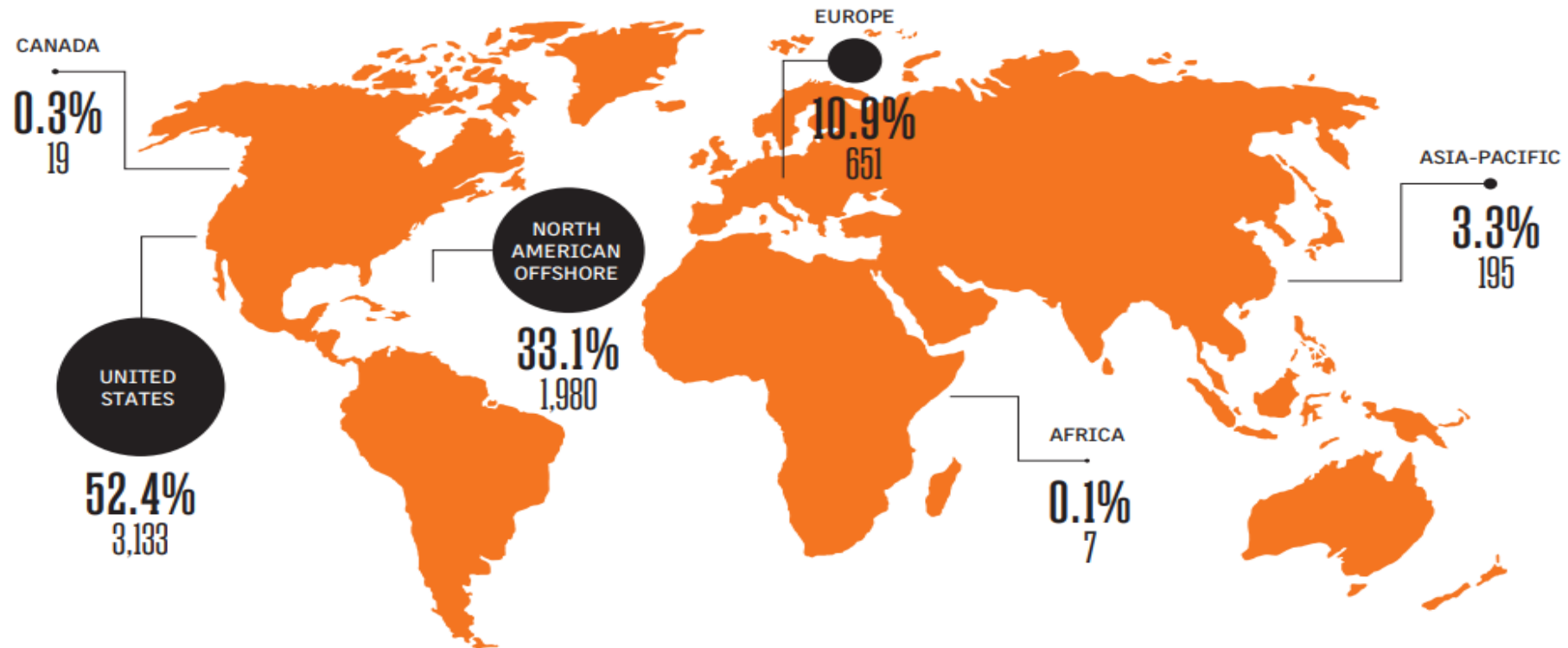


\* (contractor/vendor programs, extended warranty)

# Where Are Most Captives Coming From?

## ONSHORE/OFFSHORE BY THE NUMBERS

There were 5,985 captives in 2021, not including microcaptives, series captives, or individual cells or cell members in protected cell companies.



Source: BI survey

Percentage of total captives per region

# Where Are The Captives Being Formed?

## Top Domiciles

### TOP EUROPEAN CAPTIVE DOMICILES

Ranked by number of captive licenses at year-end 2021

Rank	Domicile	2021	2020
1	Luxembourg	192	199
1	Guernsey	192	188 <sup>1</sup>
3	Isle of Man	99	102 <sup>1</sup>
4	Dublin	68	67
5	Sweden	31	37

<sup>1</sup> Restated.

Source: BI survey

### TOP NORTH AMERICAN OFFSHORE CAPTIVE DOMICILES

Ranked by number of captive licenses at year-end 2021

Rank	Domicile	2021	2020
1	Bermuda	670 <sup>1</sup>	680
2	Cayman Islands	661	652
3	Barbados	253	226 <sup>2</sup>
4	Nevis	122	116
5	Anguilla	77	94 <sup>2</sup>

<sup>1</sup> BI estimate. <sup>2</sup> Restated.

Source: BI survey

### TOP ASIA-PACIFIC CAPTIVE DOMICILES

Ranked by number of captive licenses at year-end 2021

Rank	Domicile	2021	2020
1	Singapore	84	80
2	Labuan	63	55
3	Federated States of Micronesia	23	23
4	New Zealand	9 <sup>1</sup>	11
5	Vanuatu	5	5

<sup>1</sup> Restated.

Source: BI survey

## Where Are The Captives Being Formed? Top US Domiciles

Rank	Domicile	2021	2020
1	Vermont	620	589
2	Utah	384	396
3	Delaware	313	288
4	North Carolina	257	250
5	Hawaii	251	242

Rank	Domicile	2021	2020
6	South Carolina	183	175
7	Nevada	161	166
8	Tennessee	153	145 <sup>1</sup>
9	Arizona	149	131
10	District of Columbia	112	106

<sup>1</sup> Restated.

Source: *BI* survey

# Hang On.....I Heard the Number of Captives Has Been Reducing.....

## TOTAL CAPTIVES WORLDWIDE



<sup>1</sup> Restated.

Source: BI survey

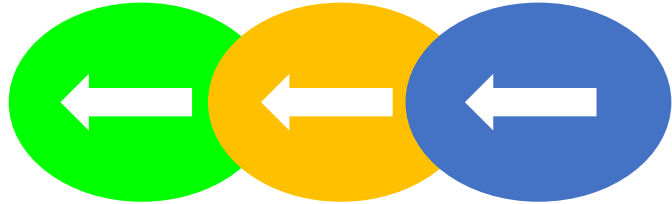


# How To Start The Thinking About Captives



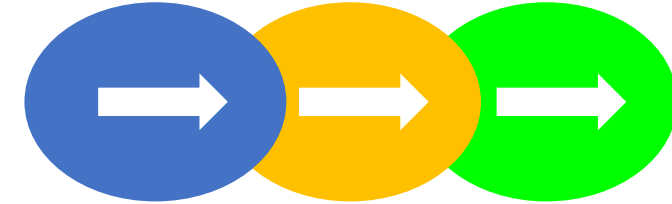


# The Push/Pull Saving \$ vs Creating Value



## Saving Money On The Premium Spend

- To save money on the insurance spend, look at the level of risk that is within a company's risk tolerance and retain that level of risk.
- If the company's risk tolerance is greater than the current level of retention or deductible, the result will be buying less insurance from the open market and pocketing the difference in premiums paid.
- Simply put - Saving money by not buying insurance.



## Creating Value With a Captive

- The use of a captive, however, is a different proposition than simply buying less insurance.
- The captive concept recognizes that increased retentions will lead to increase retained losses.
- Prudence dictates that this risk be offset with both active loss control efforts and putting monies aside to pay for the increased exposure to risk.
- A captive is a better vehicle to do this rather than paying from operating expenses or establishing a "loss fund."
- A captive is an insurance company that can create value for the company over and above simply saving the difference in premium from a higher retention.

# Top 10 Ways To Create Value Using a Captive

1

## **Reduced Reliance on Commercial Insurance**

As the captive matures, its surplus grows, giving it greater capacity to retain risk. Increased surplus also creates new opportunities for accessing reinsurers which further increases available capacity;

2

## **Reduction of the Costs of Risk Management**

The price of insurance coverage purchased in the conventional market typically reflects a significant markup to pay for the acquisition costs for commercial insurers including marketing, broker commissions, administration, and overhead as well as profit to the insurer.

3

## **Stabilization of Pricing**

Where the company enjoys a stable and reasonably low loss experience year over year, a captive affords the ability to price insurance coverage based on your own loss history and not that of the portfolio of companies insured by a traditional insurer;

4

## **Provision of Cover Where Otherwise Unavailable**

From time to time, the conventional market is unwilling or unable to provide cover for certain risks. The establishment of a captive to write such “problem” lines or to provide additional capacity can be an answer to these market problems. Whenever insurance cover is unavailable or overpriced, the feasibility of a captive is enhanced;

5

## **Access to Reinsurance Markets**

Because reinsurers generally deal with insurance companies, a captive affords direct access to the reinsurance market. In bypassing conventional insurers, the insured is spared markup costs. The savings associated with eliminating these costs can outweigh the incorporation and other startup costs of a captive.

6

## **Seeking Improved Cash Flow Benefits**

The ability of a captive to generate investment income from unearned premiums received is an advantage in forming a captive. This is especially so where premiums are paid in advance and losses are paid out over a period of time, as with Workers Compensation. General Liability or other long tail lines;

7

## **Monitoring Ability to Customize Insurance Programs**

A captive has the flexibility to insure any risk it chooses and to customize the terms and conditions of its policies. This leads to improved efficiency and promotes greater internal awareness of the factors that commonly give rise to losses;

8

## **Opportunities for Improved Claims Handling and Control**

A captive is free to establish its own claims handling policies and procedures. This has advantages such as the reduction of the time taken to process and pay claims;

9

## **Ability to Direct Investment Options**

A captive has the ability to direct the investment of its own funds while they are within the captive.

10

## **Potential Tax Advantages**

Where a captive obtains favorable tax treatment, the parent company should be allowed to deduct the premiums it pays to its wholly owned captive subsidiary as a normal business expense. At the same time, the captive may be able to place all, or most, of the received premiums into a loss reserve which may defer the timing of the payment of taxes. While this is only a timing difference for federal taxes, it is a permanent savings for state taxes:

# Cut To The Chase – How Dow We Save \$\$ With a Captive?



## Premium

- Replace open market layers with a captive to save premium dollars which would otherwise be paid away to the retail market;
- Increase deductibles on the current programs to push markets higher into the program and obtain a premium discount;
- Use the captive to access reinsurance markets for either lower premiums, broader cover or provide capacity;
- Premiums for the captive policies are based on the captive parent's own losses and are **not influenced** by market conditions.



## Conditions

- Use the captive to provide coverage for risks which may be excluded by the carrier. This is not a hard dollar item, but the cover provided is the cover required.

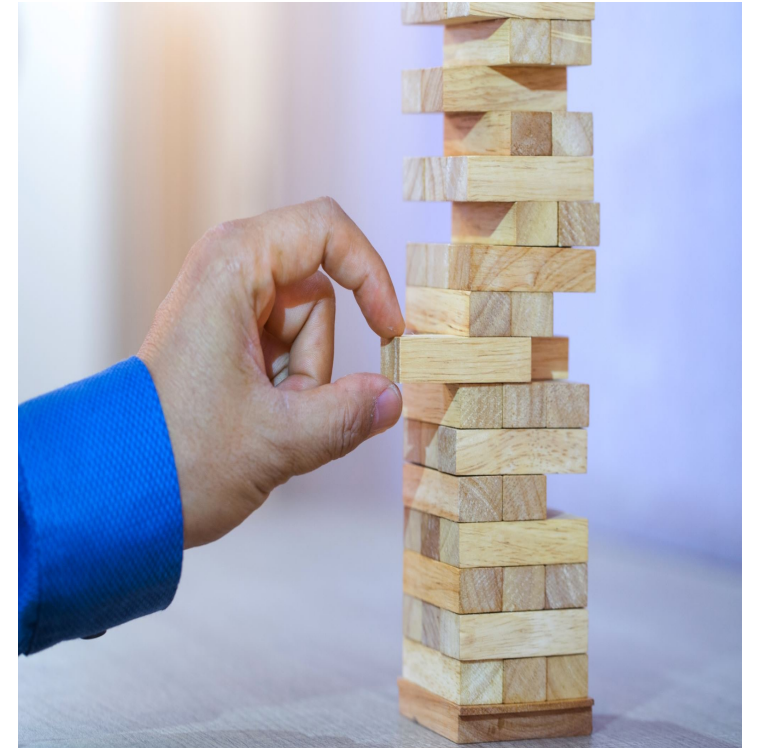


## Tax

- Some tax savings may be available from the tax deduction acceleration.

## But It Is Not All Rainbows & Unicorns – Some Disadvantages

- **The risk(s) to be insured may be inappropriate for retention;**
- **Poor early loss experience may bankrupt a captive**
- **Potential for inadequate loss reserves;**
- **The program requires an up-front capital investment;**
- **Lost opportunity cost of capital;**
- **Frictional costs;**
- **Increased regulatory oversight;**
- **Increased management oversight;**
- **Increased exposure to volatility;**
- **Closure strategies can be lengthy and complex.**



You Have My  
Attention.

What Do I Need To  
Think About Next?







BUT FIRST.....  
Take a Well  
Earned 20  
Minute Break!







Welcome Back



# Road Map To Help Guide Us



# Grab a Scotch - Sit Quietly and Ask Yourself a Few Key Questions

**Is your company growing rapidly and needs a flexible risk financing vehicle?**

**Do your insurance rates seem high vs loss history?**

**Do you have fairly predictable levels of retained loss costs?**

**Does your company have the appetite and tolerance to retain more risk?**

**Do operating units require lower levels of retention than the corporate level?**

**Are you looking for more efficient ways to finance your retained risk?**

**Do you have hard to insure or “uninsurable” risk exposures?**

**Are you looking for a way to consolidate and/or control insurance purchases across the company?**

**Have you experienced volatility in coverage in the commercial markets?**

# What Type Of Captive Can We Use?

## **Single Parent Captive**

A wholly owned insurance or reinsurance subsidiary that is owned by a single parent company to insure the risk of the parent and related companies in the group.

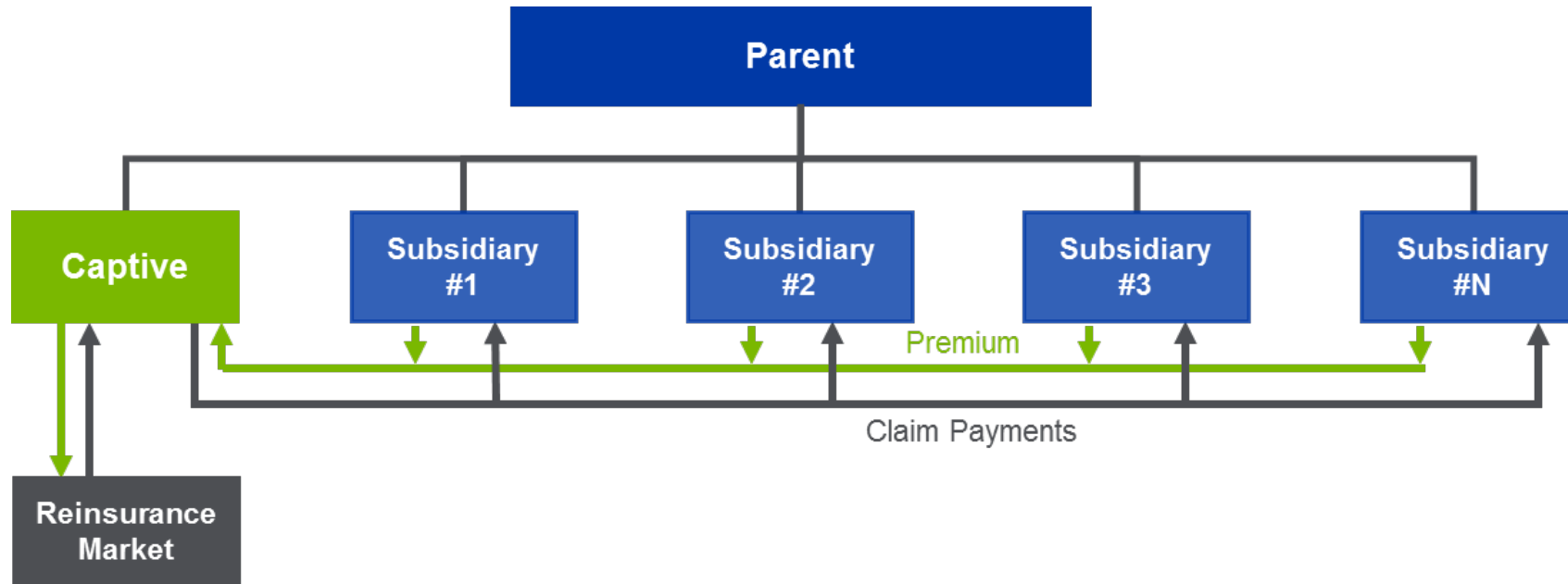
## **Group / Association Captive**

A captive insurance company that insures the risks of a group of unrelated insureds. The risks can be heterogeneous or homogenous, or often organized by members of a common industry or trade association.

## **Cell Captive “Rent-A- Captive”**

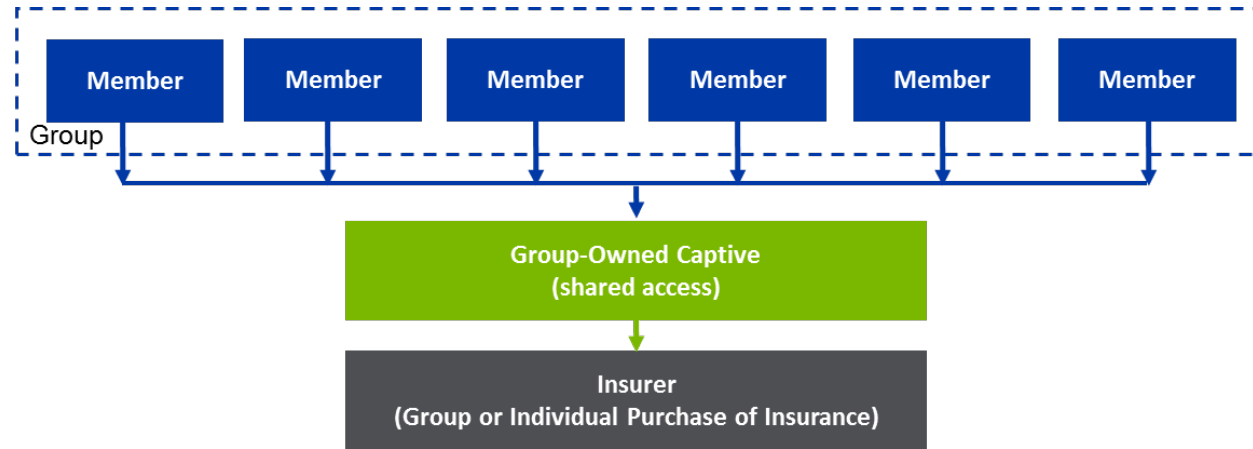
A captive structure established by an outside organization whereby an insured can ‘rent’ the captive facility, which provides many of the benefits of a single-parent captive.

# Single Parent Captive



- Wholly owned by one company;
- Jointly owned by interested investors;
- 80% of all captives are formed like this;
- No outside sharing of risk;
- Designed to cover parent's business;
- Sometimes adapted to make money rather than save money:
  - Self Storage
  - Warranty Business
  - Cell Phone Ins., etc.

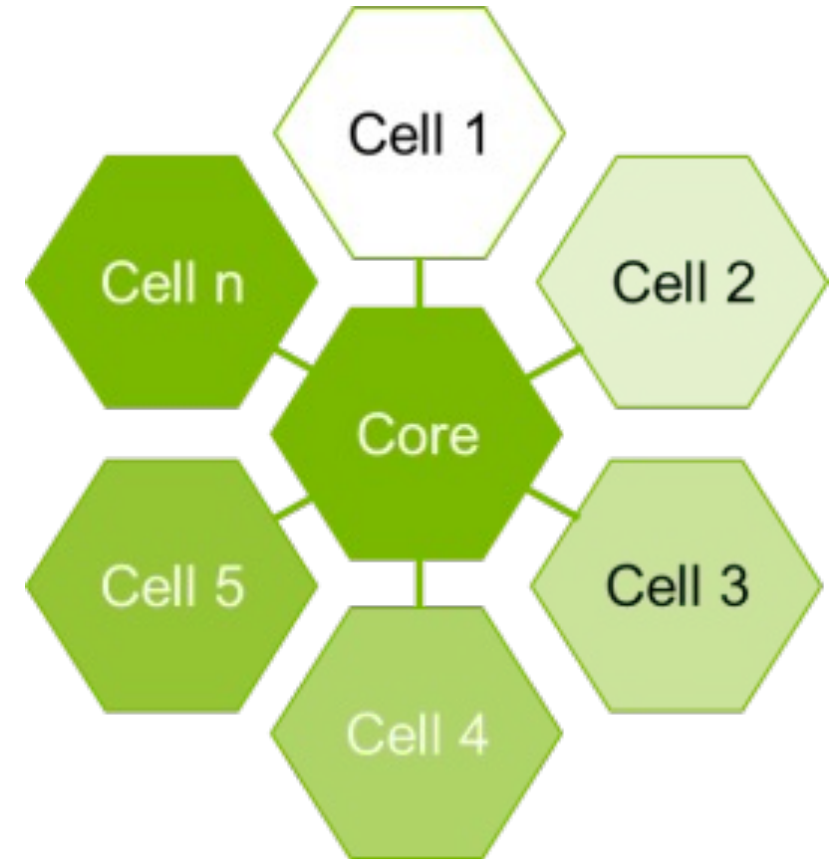
# Group / Association Captive



- Members form their own insurance company:
- Strict rules in place for underwriting criteria, loss control and member's active participation in the group captive's affairs;
- Usually organized by a sponsor and run by a captive manager but at the direction of the member owners
- Profits made by the group are paid back to the members after 3–5 years.
- Losses are shared.

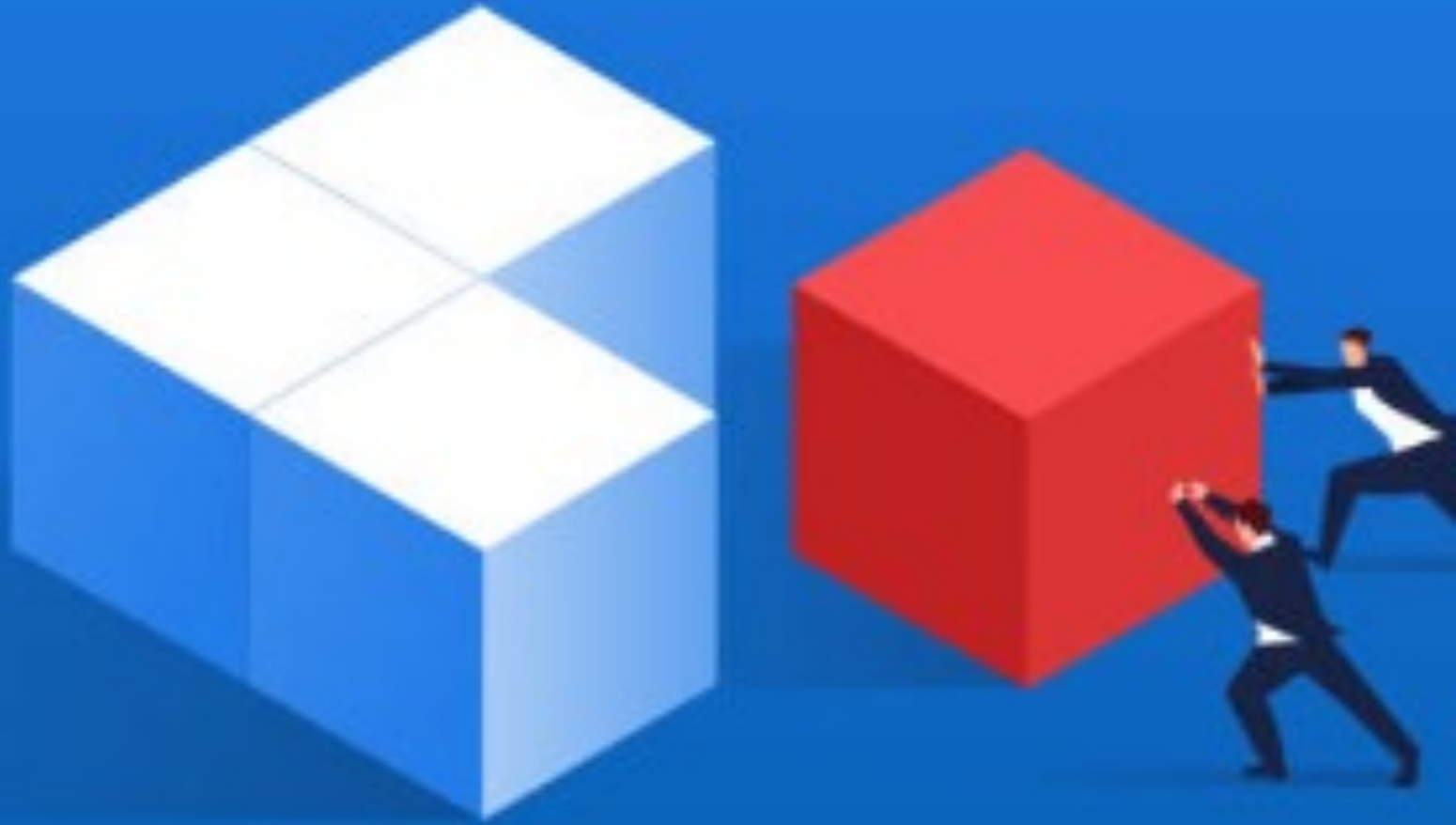
# Protected Cell Captive

- Uses an existing licensed insurance company to “Rent” space for a dedicated account earmarked for the insured:
- Each cell has legal segregation and protection of assets and liabilities
- Risk IS NOT SHARED between members in the event that one of the accounts is in deficit;
- Need to look carefully at tax as usually fully funded by LOC;
- Alternative would be to use reinsurance instead of full funding;
- Now the new technology and growing in popularity and has been in place for 25 years.

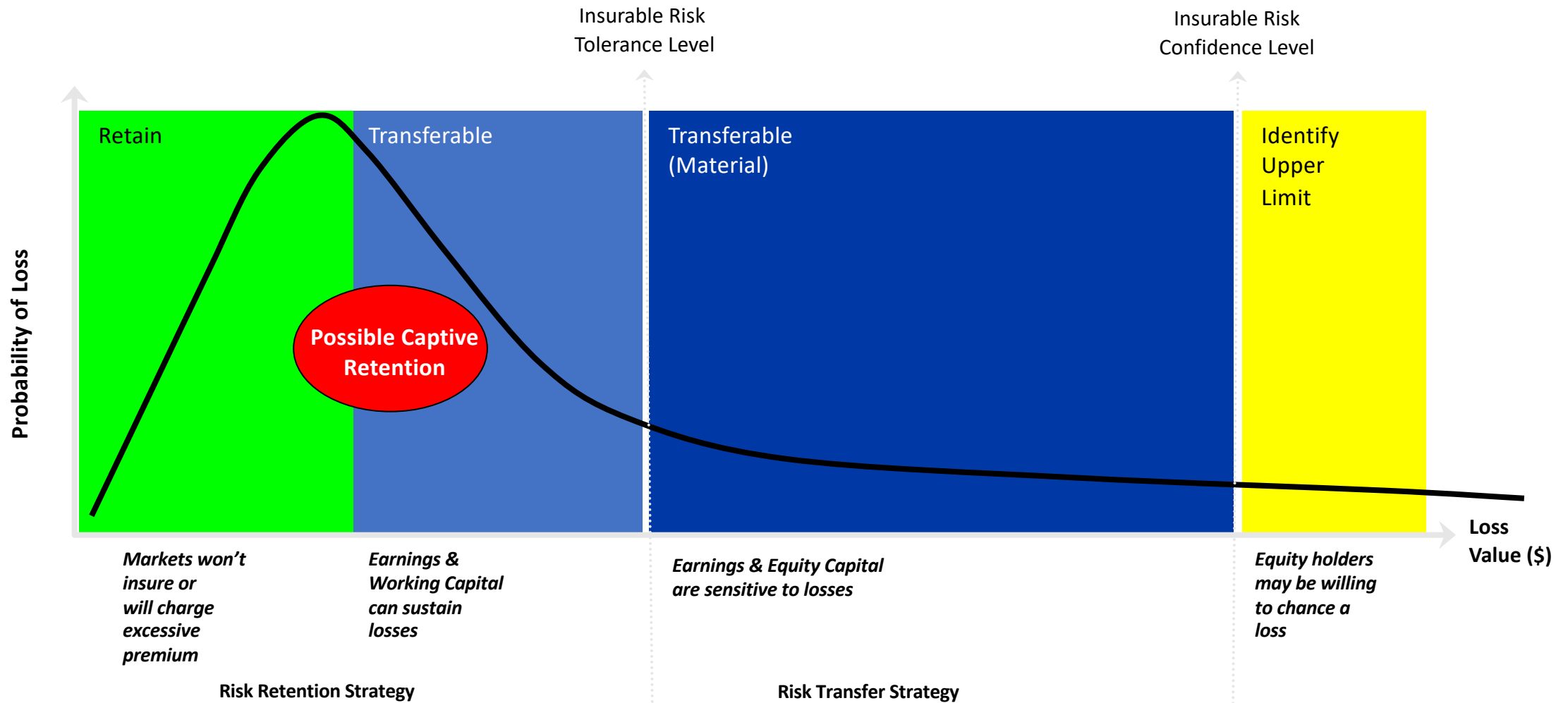




## Fitting A Captive Into a new or existing Program?

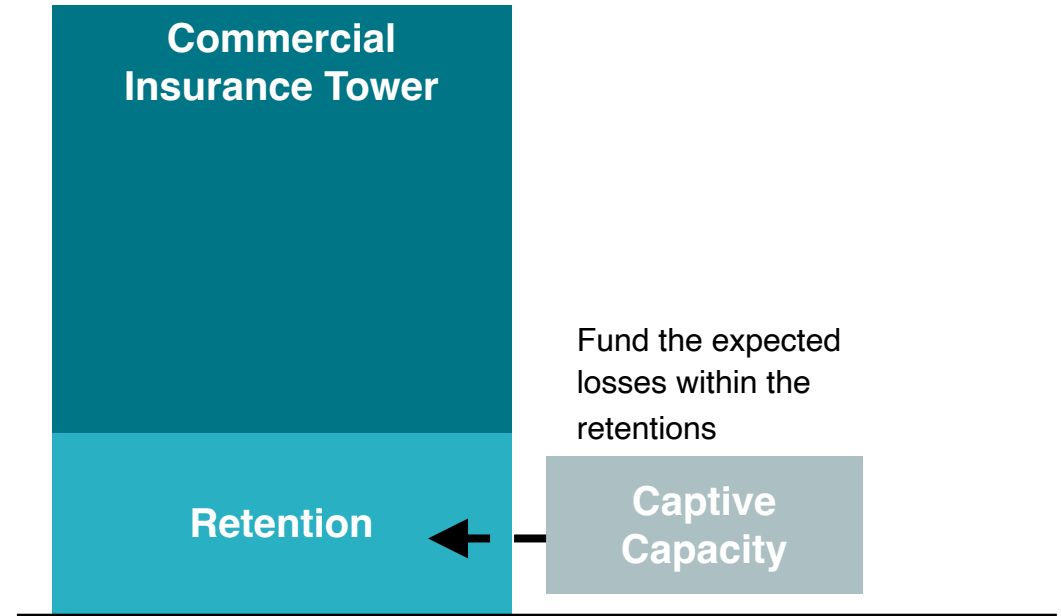


# Risk Retention/ Risk Transfer Point



# Deductible Reimbursement Program

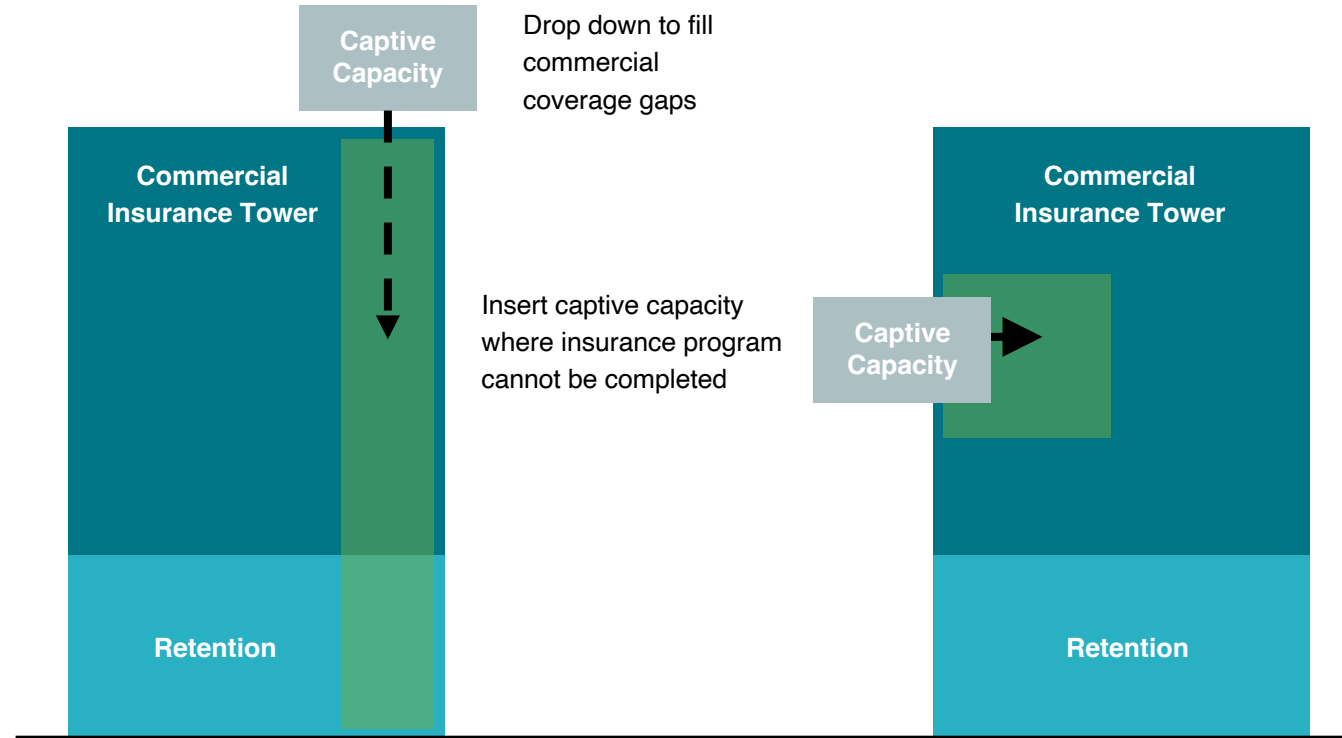
- This is an internal transaction that does not involve the external insurance market. A captive is used to finance the retained losses for a proposed property insurance program deductibles /self-insured retentions.
- By using this type of participation, the captive's Parent does not cease buying its current insurance program but rather finances retentions and deductibles through the captive rather than funding them through operating cashflows at a business level.



- The retained loss costs associated with these programs can potentially be financed more efficiently through a captive over the current strategy of funding through the cash flows of the business.

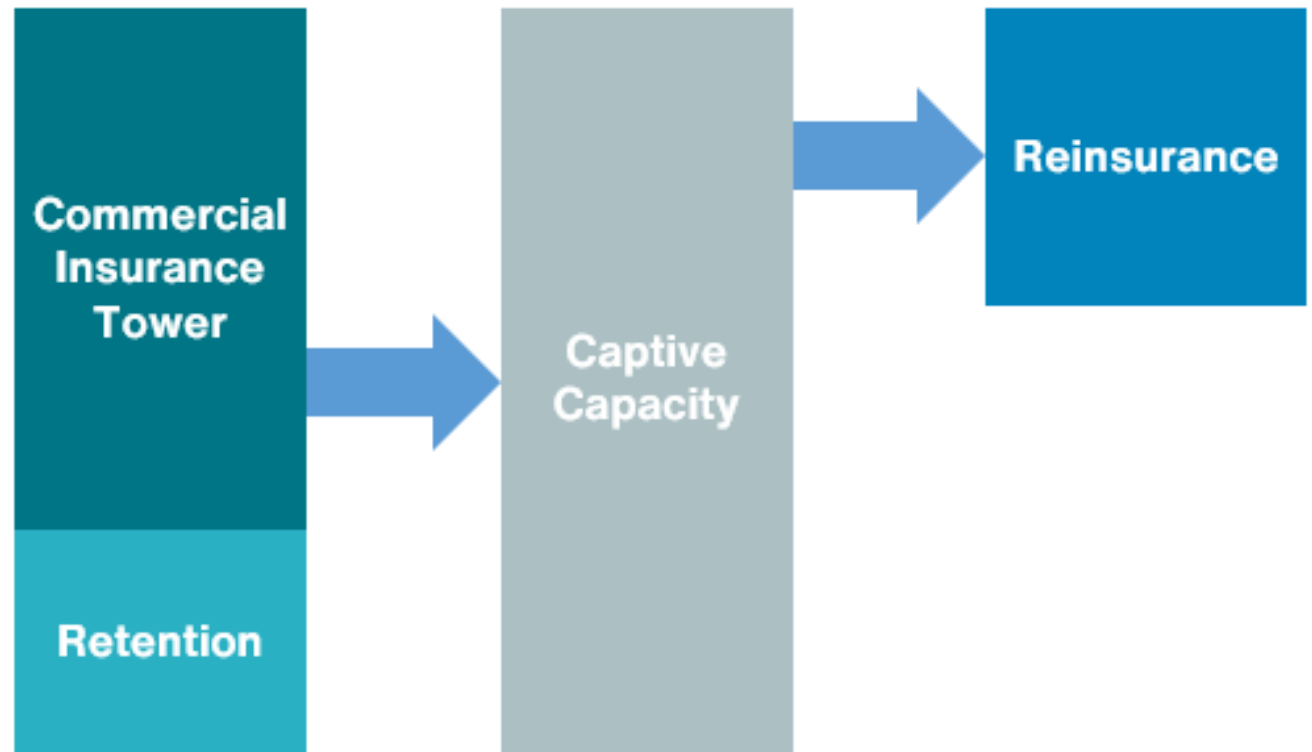
# Plug Gaps or Corridor Deductibles

- The captive could be used to provide necessary capacity, plug gaps in coverage, and/or be used to create leverage in pricing negotiations with incumbent insurance markets.
- The use of this participation by a captive is more common when insurance prices are rising, and available capacity is shrinking.
- The continued hard market is being experienced in 2022 in almost all classes of insurance.



# Using The Captive To Access Reinsurance

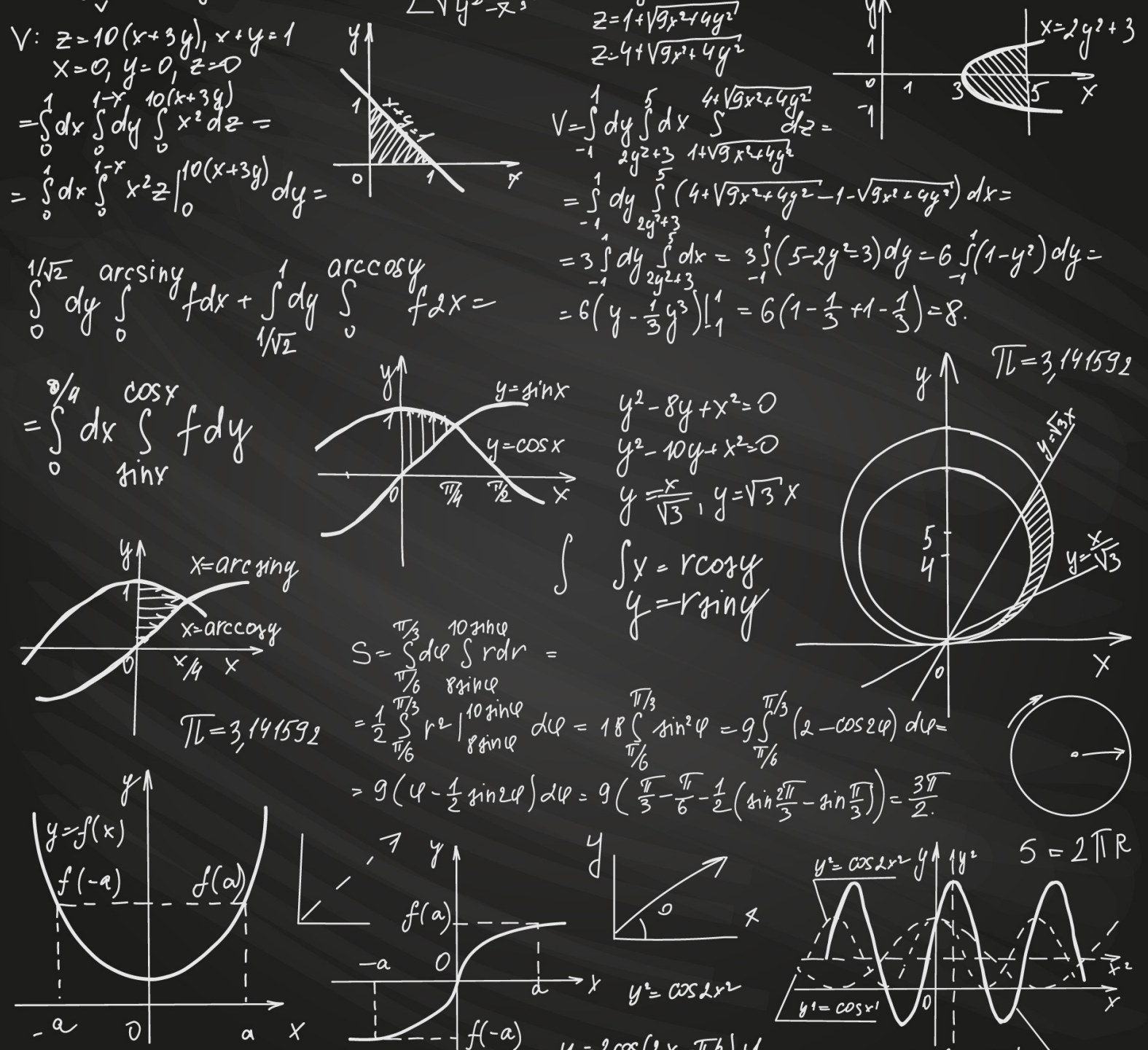
The captive takes all or a portion of the risk and then reinsures to the wholesale reinsurance markets for either better terms or better pricing



# What Is Next?

## Doing the Math.....

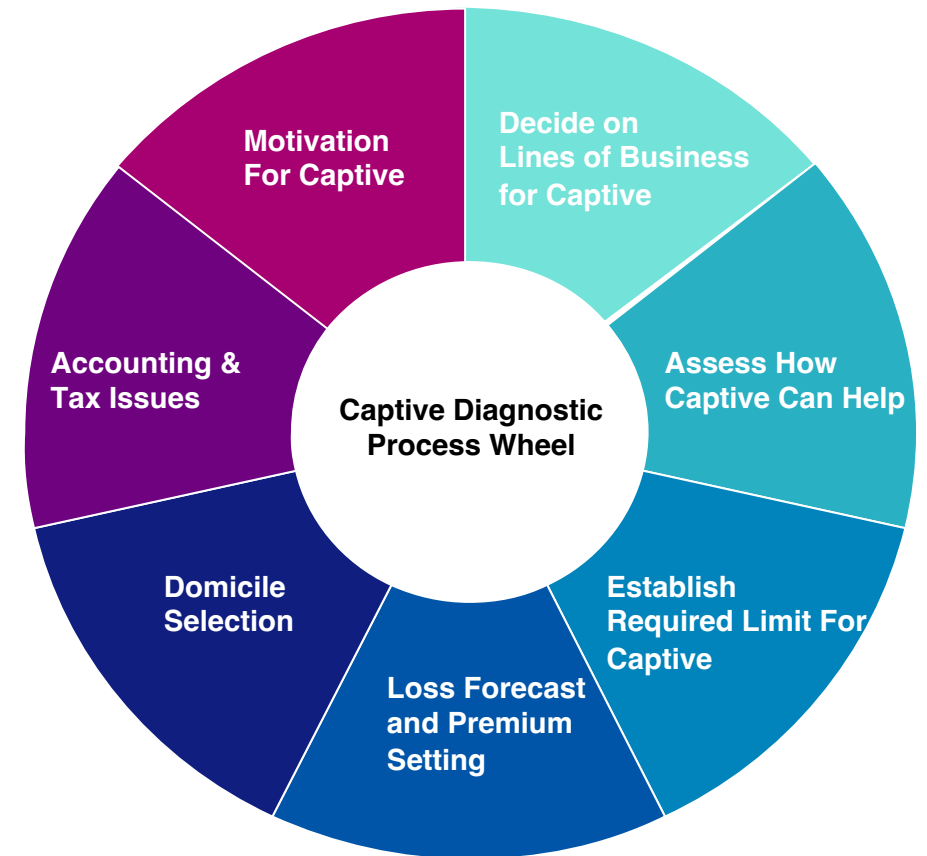
## The Captive Feasibility Study



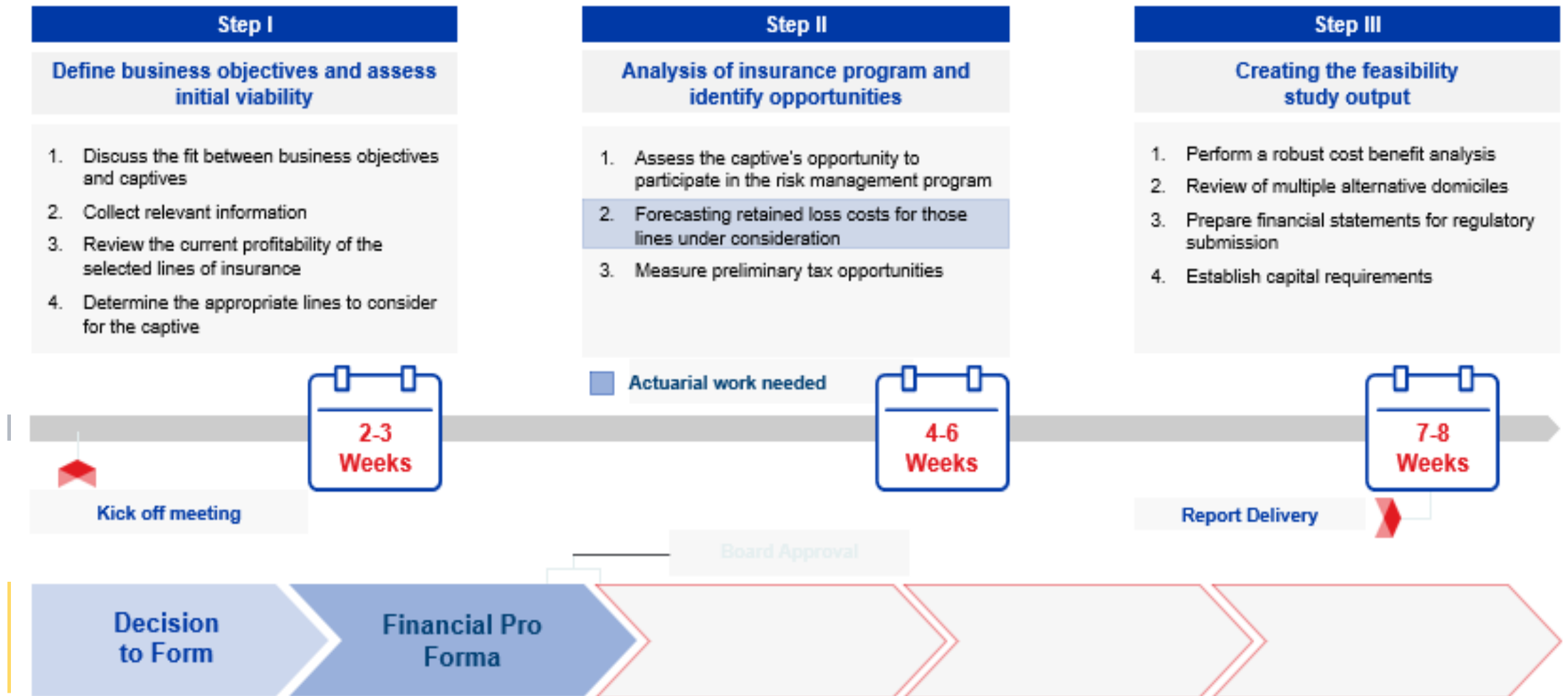


# The Captive Feasibility Study

- The study process is designed to formally ask and then formally answer the key questions which need to be identified and documented for both the captive owner and for regulatory purposes.
- The captive feasibility study process will identify the value a captive can deliver to the captive owner as a risk financing mechanism.
- The study will assess and recommend an effective captive program structure and provide reasoned recommendations on domicile, capitalization, expected losses and expected investment returns.
- The study will provide financial pro forma financial statements to be used to assess the viability of the captive over a 5-year period. These are also used to form the basis of the business plan and incorporation documents in the chosen domicile.



# The Captive Feasibility Study Process and Timeline



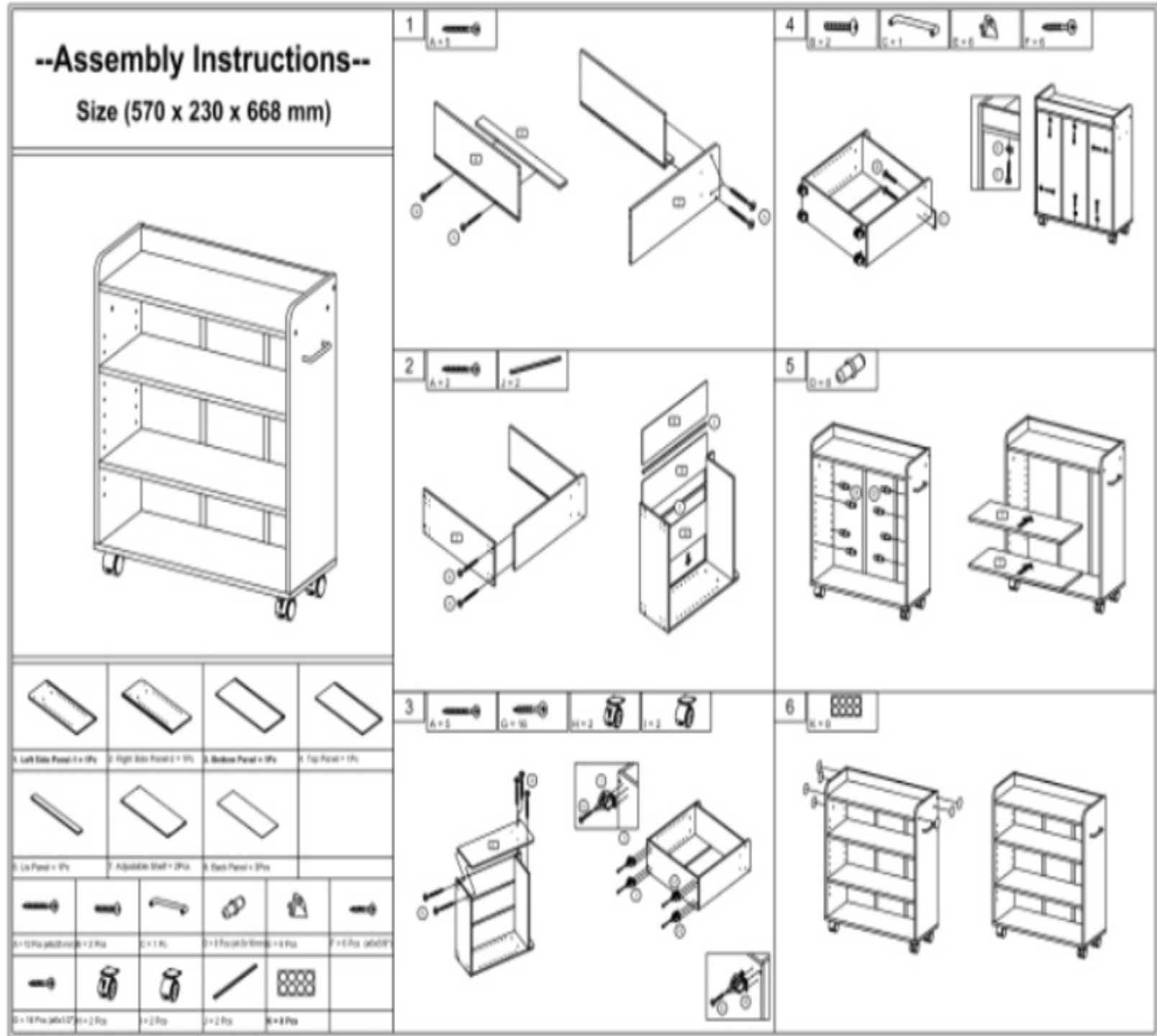
# Typical Capital Requirements

- **Minimum Capitalization**

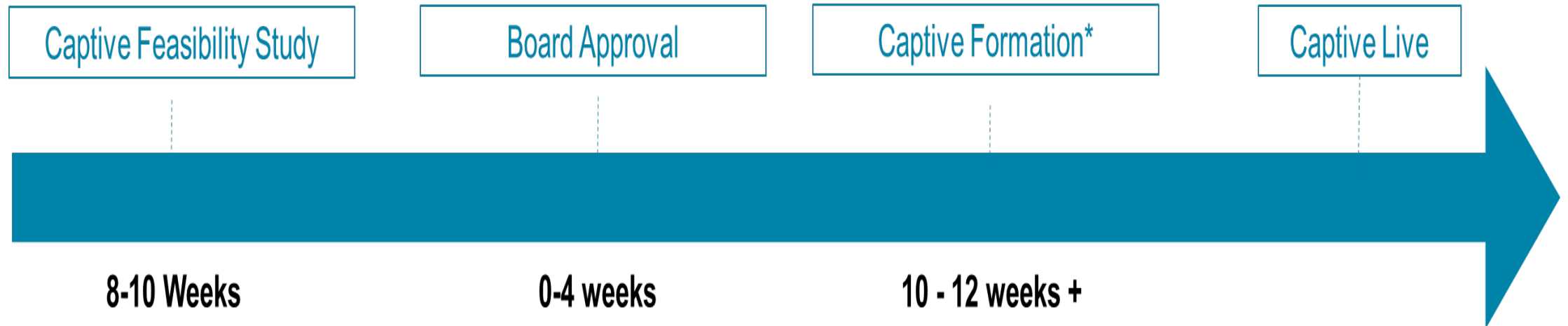
- Each regulator will have its own requirements for determining the adequacy of capital funding in a captive. However, typical capital requirements can be summarized as follows:

	Premium	to	Capital
Short Tail Risk	\$2	:	\$1
Medium Tail Risk	\$3	:	\$1
Long Tail Risk	\$5	:	\$1
Mixed Risk	\$4	:	\$1

## What Is the Process to Form A Captive?



# Establishing A Captive – Typical Timeline



# Key Milestones (Get Your Spectacles On!)

- Using the feasibility study as basis for the business plan to be filed with the domicile Regulator
- Decide Name for Captive;
- Nominate Captive's Board of Directors;
- Biographical affidavits / background checks
- Determine form of organization for captive (C- Corp)
- Select service providers
  - Captive manager
  - Auditor
  - Legal counsel for captive formation
  - Tax
  - Actuary
  - Bank
- Establish where on the Parent's organization chart the new captive should be placed
- Establish tax status for the captive and tax issues such as Self Procurement Tax;
- Establish local Registered Agent
- Meet with Captive Regulator
- Provide summary of loss prevention plans / Risk Mgt plans
- Establish claims handling procedure
- Establish accounting frequency and timelines & fiscal year end for the captive
- Establish investment guidelines for captive
- Create Articles and By-Laws for formation
- Submit full application for review and approval by Regulator
- Obtain FEIN
- Open bank accounts
- Capitalize captive
- Certificate of Authorization issued
- Draft policy language
- Commence captive operations



# A Word About Tax

- To qualify as an insurance company the captive must be a bona fide insurance company with a clear business plan. The IRS does not define insurance, but does look for:
- Risk Shifting
  - Moving the risk from one balance sheet to another
- Risk Distribution
  - Law of large numbers
- Arms Length Transactions
- No Parental Guarantees
- *The single most difficult obstacle to achieve in captive insurance*



# A Word About Tax

- The IRS Revenue Rulings attempt to create safe harbors that ensure risk shifting and risk distribution.
- There is additional case law that gives further guidance on qualification thresholds for the insurance company tax treatment for captives.
- The IRS will want to ensure that a captive taking a tax position adheres to many qualifications, including:
  - A valid non-tax business purpose;
  - Adequate capitalization;
  - No parental support agreements;
  - Limited loan backs of captive assets to parents or affiliates
  - Formation in well-regulated domiciles; and
  - Operation on an arm's length basis (similar to commercial insurers).



# Risk Distribution – Route One – Third Party Business

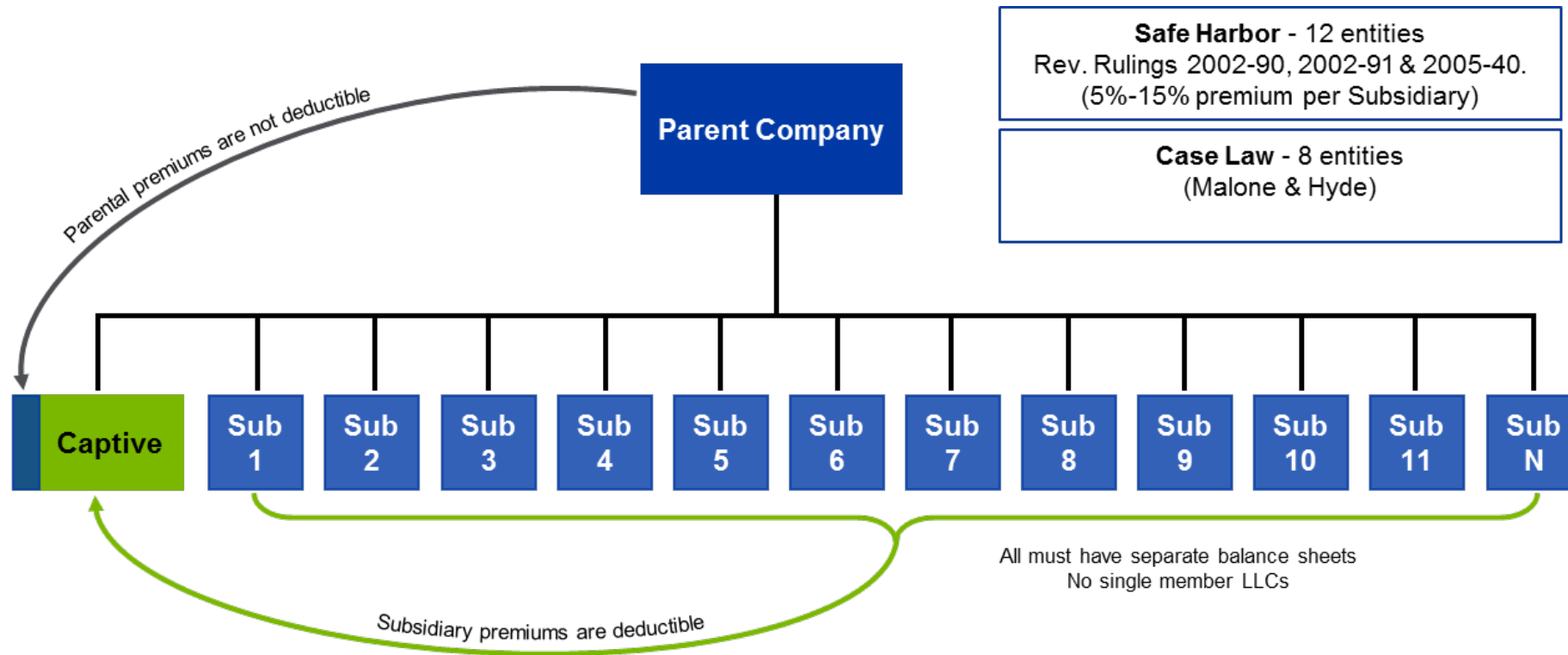


**A distinguishing feature of an insurance company is the writing of insurance business that is unrelated to the owners of the captive**

Unrelated Risk can be sourced through

- controlled or affiliated business e.g. employee benefits are considered “unrelated” yet the insured is your employee, or
- third parties either indirectly through “pooling” mechanisms, or directly with individuals

# Risk Distribution – Route Two – Brother Sister Approach



Where a separate tax-paying subsidiary of the parent transfers the risk to a captive that is also a subsidiary then this **does qualify** as risk transfer (because the balance sheet of the captive is not consolidated with the other insured subsidiaries).

# Oh Yeah – And Don't Forget Self Procurement Tax!

- This US tax is imposed on directly procured non-admitted insurance i.e., it is applied where “foreign or alien” insurers are providing insurance to local insureds.
- Under the Non-Admitted & Reinsurance Reform Act (“NRRA”) – where it applies – this tax is collectable only by the “Home State” of the insured, typically the principal place of business of the insured US organization.
- If there is no nexus of exposure in that State, then it would be payable to the State with the largest concentration of exposure.
- This tax ultimately drives up the cost of buying insurance and applies to insurance obtained from an out-of-state captive insurer.
- This tax varies by state and can range between 3% and 6% percent of gross premiums paid.





# Formation & Management

## Who Does What?



# Captive Formation Division of Labor

## Captive Owner

- Meet with captive regulators (virtual)
- Select captive name
- Determine legal form of captive (Inc., LLC, etc.)
- Determine Directors & Officers and prepare biographical affidavits
- Appoint captive manager
- Appoint registered agent
- Select captive financial year-end
- Select basis of accounting Provide 10k or financial statements
- Provide risk management/safety program information
- Open bank account & fund captive with capital

## Captive Manager

- Arrange and attend meeting with regulators
- Prepare & submit captive application package
- Obtain proposals for other captive services providers (audit, tax, actuarial, legal)
- Assist with preparing investment policy

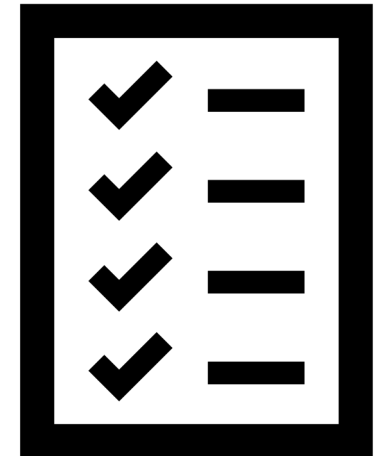
## Legal Counsel

- Reserve captive name with Secretary of State
- Draft organizational documents (Articles of incorporation/bylaws)
- Petition for Certificate of Public Good upon submission of application
- Obtain FEIN
- Prepare organizational consent
- Issue stock certificates



# What is in the Application?

- Captive Application form for selected domicile
- Draft Articles of Incorporation and Bylaws
- Captive Business Plan
- Biographical Affidavits for captive Directors & Officers
- Actuarial & Captive Feasibility Study
- Projected 5 Year Financial Statements (prepared in feasibility study)
- Loss Prevention and Safety Program Information
- Statement of Benefit to domicile
- Parent Company Information



# What Does The Captive Owner Have To Do?

## Captive Directors & Officers

- The number of captive Board members is specified in the captive's bylaws. Standard practice is a minimum of 3 Directors with option of more.
- The required Officer positions of a captive is dictated by the domicile captive statutes. Most domiciles require:
  - President
  - Secretary
  - Treasurer

Other Officers can be added at the company's discretion. Other common positions include Vice President(s) and Assistant Secretary.
- One Director must be resident in the state of domicile. If none of Captive Owner's employees that will serve on the Board are physically located in the domicile, an individual from the captive manager or local legal counsel can be appointed to serve as a local Director and/or Officer.

# Managing The Service Providers!

## Auditor

- Annual audit is required by local regulation
- Current audit services at the parent level may be extended to the captive
- Most large multinational firms have a presence in major captive domiciles

## Actuary

- Engagement of a loss reserve specialist in respect of the captive's loss and loss expense provisions is mandatory in most jurisdictions

## Claims Management

- A captive is required to manage claims that occur within its share of retained risk
- Depending on volume & complexity, this is usually outsourced to a TPA

## Legal Counsel

- Incorporation and regulatory support
- Ongoing legal and secretarial support

## Captive Manager

- Financial Accounting/Management
- Insurance Services
- Compliance Services
- Cash Management
- Board Meeting Services

## Investment Manager

- Long-term and more aggressive investment strategies should be developed by a professional investment manager
- Management of short-term investments can be provided by the captive manager or in-house

## Fronting and Partner Insurer(s)

(if applicable)

- A fronting insurer may be required to issue a local policy where legislation requires it



Captive

# Into the Weeds – Captive Financials

- Provision of management accounts (monthly, quarterly, semi-annual, annual)
- A comparison against budget and other specifically requested schedules such as investment details, and underwriting and claims information
- Management commentary highlighting any significant items in the financial statements, budget variances, statutory compliance issues, etc.
- Oversight and management of a timely and successful annual audit in conjunction with the captive's auditors
- Effective management of operations and assets
- Handling all correspondence in relation to the captive's continuing business



# Into the Weeds – Captive Insurance Policy Issues

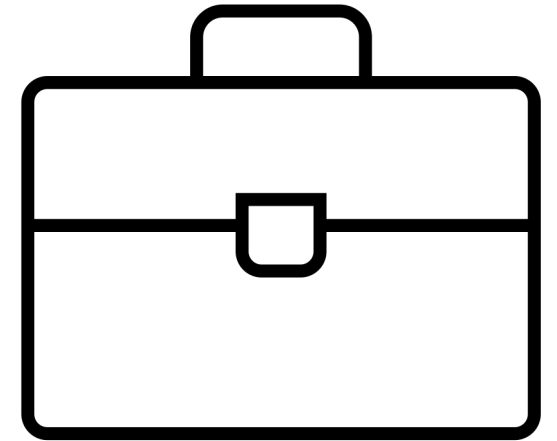
- Preparation and issuance of policies and endorsements to ensure suitability within the overall risk financing objectives
- Preparation and issuance of certificates of insurance where required by the captive
- Assist with credentialing and claims history requests
- Liaison with the captive's insurance brokers to ensure its efficient use as a core part of the risk management program
- Collaboration with the captive's brokers to structure and place any required reinsurance program behind the captive
- Coordination with the appointed actuaries for the captive
- Maintenance, reporting and analysis of underwriting and claims statistical records
- Underwriting functions such as captive premium recommendation and allocation



# Into the Weeds – Regulatory & Compliance

The Captive Manager is responsible for ensuring regulatory compliance. We will act as the principal representative for the captive as set out under the provisions of the laws of the various domiciles in which we do business and fulfill the following duties:

- Maintain principal place of business in the domicile, if required;
- Monitor the captive's compliance with insurance regulations and requirements contained in the applicable laws and, if necessary, make recommendations as to corrective action
- Prepare, coordinate and submit the annual filings as required by the law
- Arrange for the payment of appropriate local government fees
- Prepare and submit business plan amendments for regulatory approval, including the addition of new covers, changes in limits, rotation of directors, etc.
- Liaise with the captive's appointed attorneys and auditors



# Into the Weeds – The Annual Board Meeting

We provide services for the annual Board meeting, including:

- Preparation of a comprehensive Board book of agenda items and supporting materials including
  - Prior minutes for ratification
  - Interim and audited financial reports for review and acceptance
  - Underwriting reports
  - Claims reviews
  - Actuarial summaries
  - Investment reports
  - Management Company Report including legislative ,accounting and general insurance industry updates and regulatory compliance checklist
  - Special items for consideration by the Board, such as strategy reviews
- As necessary, can act as the captive's Secretary and prepare necessary resolutions and actions of the shareholder and the Board of Directors





AON

What If You Already  
Have a Captive??



# But Wait....There's More – How About The Future !!!!

Captives are complex vehicles designed to help businesses meet their risk financing objectives.

To accomplish this, a captive must respond to emerging and evolving insurance needs and align with corporate strategic and operational objectives, including group risk finance strategy.

A captive strategic review is designed to ensure your captive is being utilized optimally in support of the parent company's risk financing goals.

A strategic review is particularly well-suited to captives that have been in existence for several years, particularly where there has been program stability and where service providers have remained static.

In addition, a review should be considered whenever there are material developments to the parent's business profile (rapid growth, significant acquisitions or divestitures or changes in business direction) or when the insurance market cycle changes.



# The Captive Strategic or Utilization Review

## Key Benefits of a Captive Strategic Review

A captive strategic review will help assess if your captive is performing at an optimal level by examining the following areas:

- **Captive strategic rationale** – an examination of strategic approach, to the extent that it has changed over the life of the captive and how compatible it is with the parent company's current objectives.
- **Insurance market conditions** – an overview of current market conditions, designed to identify particular issues that are likely to impact the role or performance of the captive, and to consider the extent to which the captive is positioned to respond.
- **(Re)Insurance program review** – a high-level review of the current (re)insurance program, outlining opportunities for alternative classes and structures.
- **Benchmarked financial performance** – a comparison of financial performance of the captive against captive benchmark standards.
- **Domicile consideration** – an assessment as to whether the current domicile remains appropriate.
- **Corporate governance** – a review to ensure the captive has met with domicile rules and regulations and to identify issues that may need to be addressed.
- **Upcoming regulatory issues** – a review to identify, as applicable, impending changes to rules and regulations that will impact the captive, and comment on its readiness for these changes.



For online courses and webinars in captive insurance, visit the website of the official education program of the captive industry:  
[www.iccie.org](http://www.iccie.org)

