

Leveraging Your Captive's Prior Success to Navigate an Uncertain Environment

Mike Meehan
Principal
Milliman

Lee Scott
Director
LionCrest
Insurance

Carl Terzer
Principal
CapVisor Associates

Anne Marie Towle
CEO – Global Risk
& Captive
Solutions
Hylant

Agenda

Introductions

Current Market Conditions

Overview of the Parent and the Captive Business Plan

Maximizing Captive Utilization – Business Plan Change Strategy



Process of Making Business Plan Changes - Actuarial Support

Financial Considerations

Questions

Current Market Conditions

PRICING ENVIRONMENT IN INDIVIDUAL LINES

Property		Mixed to difficult
Workers' compensation		Favorable
Liability		Mixed to difficult
D&O		Favorable
Cyber		Favorable

Captive Themes



NEW FORMATIONS

- MAJORITY US DOMESTIC
- OVER \$180 BILLION IN 2023 CAPTIVE PREMIUM



EXPANDED UTILIZATION OF EXISTING CAPTIVES

- HIGHER PRIMARY LIMITS
- QUOTA SHARE RISK PARTICIPATION
- SURETY RISK PARTICIPATION
- STRUCTURED REINSURANCE



ACROSS ALL GEOGRAPHIES, INDUSTRIES AND LINES OF COVERAGE

- PROPERTY
- GLOBAL P&C AND EB
- PROFESSIONAL LIABILITY



STRONG THEME OF ENTREPRENEURIAL USE

- THIRD PARTY BUSINESS
- AM BEST RATING
- ALTERNATIVE INVESTMENTS

Captive Program Maturity/Lifecycle



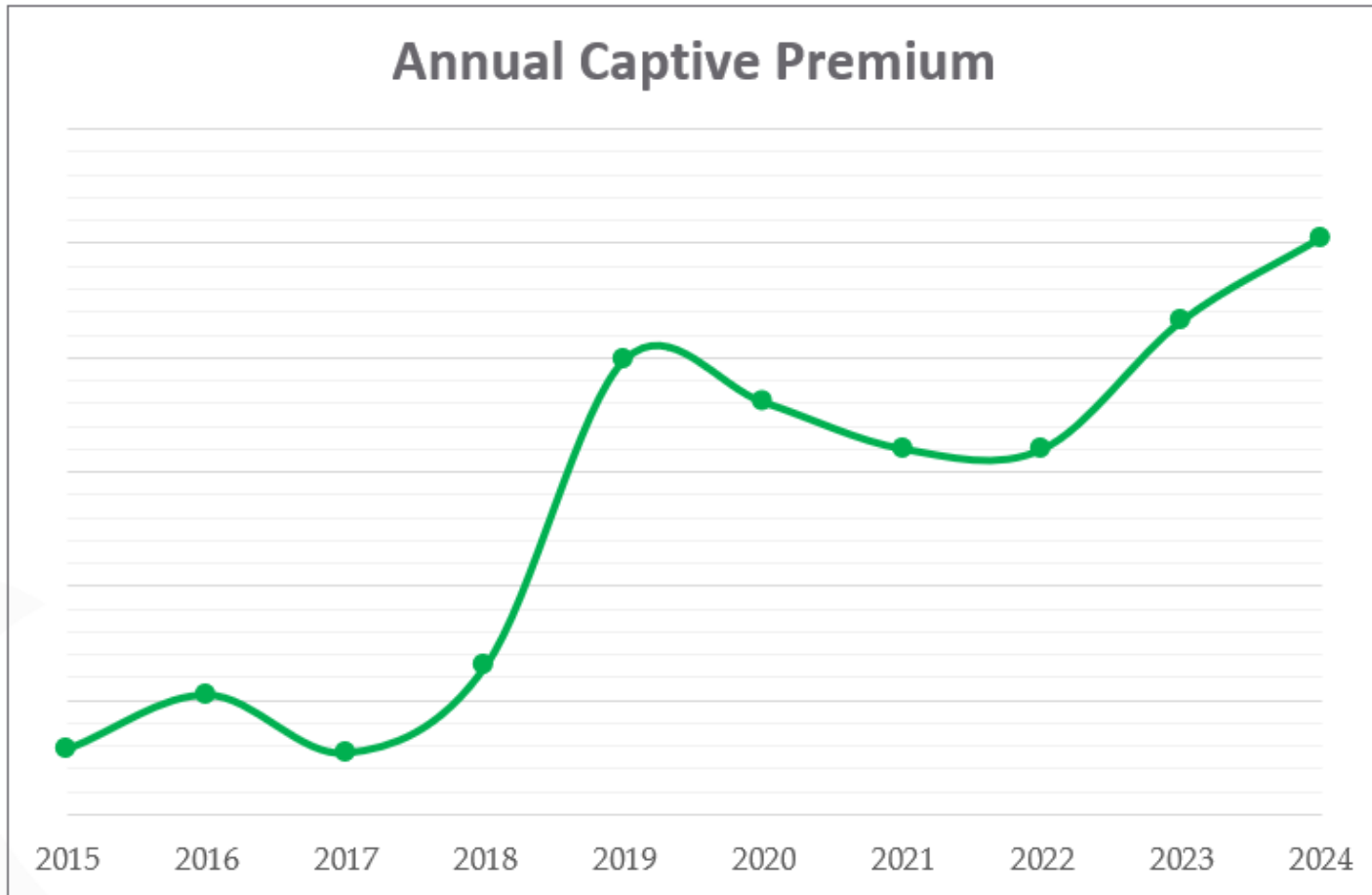
Total Lines of Coverage

Year 1 = 14

Year 5 = 30

Year 10 = 43

Historical Captive Premium Lifecycle



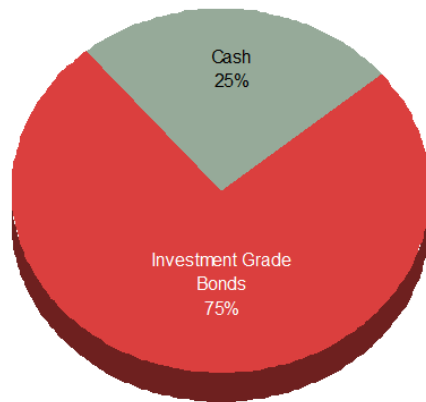
Captive Utilization Strategy



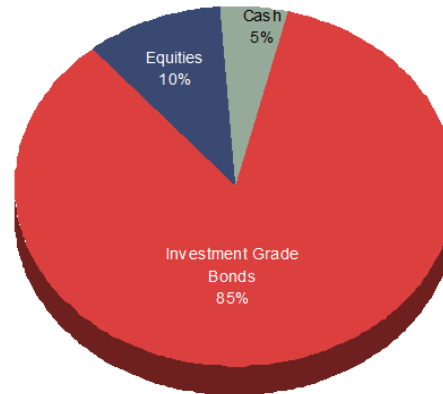
Strategic Asset Allocation Determines More than 90% of your Long-Term Investment Result

Evolving Strategic Asset Allocation

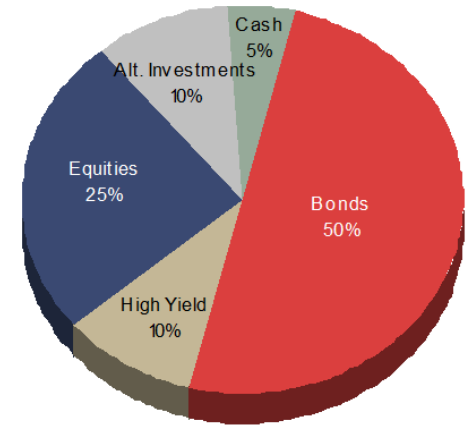
New/Small Captive



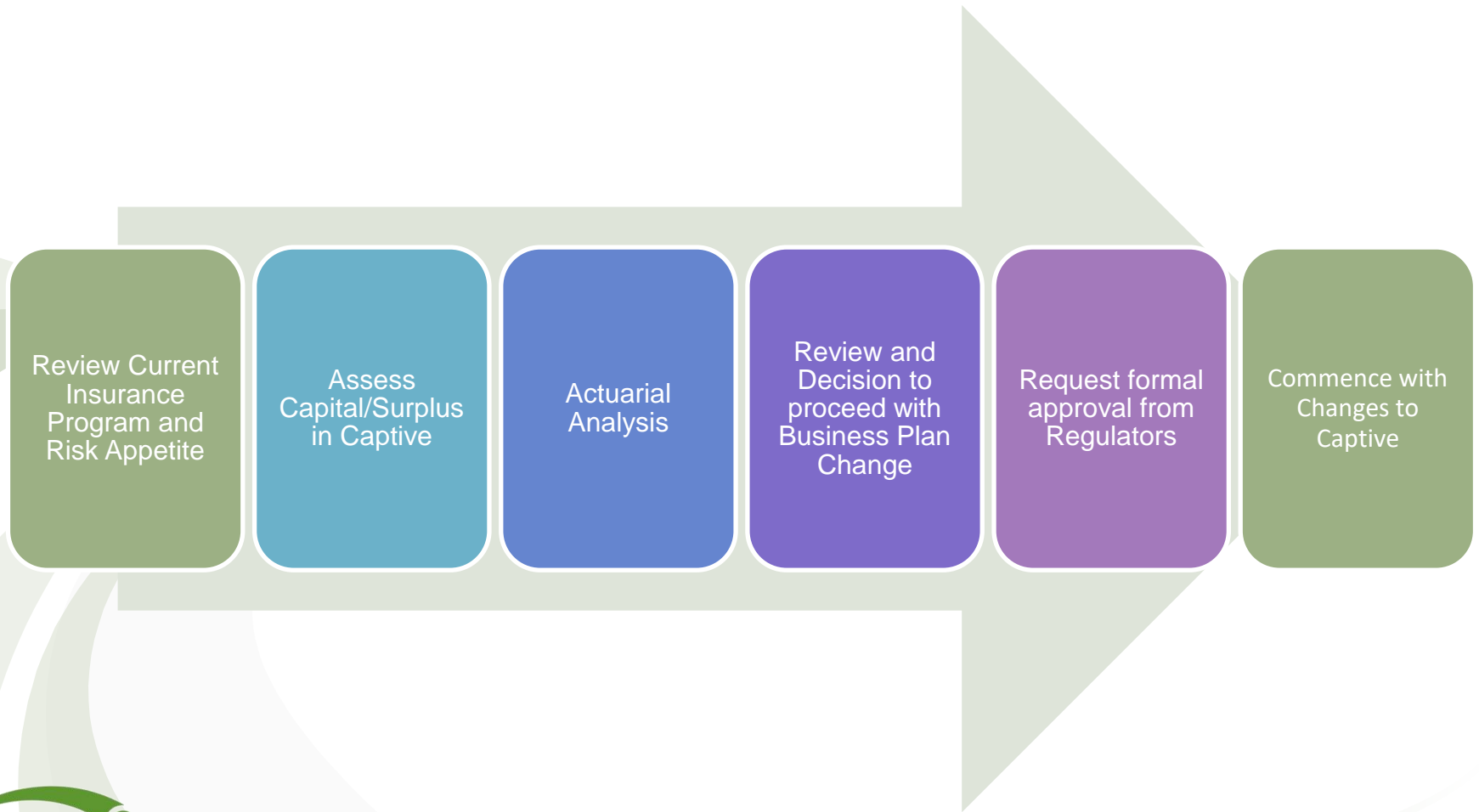
Advanced Captive



Mature Captive



Business Plan Change Process



Actuarial Support

Data and Information Gathering

- Gather relevant loss and exposure information
 - Client experience
 - Insurance Industry
- Other information (business changes, etc.)

Develop Loss Forecast / Rate

- By Coverage
- By Limit

Actuarial Support

Pro forma Financial Projections

- Required by domicile?
- Assumptions
 - Growth
 - Expenses
 - Scenarios (expected, adverse)

Review of Capital Levels

Financial Considerations

Keys to Achieving Financial Success

Customize program

- Design to meet specific objectives
- Reflect specific captive risk profile

Evaluate regularly

- Timing
- Benchmarks
- Risk-Adjusted Performance
- Peer analysis

Modify as necessary

- Internal vs External Factors

Minimize Cash

- Changes in rates of return
- Inflation considerations

