

CAPTIVES FORUM

Taking control through sophisticated risk financing

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📍 Lloyd's of London, Lime Street, London

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Why Do Companies Form Captives

Rational / Motivation / Use cases

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What is a Captive?

A (re)insurance company established by one or more commonly-owned businesses to insure (or reinsure) the insurance risks of its parent company.

- Circa 6,000 captives*, including group / cell captives, in various domiciles throughout the world. There are a number of different forms
 - pure captives (known as single parent), non-owned
 - captives also known as “rent-a-captives”.
- A captive can operate as a
 - direct insurance company, issuing policies to subsidiaries in a group
 - or as a reinsurance company, assuming risks behind commercial (fronting) insurers.

Reasons for having a Captive

Strategic

- Manage and control your TCOIR
- structuring deductibles & Self Insurance Retentions to best fit the business structure, local verse global
- benefits in negotiating renewal terms
- retaining underwriting results

Reactionary

- reducing premium spend to the commercial market – retaining your own risk & accessing the reinsurance market
- responding to a hard market – fill in layers / capacity
- benefits in negotiating renewal terms
- retaining underwriting results

Coverages in a Captive

Historic

- Property Damage/Business Interruption
- Construction
- Liabilities (EL, GL & WC)
- Motor (AP & OD)
- Marine (Cargo & Hull)
- Credit
- Professional Indemnity

More recent

- Employee Risk Benefits
- Political Violence
- Non Damage Business Interruption
- Cyber
- Directors and Officers
- Parametric solutions
- Crime
- Product Recall
- Environmental & ESG Related Exposures

Opportunities / Innovations

- New/unusual risks for which there is no or limited market appetite
- Develop confidence in risk, and build a market
- Broader coverage
- Flexibility in structuring large/complex programmes – position your captive optimally – infills and accessing structured reinsurance (Multi year/Multi line protections)
- Access parametric solutions / alternative forms of capital
- Data – understanding risk & feedback loops
- Driving risk management – bursaries, ESG

Cells – In a hurry but don't have a Captive

- Cells – risk retention, reinsurance market access, fronting solutions
- Guernsey pre-authorized cells
- First step to captive.....



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