



## Captive Management & Risk Consulting

### WHAT IS A CAPTIVE?

- Risk financing tool for legitimate risk management business purposes
- (Re)Insurance company that (re)insures risks of its owner or associated third parties
- Captives are licensed and regulated by insurance authorities in USA states or offshore countries
- Captives have been around since 1962, and there are currently more than 6,000 active worldwide.

### WHY CAPTIVES?

#### *increase* **CONTROL**

- Reduce or eliminate reliance on traditional market volatility
- Claims management - internal or TPA
- Utilize beneficial program design elements like quota sharing and annual aggregates

#### *improve* **COVERAGE**

- Customized coverage forms to meet specific needs rather than being subjected to traditional insurers' exclusions
- Replace traditional coverages commercial carriers are no longer offering
- Expand limits, such as true replacement cost and per location rather than aggregate

#### *be* **CREATIVE**

- Initiate entrepreneurial strategies: warranties, extended service contracts, affinity programs, etc.
- Look upstream and downstream supply chain for opportunities
- Participate on risk of joint ventures, associations, or other affiliated organizations

#### *reduce* **COSTS**

- Underwrite your specific risks, rather than subsidizing others' losses
- Decrease commercial premium spend, divert to captive, enjoy underwriting profit from good loss experience
- Invest captive assets to generate additional returns on lowering safety incidents

#### *satisfy* **COMPLIANCE**

- Satisfy insurance clauses in contracts
- Coordinate with fronting carriers for admitted status and financial ratings
- Customize coverage, such as cut-through clauses with captive's reinsurers

#### *boost* **CAPACITY**

- Buy down deductibles, e.g., wind and hail, the commercial market increases
- Expand limits as traditional insurers recede from primary layers
- Gain access to reinsurance, increase capacity, and reduce transaction costs

## FROM AM BEST AUGUST 2023

- Over the past five years captives have saved their owners \$9.4B in money that would have gone to the traditional insurance market
- Captive surplus has grown by 17% since 2018

## WHY HELIO?

- Concentration of expertise and experience
- Constant consulting: Decades of experience with captive consulting, operations, strategic expansion, legal, accounting, and tax
- Partners with direct experience over decades of being captive owners
- Independence: captives are all we do; unwavering objectivity; incentive for alignment with clients; no ancillary broking, insurance, or banking businesses
- Executives include two seasoned attorneys with insurance backgrounds
- CFO maintains an active, vigorous interface with the Internal Revenue Service
- All staff are client-facing
- We are not encumbered by staffing issues or legacy systems

## WHAT WILL IT COST?

### *How Much Capital Will I Need?*

- Costs for all phases determined based on scope of coverages and service level requirements. No percentage of premiums or commission based arrangements.
- Ongoing administrative costs are often absorbed by lower premium
- Investment income on premium funding offsets operating costs
- Both risk-based and statutory considerations determine capital requirements

*get in touch with*

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## WHO SHOULD CONSIDER A CAPTIVE?

- Comfortable retaining risk
- Good loss history; expected future losses
- Currently paying at least several hundred thousand dollars of premium
- Willingness and ability to participate in governance/oversight with the assistance of specialist service providers

## WHAT IS INVOLVED?

### *How Does The Process Work?*

### PHASE I

#### Discovery & Analysis, Captive Feasibility (usually 6-8 weeks)

- Review current insurance program, establish risk tolerance
- Risk assessment and preliminary captive program scenarios
- Conduct initial captive domicile assessment
- Develop captive operating budget and potential premium
- Decision to proceed

### PHASE II

#### Implementation & Formation (usually 4-6 weeks)

- Finalize program structure, select domicile, establish board, name captive, develop captive mission and vision
- Form legal entity, select service providers, draft captive insurance policies
- Meet with regulators, finish business plan, complete and file license application

### PHASE III

#### Ongoing Operations

- Regular financial accounting and statement production
- Regulator compliance, including annual filings and captive premium tax
- Coordinate service providers to captive
- Annual board meeting, annual financial audit, and all day-to-day operational items