

Captivated by Captives

2013 Ratemaking and Product Management Seminar

Huntington Beach, California

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Agenda

- Captive background
- Myths and legends
- Actuarial concerns
- What's new
- Questions

What is a Captive?

- **Definition –**
 - A captive is an insurance company that belongs to a corporation or group and underwrites or reinsurance primarily or exclusively the risks of firms belonging to that group. It can also underwrite unrelated business.
- **It is also often:**
 - A risk retention device
 - A vehicle for achieving an organization's insurance, finance and management goals
 - Owned by shareholders whose primary business is not insurance
 - A direct insurer or a reinsurer
 - Tax efficient

Note – Over 50% of the Fortune 1,500 have a captive

Captive Formation Reasons

Don't try to read them all!!!

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- State and local tax advantages
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- Direct access to the reinsurance markets
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- We will have the ability to control our destiny
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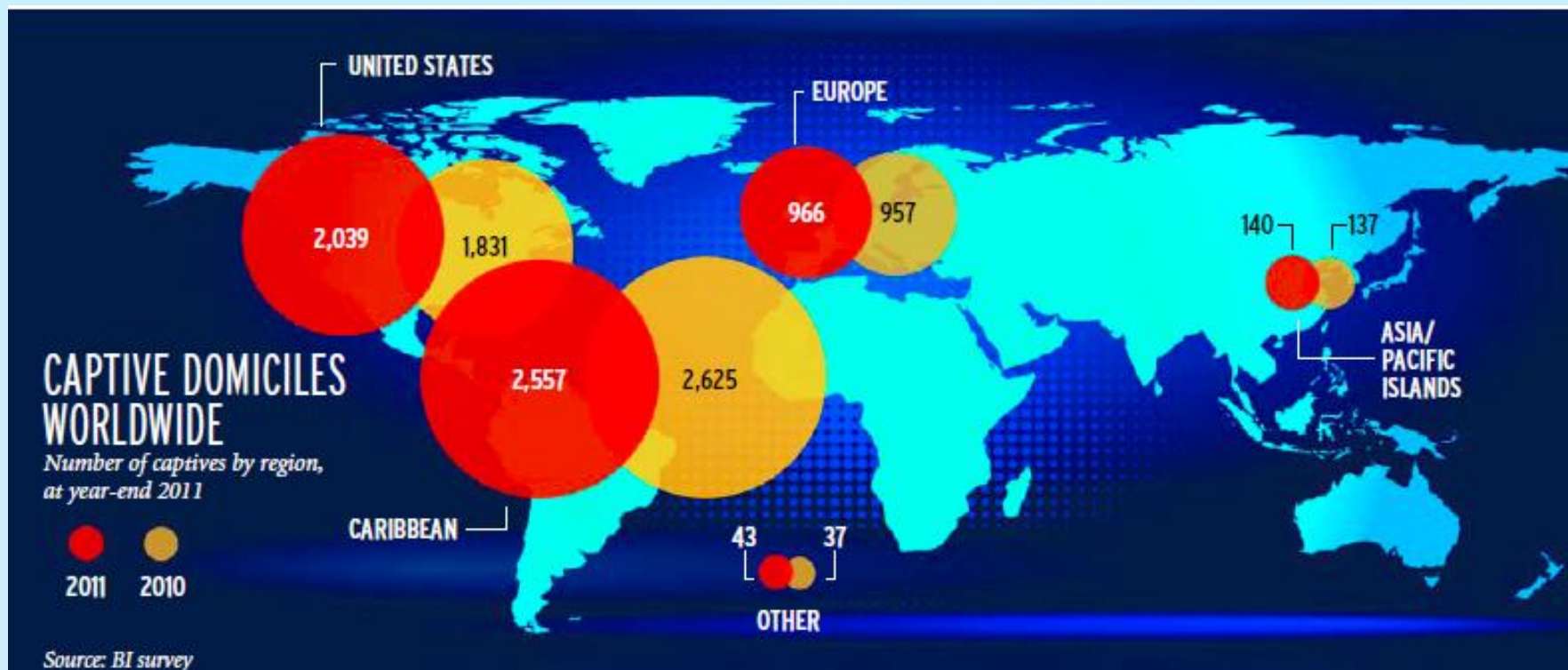
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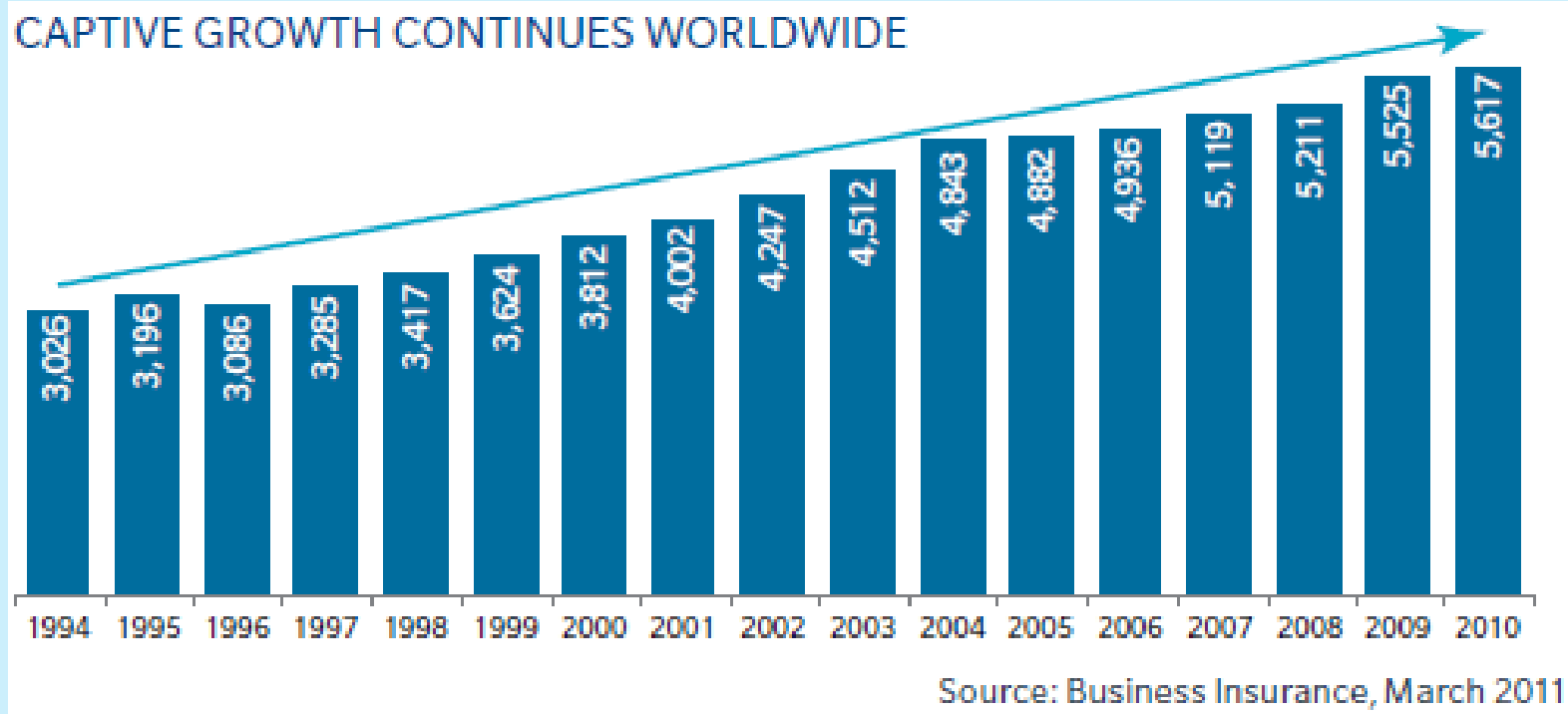
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Domiciles Summary*



* Business Insurance 2012 *Market Insights*

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Myths and Legends

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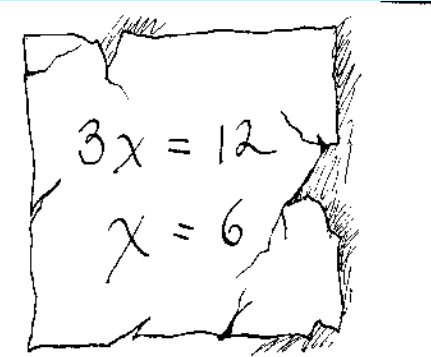
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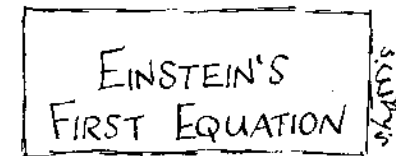


Accessing the reinsurance market directly through a captive will save about 30% on premium spend

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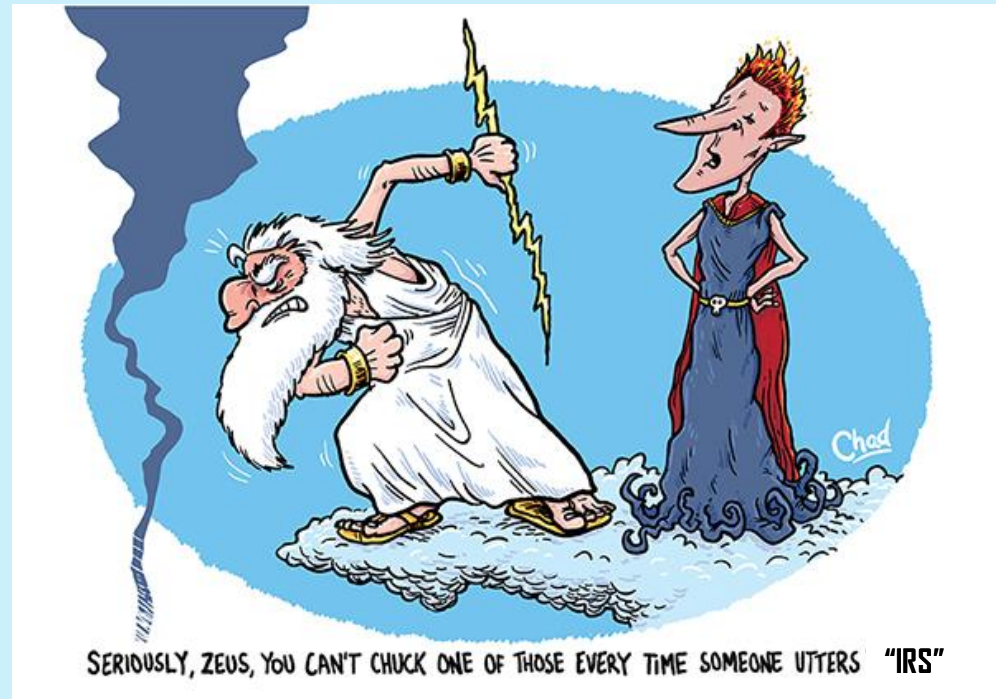
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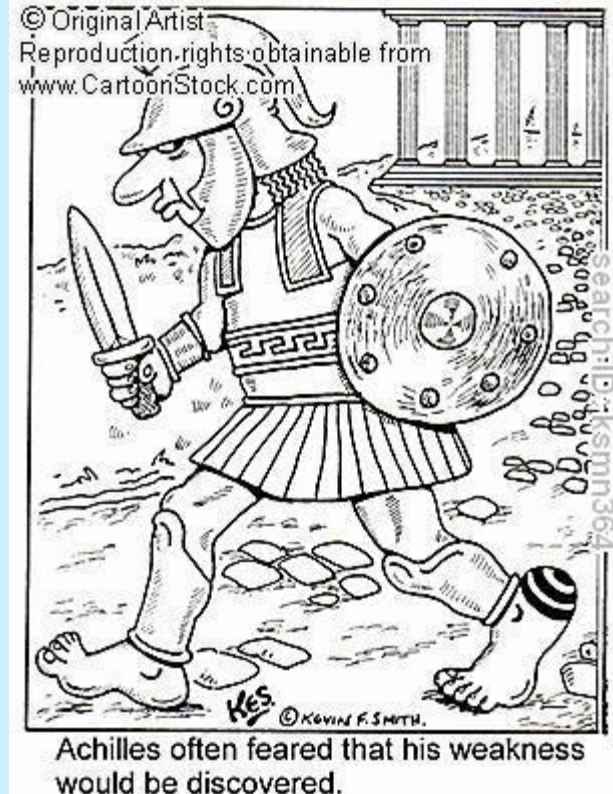
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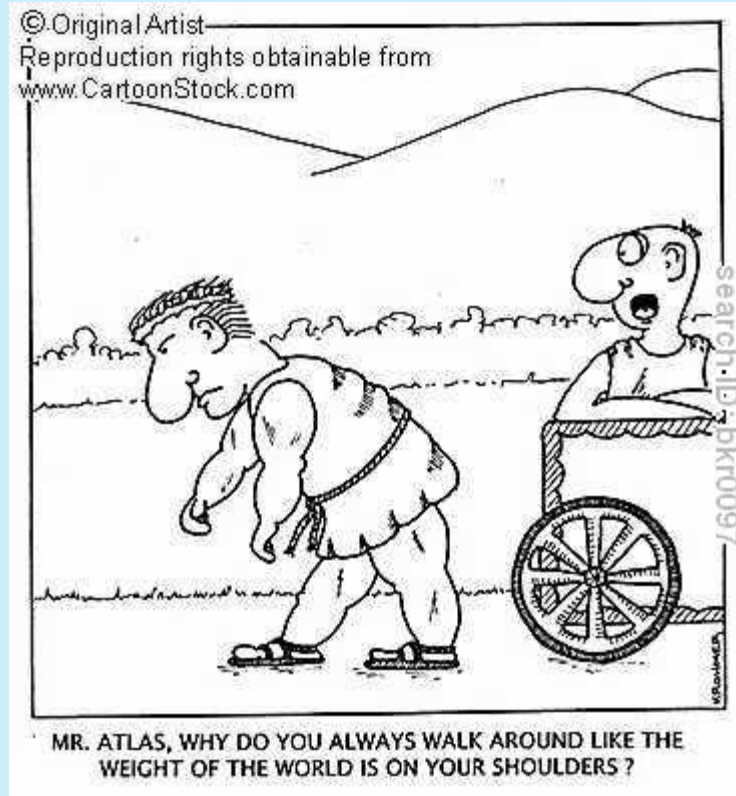
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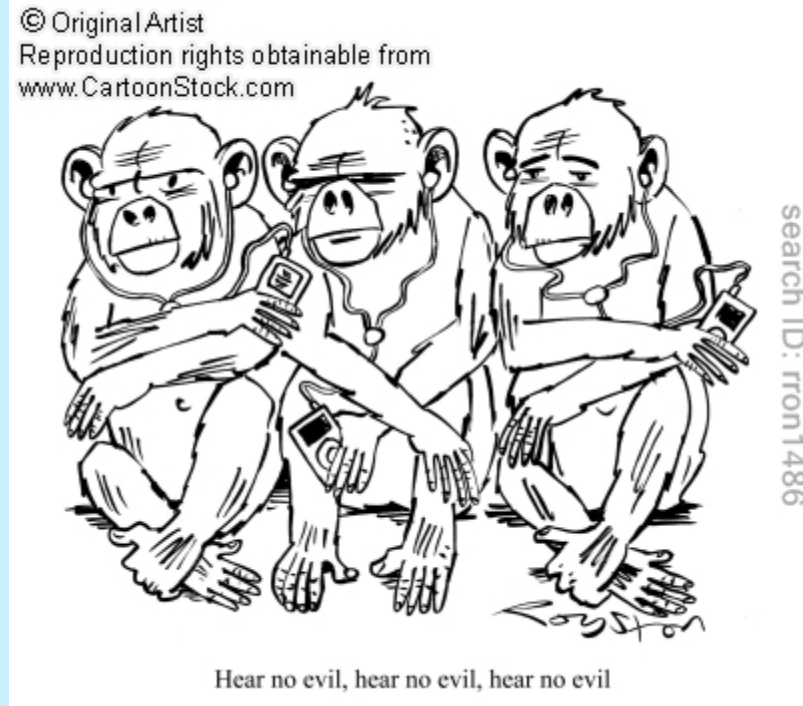


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Actuarial Support

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- Reserving/actuarial opinion
- Other actuarial support

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➤ Expenses

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“In The News”

Federal Issues

- Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 - applicable to captives?

Tax issues

- State self procurement tax changes, FATCA issues

International Issues

- The European Union Solvency II Directive, (January 1, 2014), - may increased capital requirements 300%

Looking Ahead

- Legislation introduced in Congress to amend the Liability Risk Retention Act of 1986 proposes to permit risk retention groups to cover property insurance.

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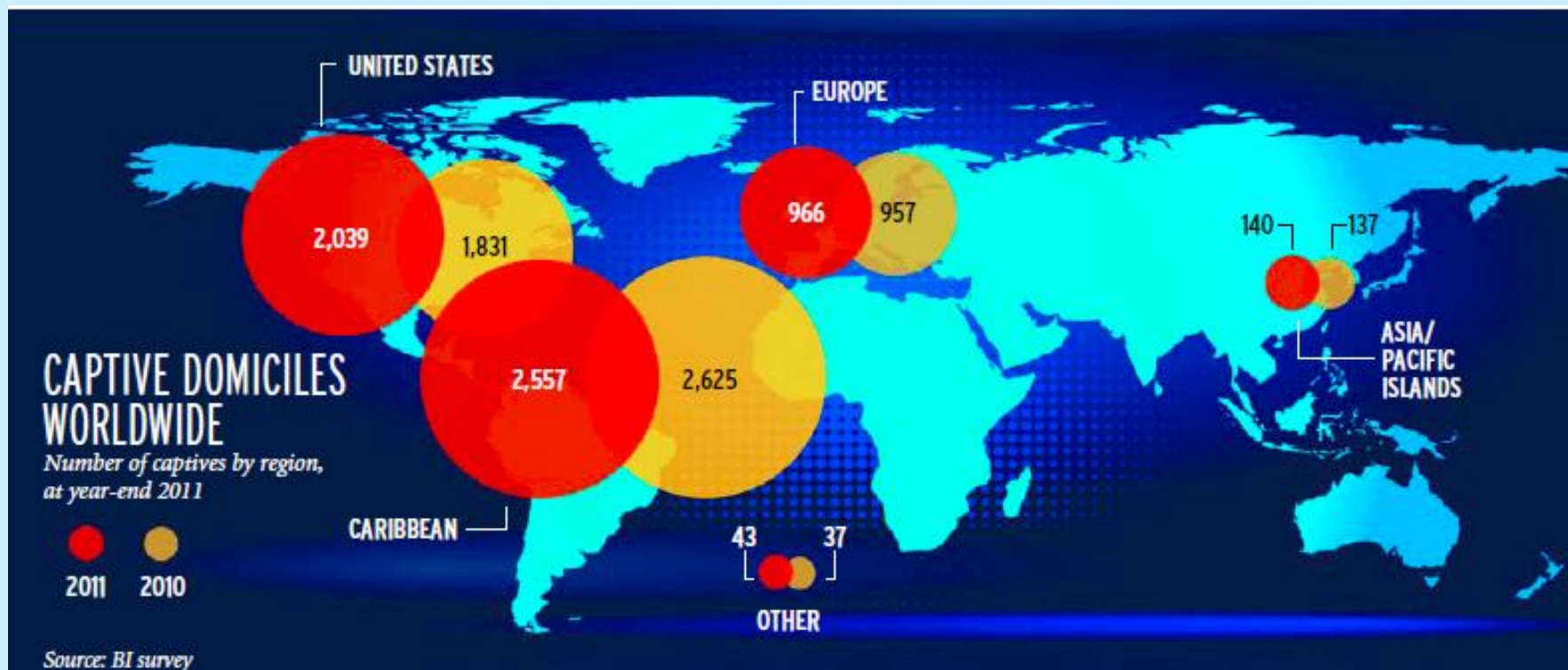
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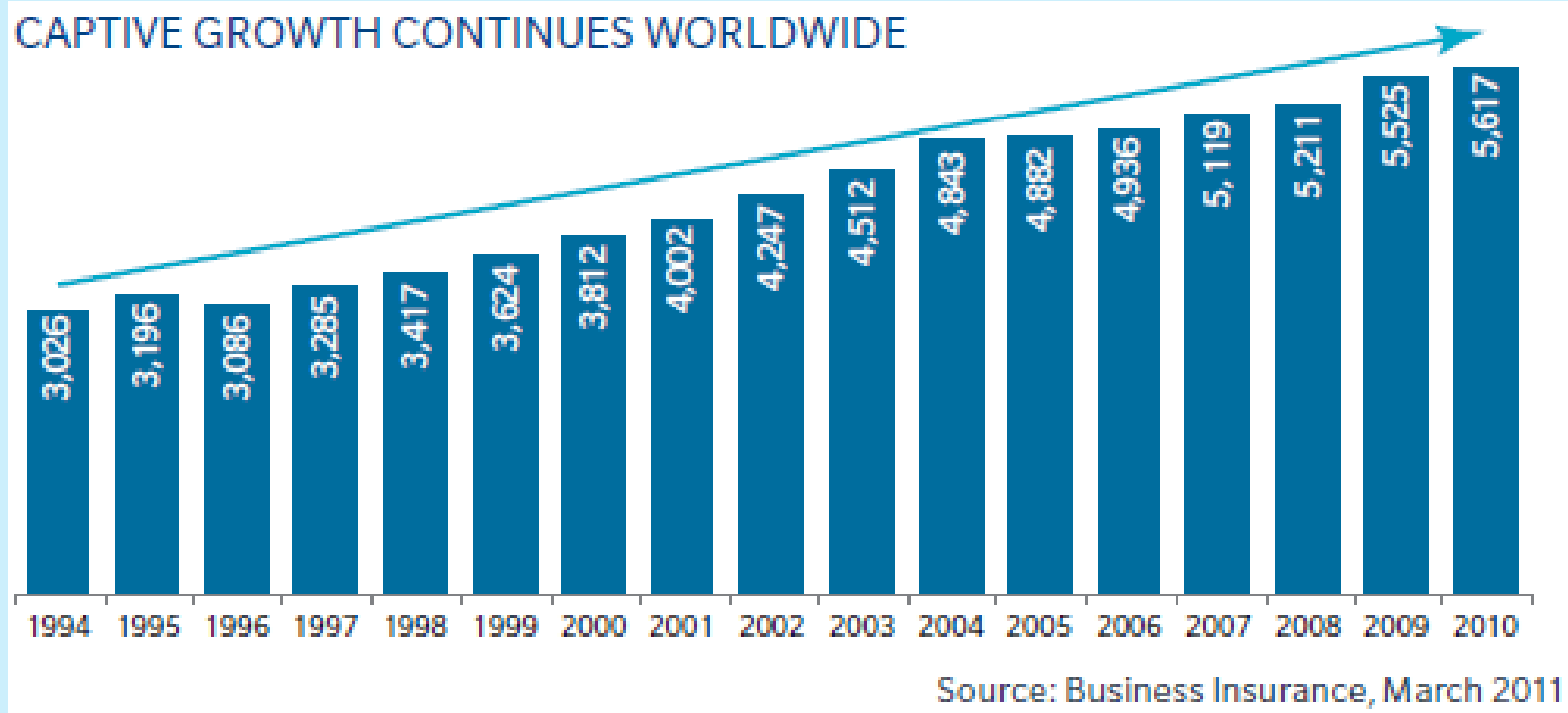
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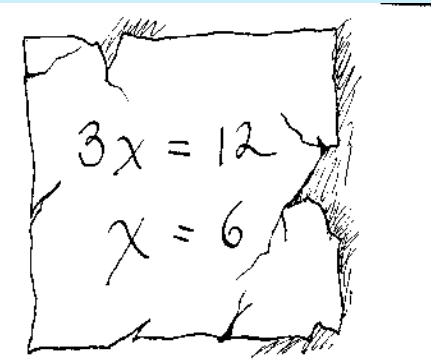
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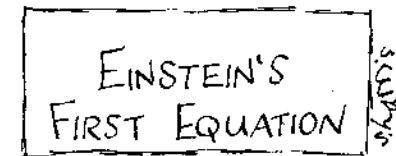


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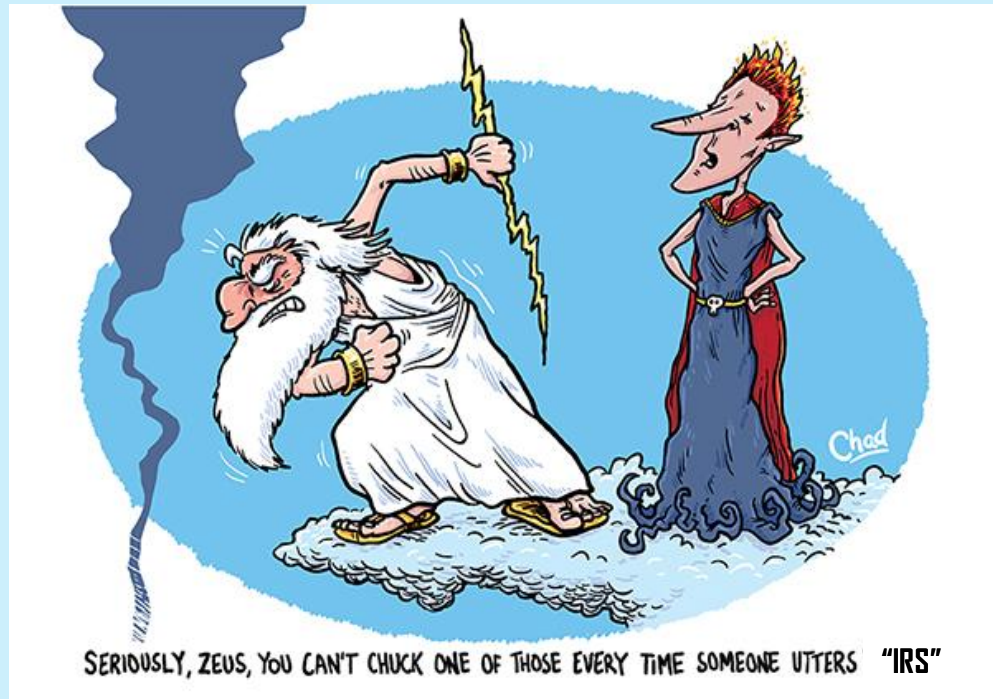


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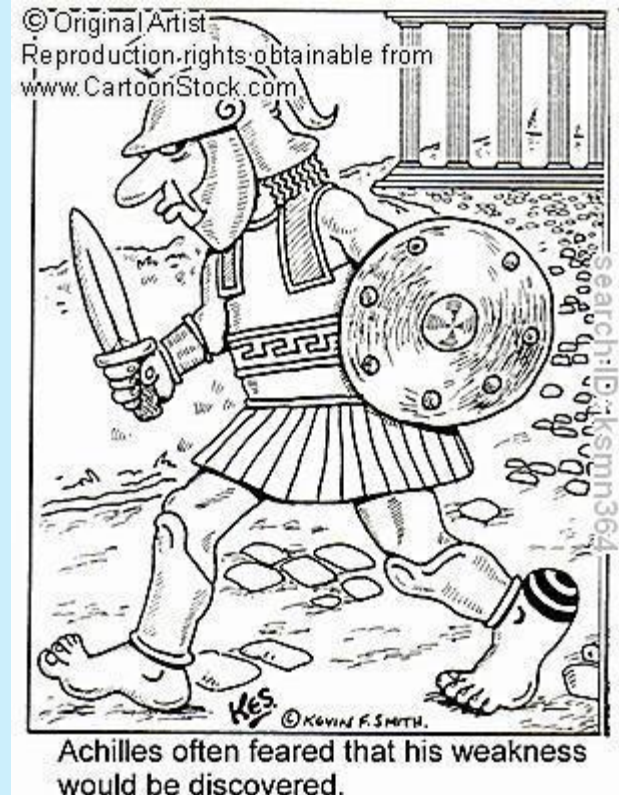
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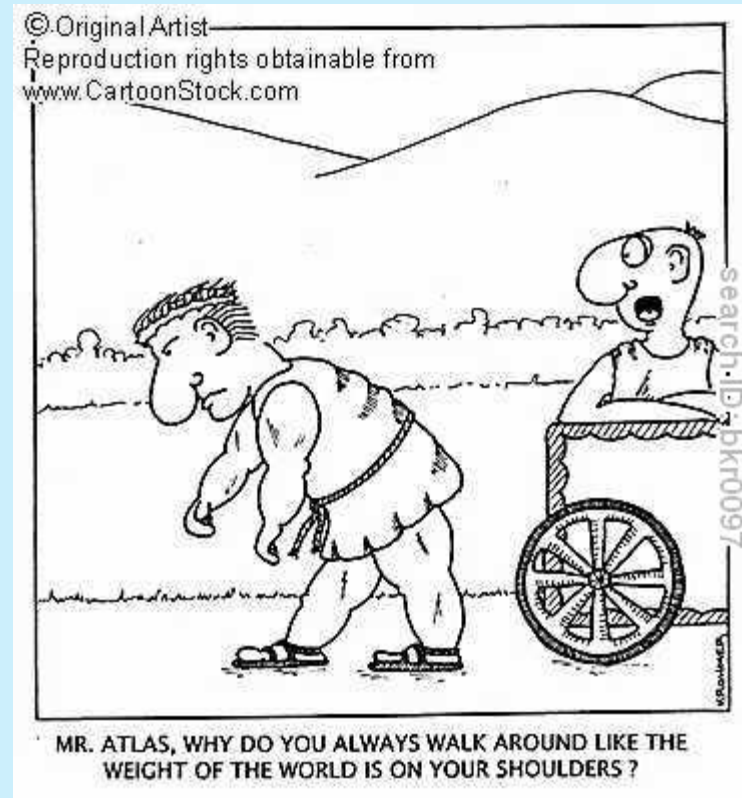
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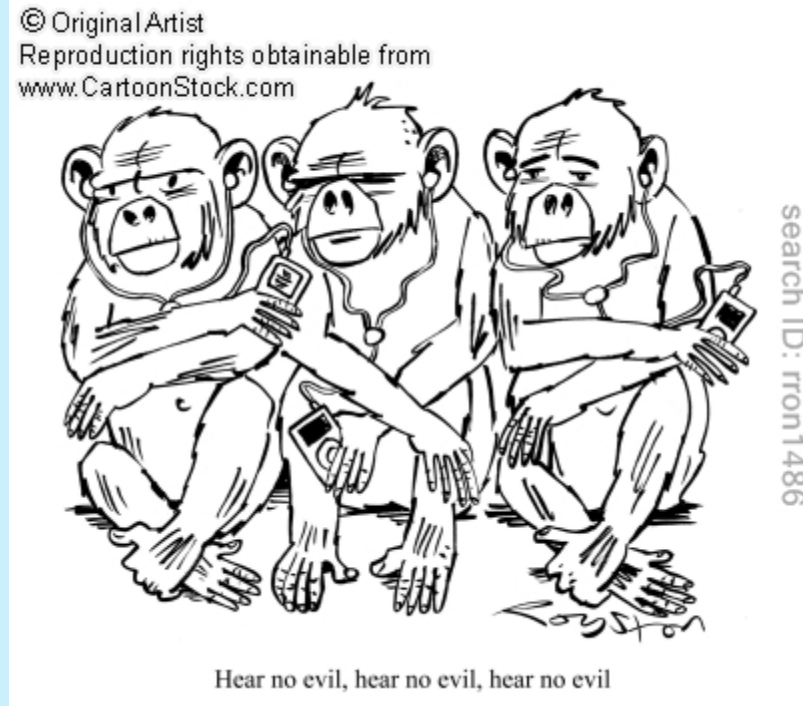


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