



Willis

So You Have a Captive. What Now?

The Capital Efficiency Imperative

The Willis Webcast Series

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- Is your captive's capital optimally deployed?
- New captive formation – signposts for diversification?
- Does captive value vary in relation to the market cycle?
- Do regulators affect the onshore / offshore equation?
- If you didn't have a captive, would you form one today?
- What happens if you "inherit" yet another captive?

- Return on capital – investor expectations
- Regulatory requirements
- Capital accumulation, distribution provisions and “flexible capital”
- Captive math – expected losses, premiums, expenses and investment income
- A comprehensive analytical review – claims-paying ability, risk retention capacity and parent company balance sheet
- Captive flexibility – augmenting returns

- TRIA / TRIEA
- Nat Cat perils and increased retentions
- Non-core coverages such as Employee Benefits and Product Warranty
- Direct access to strategic, cost-efficient reinsurance
- “Once risk leaves the commercial insurance marketplace”
- Competition amongst US domiciles

- Long-term risk management instruments
- Strategic tools that can affect demand *and* supply
- Flexibility to respond to adversity and opportunity in the commercial insurance marketplace
- Marketplace cyclicalness / volatility is a moon – not a sun

- “The court of public opinion”
- Sound business decisions – comparing domicile choices
- Competition for captive business in US domiciles
- Individual drivers – e.g., TRIEA access, parent loan provisions, employee benefits coverage
- Administrative and travel expenses

Would You Form a Captive Today?

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- The analytical review – is the *raison d'être* still there?
- Response to marketplace uncertainty / volatility
- Retention accumulation – evaluating the potential for multi-line events
- Does a roster of tune-up opportunities = captive creation?
- Alternative risk funding vehicles?

- Are the drivers still present?
- Is Third Party Risk part of the picture?
- Are there any legacy issues, divested entities who have contractual rights or other complications?
- Are duplication of seed capital and costs of captive management justified?
- Are the domiciles right for the respective captives’ objectives?

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