



Set Your Captive Free:

***21st Century Ideas to Make Your
Captive Work Harder***

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A Consultant's View – Thought Process to Deal with Change:

- What was the original purpose/goal of the captive?
- Is it still achieving that goal today?
- Have changes impacted the captive?
 - External – industry, tax, other
 - Internal – corporate



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Sample of External Changes Over the Last 20+ Years

- 1986 Tax Reform Act
- Federal Risk Retention Act
- Development of deductible plans for WC
- Swings in insurance market cycles
 - hard market in 80's in wake of Weaver collapse
 - prolonged soft market when interest rates were double digits
 - hard market in wake of 911

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Sample of External Changes Over the Last 20+ Years

Carriers (active captive players) going bust:

- Ideal Mutual
- Mission
- Reliance
- Kemper

Mergers of Brokers/Captive Providers:

- J&H - A&A
- Sedgwick - FBH
- IRMG

Growth of Domestic Domiciles:

- VT - NY - Others
- SC - HI



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Sample of External Changes Over the Last 20+ Years

- IRS Dropping Challenge to Humana-type structures
- Employee Benefits in Captives
- TRIA & NBCR in Captives

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Strategic Planning for Mature Captives:

Periodic, formal “brainstorming” with key members of management/operations to consider:

- Retention levels and alternatives
- Other lines of business
- Reinsurance opportunities
- Third party business
- Domicile issues
- “What if” scenarios



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“Brainstorming” Sessions – who should participate?

Internal

- Risk management
- Tax, accounting, finance
- Operations

External?

- Brokers
- Consultants
- Tax Advisors
- Captive Managers
- Carriers
- Actuaries
- Investment Advisors

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Other Potential Activities for the Consultant:

- Interpretation of actuarial, financial, and other captive data
- Attendance & participation at captive board meetings
- Keep captive's leadership current with captive industry, domicile, tax/accounting changes, and assessment of impact of changes
- Independent voice in vendor assessment:
 - Legal, audit, banking, etc.

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Case Studies



Sealed Air Corporation
Taylor Morrison
New Jersey Transit