

Set Your Captive Free:

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

Sealed Air Corporation

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**A “traditional” insurance buyer
forms and grows its captive.**

Sub-title: What was I thinking?

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Sealed Air Corporation Elmwood Park, NJ

Manufacture and sales of protective and food packaging products.

- \$5 Billion in worldwide revenues
- Operations in 52 countries
- 18,000 employees
- 140 facilities
- Total risk management staff: 1



Sealed Air Risk Management Value Proposition

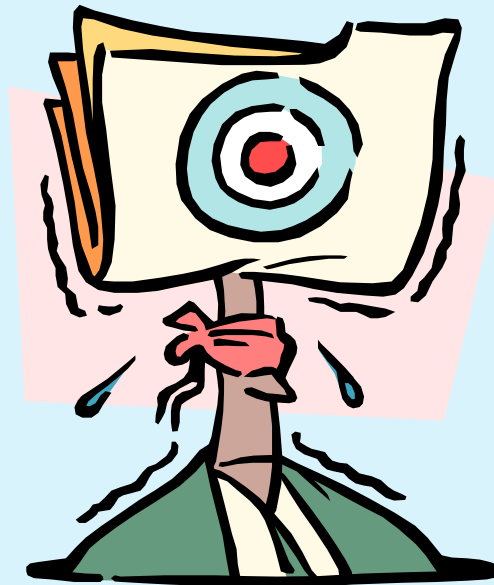
- **Protect the assets of the company from “material” harm.**
- **Provide stable, long-term financial solutions for operational risks.**
- **Provide “client valued” services to Risk Management’s customers.**
- **Make it easy to be a customer of Risk Management.**

Risk Management Decision Making Process

- **Analysis and identification - continuous determination of exposures at risk of loss.**
- **Development of alternative financing methods to address identified exposures.**
- **Selection and implementation of the best available option, which include unfunded risk retention, funded risk retention and risk transfer.**
- **Monitor and evaluate the selected option.**
- **Begin again.**

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Growing a captive. One risk manager's perspective



Step One: It's your BABY

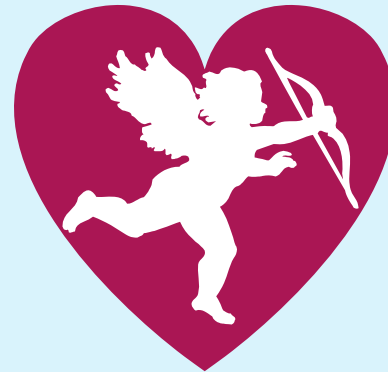
- **You are the “business unit” leader.
LEAD**
- **Understand your firms risk tolerance levels.
HELP TO DEFINE THEM**
- **Understand what constitutes a “material” loss.
WHAT DOES BIG MEAN**
- **Appreciate the difference between the “corporate approach” and the “local view” .
THINK OUTSIDE YOUR SILO**

Step Two: The Internal Sale

- **Be ready to make a compelling business case to “non-insurance” people. You are asking your company to commit additional time and resources in support of “Howie Mutual”.**
- **Act as the captive’s “champion” as you navigate through your corporate world.**
- **There will always be push-back.**
- **You will be asked questions for which you may not have an immediate answer.**
- **Sell your direct-report. Then, discuss with tax, finance, legal, et al. Create buy-in.**

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BE GENTLE
It's my first time



Round 1: Global Property and finding the “Three Drivers”

Lack of stability in the global property marketplace. Fluctuating costs, changing deductible levels and assorted new terms and conditions. *EXTERNAL DRIVER*

Imposition of global property insurance program terms on local entities creating “opt-out” conflicts and potential coverage purchasing redundancies. *INTERNAL DRIVER*

Sealed Air directive that risk management must be proactive in its business approach. *CORPORATE DRIVER*

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Risk Management Response

- **Identified appropriate “corporate” and “local” deductible levels.**
- **Developed best-case and worst-case loss pick scenarios. We tend to be conservative.**
- **Established a three year risk transfer pricing model. Benchmarked “Howie Mutual” premium against standard insurance marketplace. Capitalized Saddle Brook Insurance Company of Burlington, VT with cash.**
- **Implemented underwriting program with our captive.**

Round 2: Excess Workers Compensation

Inability of marketplace pricing models to differentiate individual risk profiles within its “book of business” and prohibition against long-term commitment. *EXTERNAL DRIVER*

Need for greater stability in the budget/accrual process , along with a reduction of unfunded loss potential. *INTERNAL DRIVER*

**Increased company risk tolerance.
*CORPORATE DRIVER***

Risk Management Response

- Trended and developed historic Workers Compensation loss history (10 years) to “present value”.
- Conducted a cost/benefit analysis of “excess premiums paid vs. additional losses assumed”. (adjusted for growth)
- Developed three -year pricing model, benchmarked against traditional marketplace.
- Developed a premium allocation method for utilizing the captive within our budgeting process.
- Implemented coverage with the captive.

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Rounds 3,4,5 - Completed

- **Primary General/Products Liability**
- **Primary Automobile Liability**
- **Goods in Transit (Working closely with our global logistics/supply chain organization)**



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Round 6, 7 – In the Works

- Doing the “feasibility” work regarding our Long Term Disability and Group Life Insurance programs. (Working closely with our human resources organization)**
- Discussing utilizing the captive to cap Sealed Air’s credit risk. (Working with our credit group)**

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Round 8 and beyond

Let's talk again next year.
Thank you.

