



# Marsh Captive Upside: 20/20/20 Webcast Series

April 9, 2020



## Marsh Captive Upside: 20/20/20 Series Agenda and Speakers

- Practical captive techniques to support your organization.
- The Future: Pandemic and a captive's role in the response.
- Summary of next steps.
- What's coming?



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# Practical Captive Techniques to Support Your Organization

# Freeing Up Cash to Support the Parent Organization

## Practical Captive Techniques



### Investment Strategy:

- Total cash and investments in all captives under management is US\$203 billion.
- Over \$70 billion is invested in intercompany loans or deployed in other intercompany investment strategies (more than \$2.6 billion in loans since March 2020).
- Loans to parent (demand/installment).
- Other cash-generating intercompany investments:
  - Securitize trade receivables.
  - Invest in parent's real estate.
  - Invest in ownership of affiliate.



### Capital and Surplus Optimization:

- Total capital and surplus across all captives is \$113 billion.
- Marsh can advise on capital and surplus optimization.
- Opportunities for surplus:
  - Dividends back to parent.
  - Premium reduction/financing via holidays/discounts.
  - Payment for risk consulting projects.
  - Funding for loss control initiatives.
  - Additional unencumbered amounts for loans.



### How to Possibly Increase Available Surplus?

- Discount loss reserves.
- Targeted actuarial study.
- Ratio analysis.
- Claims inventory workouts.
- Commutation to policy holder (parent).
- Novation and Transfer (LPT) to third-party run-off market.
- Reduce risk/exposure (e.g., reinsurance).
- Wind up captive?



## Captives Covering Pandemic and Other Lines Most Impacted by COVID-19



### Pandemic Coverage

- Pandemic/ Communicable disease coverage already provided by a number of global captives.
- Various triggers.
- Variety of limits, self-insured retentions and deductibles.



### Supply Chain and Non-Damage BI

- Five year premium growth of 100% for supply chain risk.
- 92% premium growth in captives writing business interruption (BI) in one year.
- Many policies extended to provide communicable disease coverage.



### Surety and Trade Credit

- Five year premium growth in captives writing surety is 76%.
- One year premium growth in trade credit of 76%.
- Surety and trade credit insurance markets likely to be impacted long after Covid-19.



### Medical Stop-Loss

- Five year premium growth is 100%.
- Non-ERISA coverage in US so can be written in a captive relatively easily.
- Can be reinsured by a non-US captive.

# **The Future: A Captive's Key Role in the Pandemic Response**

# How Do You Insure Pandemic Coverage In A Captive?



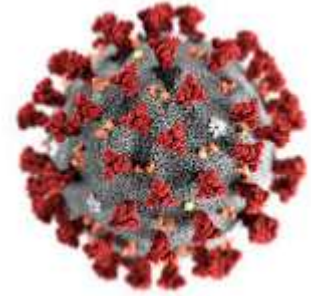
## Summary of Next Steps Right Now

- Contact your captive manager and discuss with your regulator:
  - Regulator steps taken to accommodate crisis such as extension on filing dates.
  - Holding board meetings virtually.
  - Flexibility of regulators.
- Discuss your investment strategy, capital, and surplus:
  - Loans and intercompany investments vs. dividends.
- Review of current captive policies:
  - BI policies: for example, can claims be paid?
- Strategies to plan for the future.



## Coming Next: Pandemic Solutions and Employee Benefits for Captives

1. Pandemic products to be launched by Marsh Captive Solutions:
  - Hear more during an upcoming 20-20-20 webcast!
  - Coordination with data and analytics insure-tech that will complete a detailed assessment.
  - Marsh Captive Solutions' structure, limit, aggregate, deductibles, and drafts policies.
  - Access to reinsurance for captive net protection.
  - Greater capacity likely to exist in the reinsurance market than the primary insurance market in the future.
2. Employee Benefits response to pandemic:
  - Coming soon!





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