# 2022 Captive Landscape Webinar



Wednesday, August 24 11:00 am EST



#### **Meet Our Panelists**

Marsh Captive Solutions executive team leaders



Ellen Charnley President, Marsh Captive Solutions



Arthur Koritzinsky Product Innovation Leader, Marsh Captive Solutions



Michael Serricchio Americas Sales and Advisory Leader, Marsh Captive Solutions



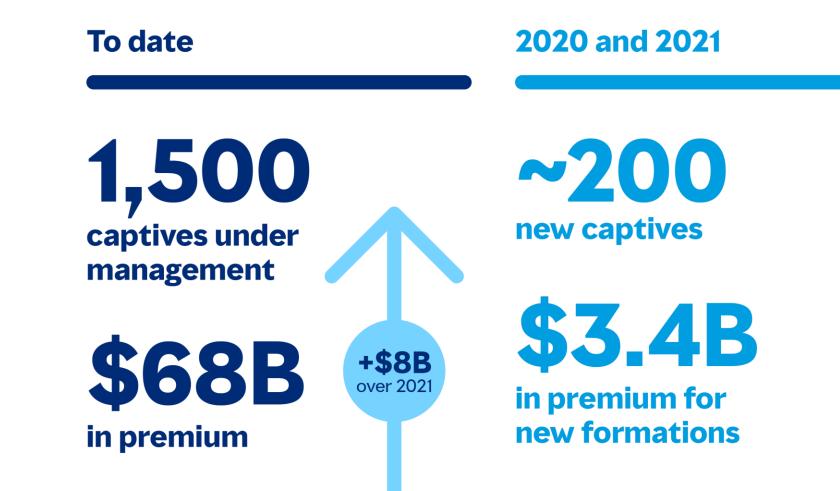
Lorraine Stack International Sales and Advisory Leader, Marsh Captive Solutions

### **Historic Growth In Captive Use**

#### **Growth in numbers and premiums**

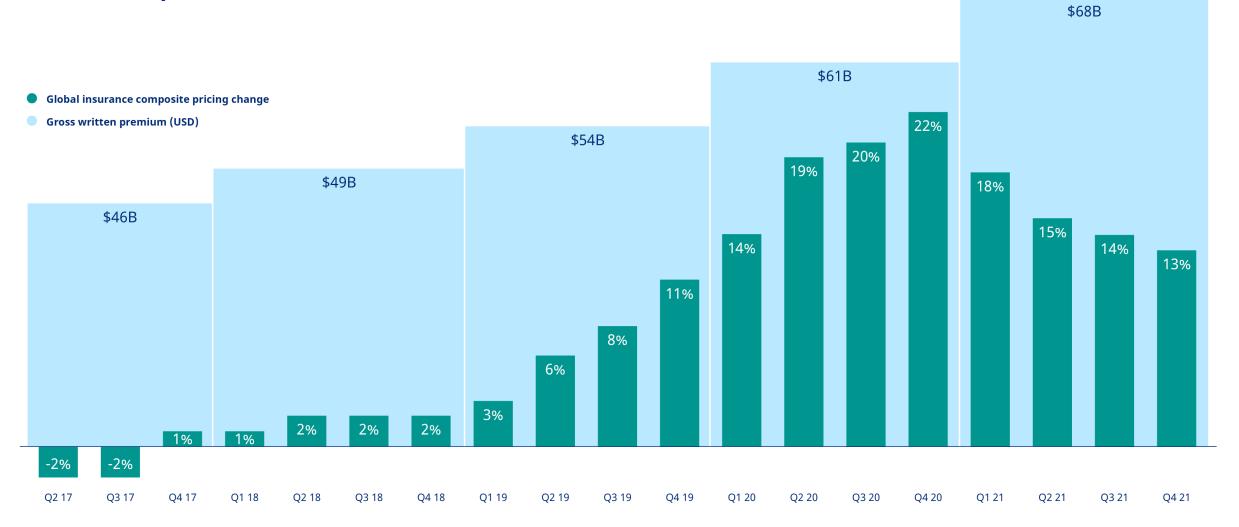
Over the last two years, a worldwide pandemic, paired with a difficult insurance market, has presented some of the most complex challenges to risk managers perhaps in our lifetime.

As risk managers look to utilize every solution available to address these unprecedented challenges, captives have become a valuable risk management tool to more organizations than ever.



#### **Insurance Market Pricing Index Changes**

## Organizations turn to captives when commercial insurance becomes expensive or too difficult to obtain



### What Coverages Are New Captives Addressing?

**Non-traditional lines of business** 

Third-party business*		10%
Terrorism	62	6
Medical stop loss	69	6
Cyber liability	4%	
<b>Business interruption</b>	4%	
D&O	4%	

\* (contractor/vendor programs, extended warranty)

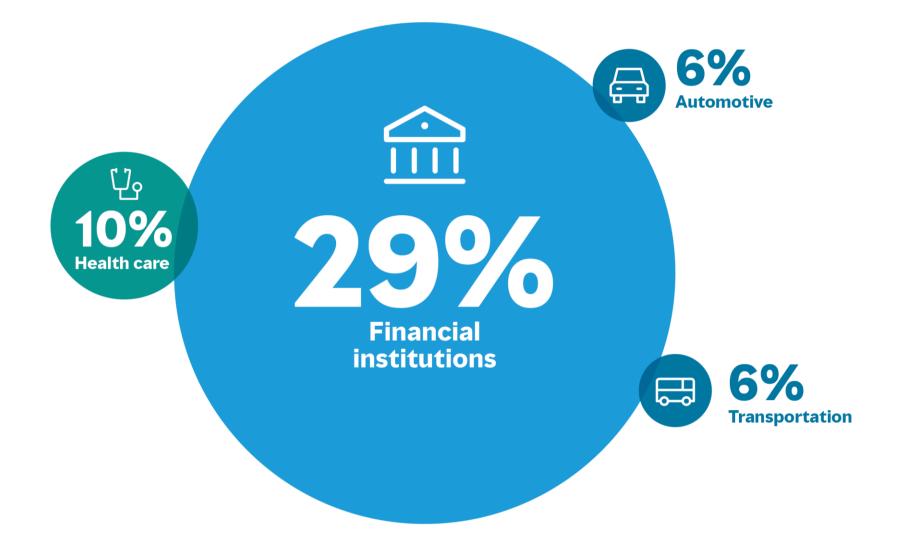
#### What Coverages Are New Captives Addressing?

**Traditional lines of business** 



### **Number of Captive Formations By Industry**

**Challenged industries looked to captives** 



### **Types of Captive Structures**

Protected cell captives are more popular than ever



Known as protected cell companies (PCCs), segregated portfolio companies (SPCs), segregated account companies (SACs), or incorporated cell companies (ICCs), cells can be easy and quick to set up.

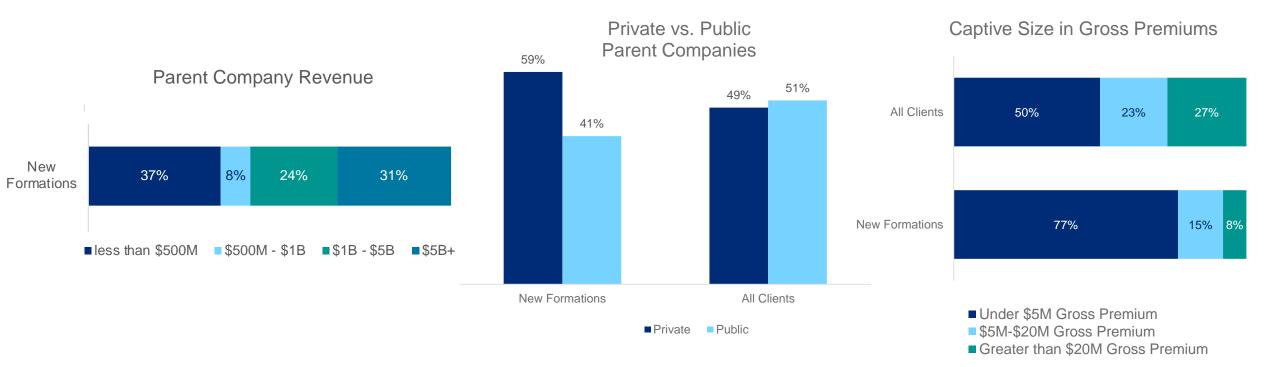
• Property, professional liability and general liability were the top 3 coverages written in cell facilities formed in the last two years.

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### Who is Forming Captives?

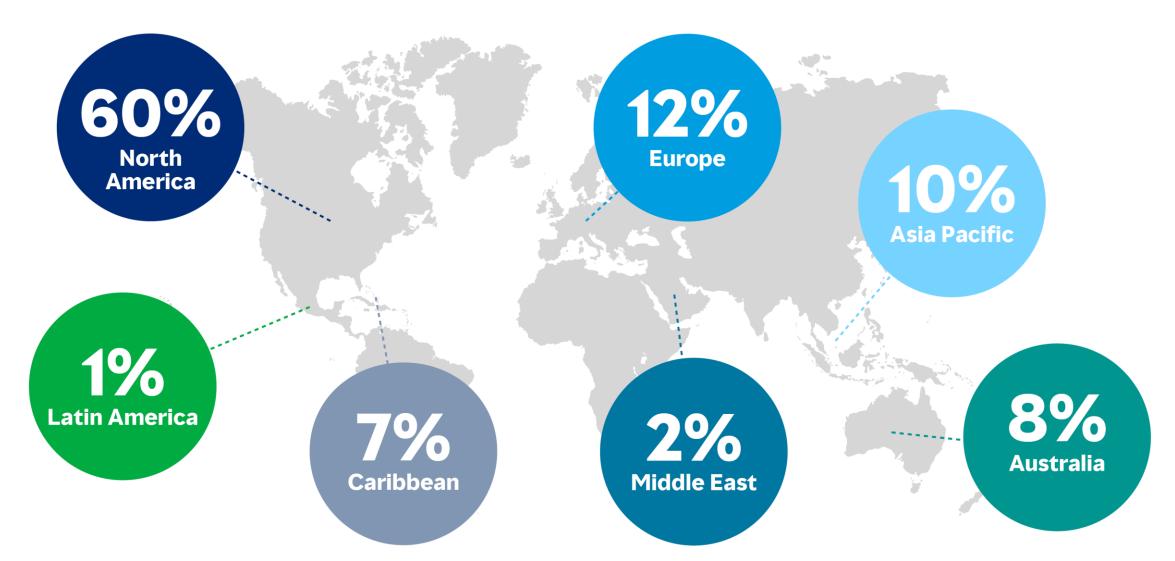
Captives provide value to a wider range of organizations

Deviating from traditional parent company make up, smaller and mid-size organizations are forming more captives.



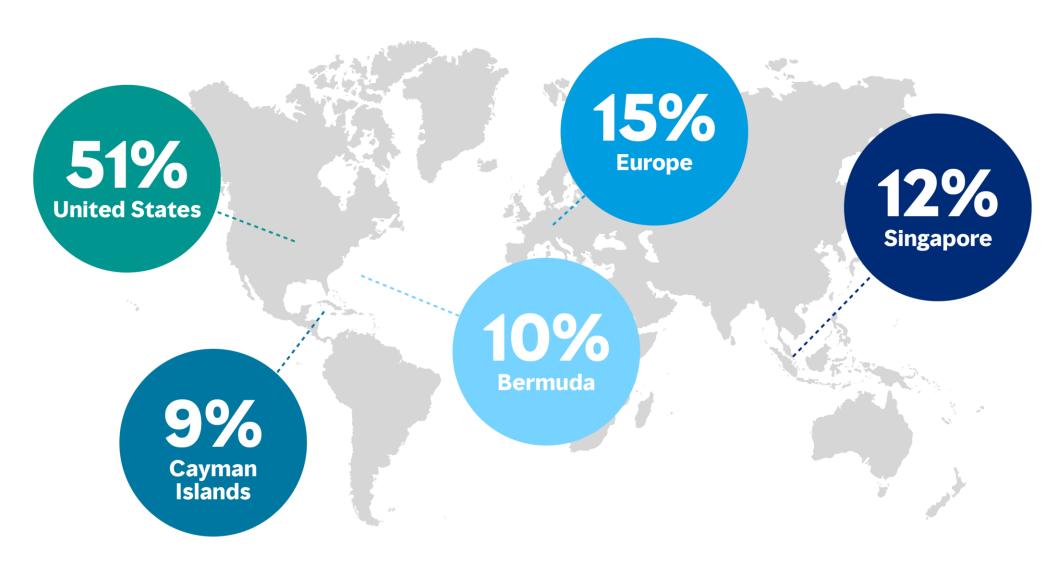
### **Who is Forming Captives**

#### North American companies formed the majority of captives



### Domicile

#### US domiciles dominate in new captive formations



### What to Consider for Captives in the Future

**Our panelists' predictions** 

What do you see as the next trend in captives for 2023 and beyond?



Lorraine Stack International Sales and Advisory Leader, Marsh Captive Solutions



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### **Captives Supporting ESG Strategy**

How captives are supporting across all aspects of ESG

#### **Environmental**

- Captives can provide coverage for "Energy Transition" risks as capacity shrinks in the commercial insurance market.
- Captives can offer nature-positive insurance lines of coverage remediation financial assurance policies; insuring company owned land for conservation/preserving biodiversity; restoration of land after storm damage.
- Alternative structures such as protected cells and Insurance Linked Securities can provide arms length risk structures and access to alternative forms of capital.
- The captive outsourced serving model is environmentally friendly.

#### Social

- EB captives are supporting the execution and delivery of diversity, equity, and inclusion (DEI) strategy as a mechanism to:
  - Harmonize benefit coverages across geographies.
  - Provide coverage not available in some locations (e.g.; maternity benefits)
  - Remove exclusions (e.g.; suicide, neo natal)
- Captive surplus can be used to support sustainable investment strategy – investment in green funds.

#### Governance

- A captive provides governance and a transparent risk transfer vehicle for ESG related risks that are uninsurable in the commercial market.
- Captives themselves are increasingly required to comply with ESG reporting and compliance requirements in local domiciles.
- Captive mechanism can be used to support parent ESG strategy.

#### **Questions?**

Thank you for attending our webinar.





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