



HYLANT



GLOBAL  
*Captive Solutions*

# CAPTIVE 101 CONCEPTS

April 17, 2021



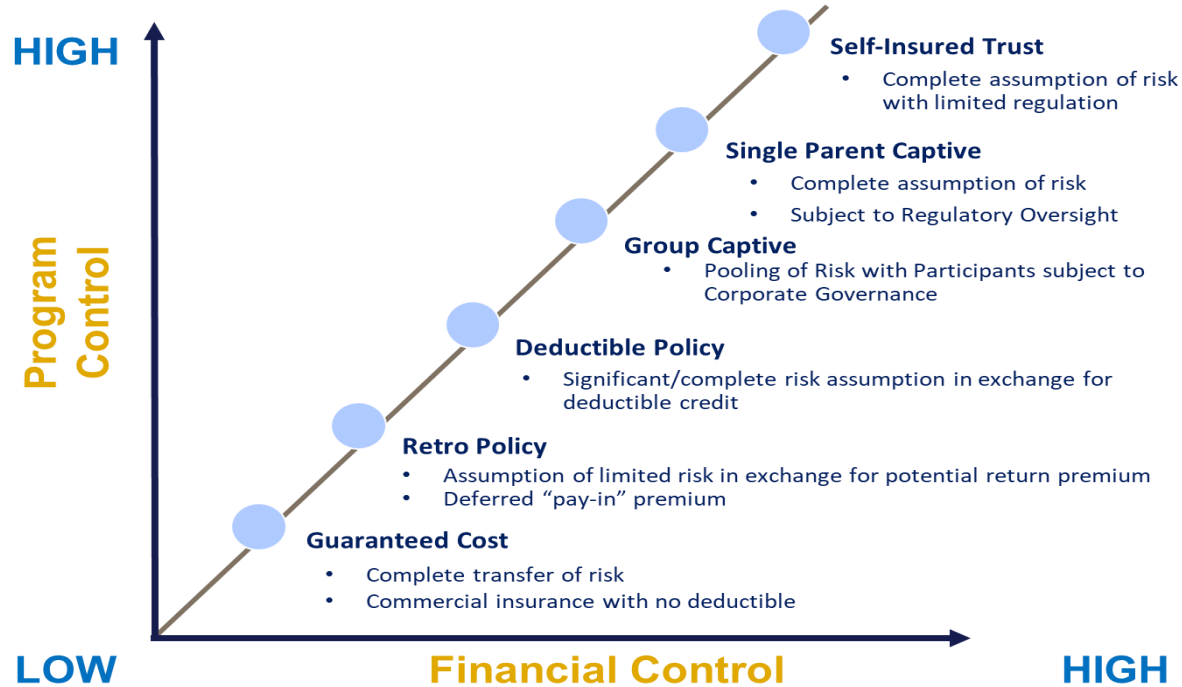


# AGENDA

- **INTRODUCTIONS**
- **RISK APPETITE & TOLERANCE**
- **CAPTIVE 101**

# **RISK APPETITE & TOLERANCE**

# RISK APPETITE SPECTRUM



# RISK TOLERANCE

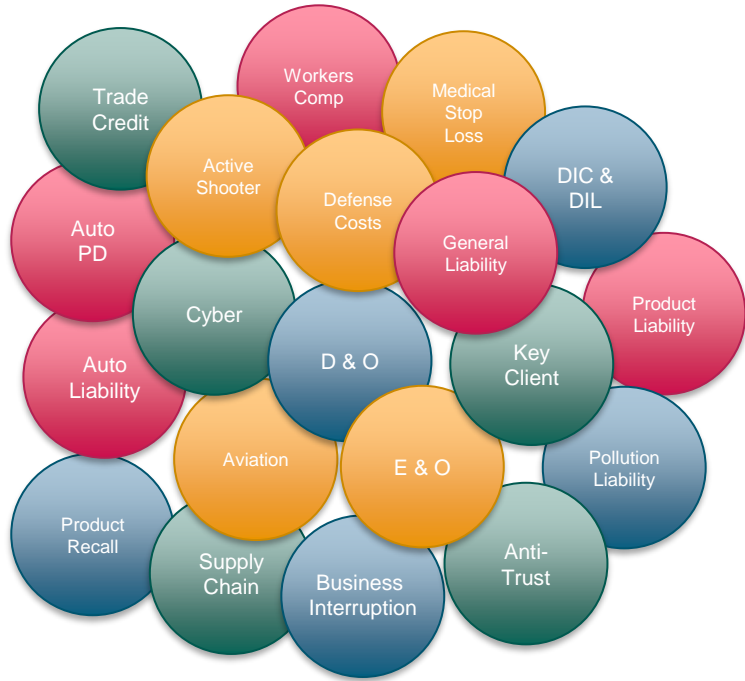
## Measured as a % of :

- ✓ Retained Earnings
- ✓ EBITDA
- ✓ Net Cash Flow
- ✓ Unique Industry/Organization KPIs



**The ultimate decision is tempered by individual company philosophy, risk tolerance, business development goals, shareholder expectations, etc.**

# IDENTIFICATION OF RISK PROGRAM



- DIC/DIL Policies
- Trade Credit
- G/L and Products
- Auto Liability & PD
- Property
- Executive Risk
- Medical Stop Loss

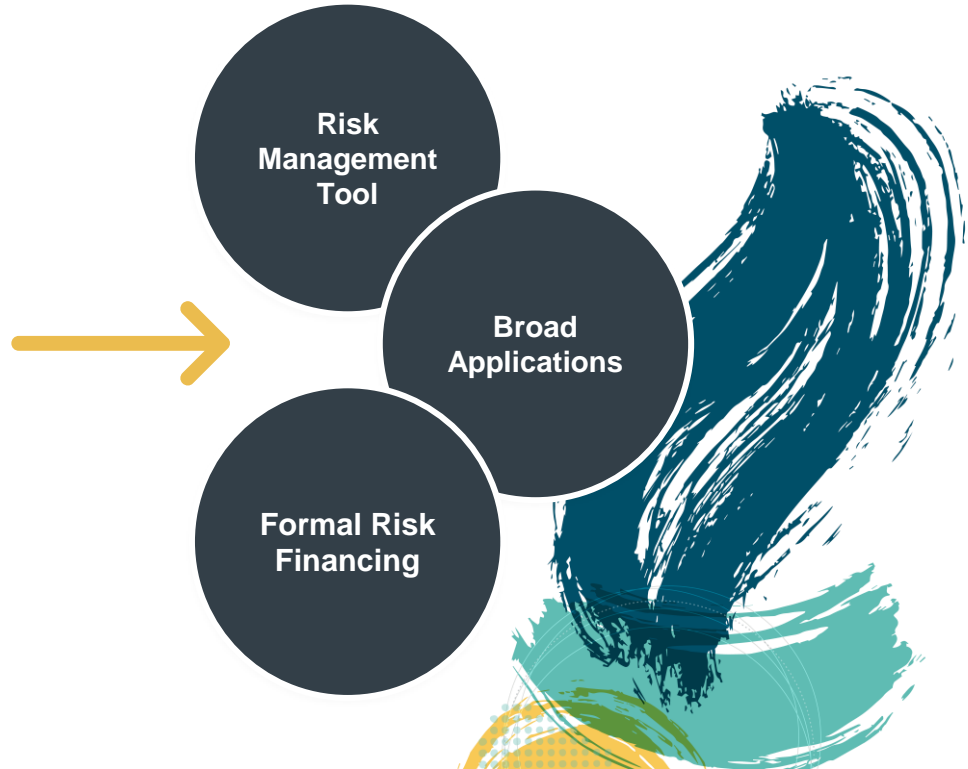
# **CAPTIVE BASICS**

# WHAT IS A CAPTIVE

A **licensed insurance company** owned and controlled by those it insures

Insures or reinsures the risk of its parent(s) or affiliated companies

Formalized mechanism to finance **self-insured risk**

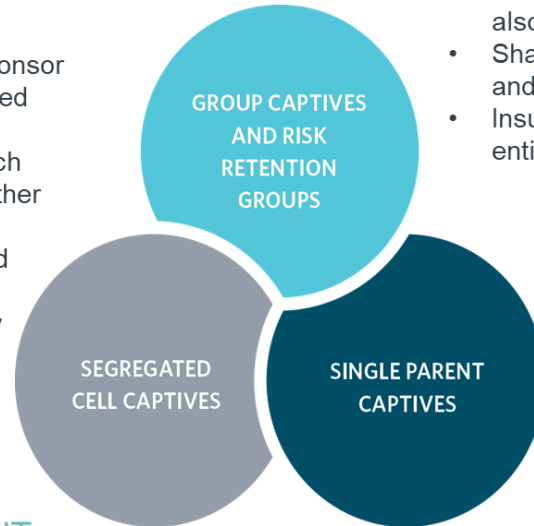




# TYPES OF CAPTIVES

## CELL CAPTIVE

- Segregated/protected or incorporated cell
- Formed by a third party sponsor who “rents” cells to unrelated companies
- Assets and liabilities of each cell are segregated from other cells
- Typically lower start-up and frictional costs than SPCs
- Each cell owner is typically required to capitalize that particular cell



## SINGLE PARENT

- Owned by one company
- Insures or reinsures the risk of its parent, subsidiaries, or chosen unaffiliated parties

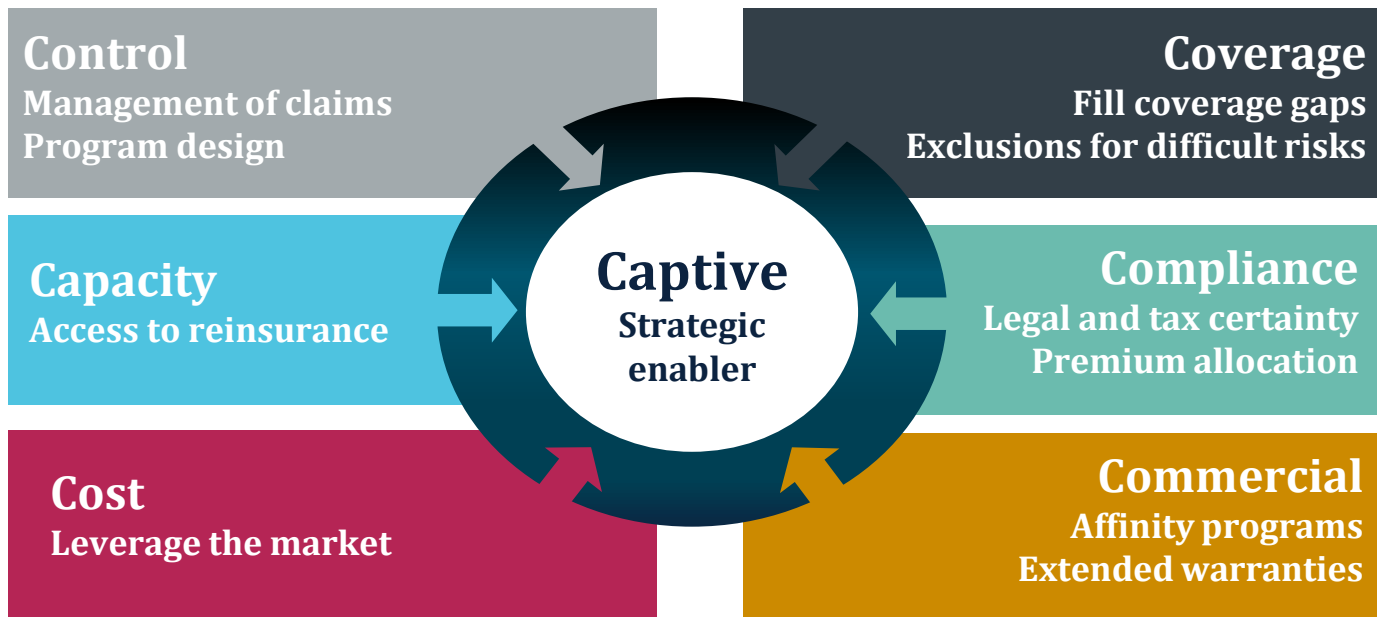
## GROUP/ASSOCIATION

- Owned by multiple companies who are also shareholders
- Sharing of un-controlled risk, liabilities, and profits
- Insures or re-insures the risk of the entire group

## RISK RETENTION GROUP

- Specific type of group captive
- Regulated under U.S. federal legislation
- Licensed in one state and able to operate in all 50 states on a registered basis
- Can only write liability lines of risk – no workers compensation or property

# WHY ARE CAPTIVES FORMED?



# WHY CONSIDER A CAPTIVE?



## Financial

- Potential short- and long-term savings
- Financial reward for being better-than-average
- Capture investment returns
- Remove traditional insurer's profit loading



## Control

- Ability to better manage premium volatility from year-to-year
- Power to reduce costs over time by controlling losses
- Be rewarded for good loss prevention and claims management



## Flexibility

- Ability to craft coverages to meet specific insured's needs
- Options for customized value-added services
- Insulated from market conditions; address insured needs, not the insurance market

**Q & A**

**THANK YOU!**

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