

Global Captive Strategic Planning

2025 Client Symposium

Presenters



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Discussion Points

- Strategic Review/Planning
 - Nuts and Bolts
- Team/Measurables/Benefits
- Risk Management Approach
- Multi-Year/Line Case Study
- Expansion Case Study

“A vision without a strategy remains an illusion.”

- Lee Bolman

Strategic Review/Planning

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Strategic Review/Planning

The goal of a Strategic Review/Planning process is to:

- Assess the current state of a captive(s);
- Identify its strengths and weaknesses; and
- Determine the parents' current goals and objectives.
- Perform analysis that results in recommending ways to achieve those goals and objectives with respect of the captive(s).

Strategic Review/Planning

The process involves an evaluation of the captive's:

- Internal & external environment, including its
 - mission
 - resources
 - competitive landscape
 - market trends
 - owner's goals & objectives



Ultimately, the goal of a strategic review/planning is to create a clear and actionable roadmap for achieving long-term success and sustainability.

Strategic Review/Planning

Captive History & Current Position

- Underwriting Activities
- Financial Position/ Ratio Analysis
- Investment Approach
- Claims Approach

Captive Operational Structure

- Captive Structure
- Domicile
- Governance

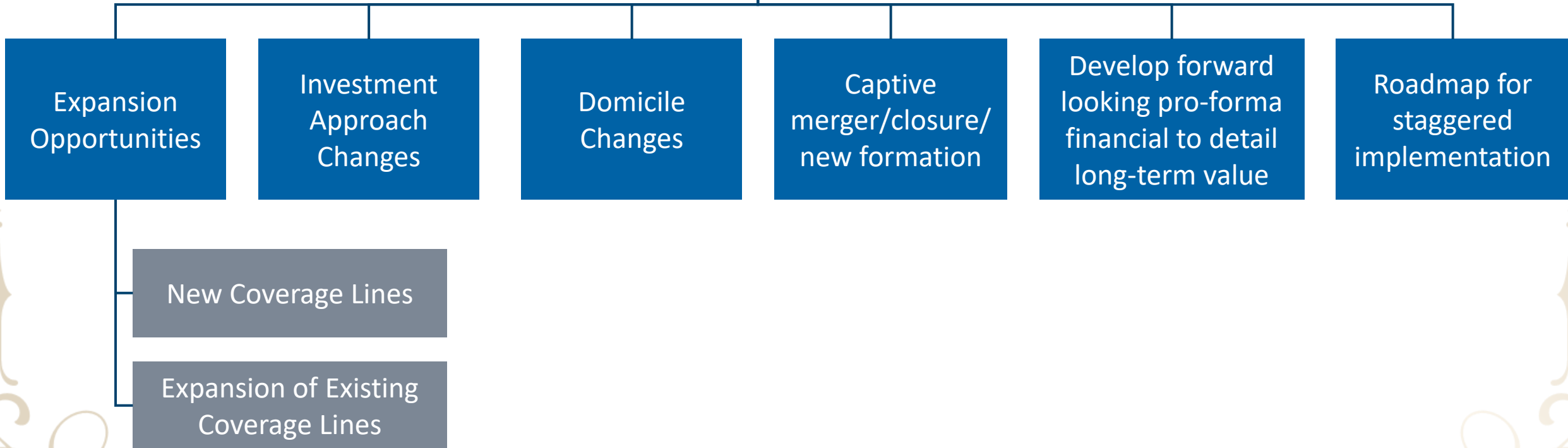
Parent/Captive Goals & Objectives

- Economic/Risk Management Benefits
- Organization TCOR
- Additional Uses

Road Map for Action

Strategic Review/Planning

Road Map for Action



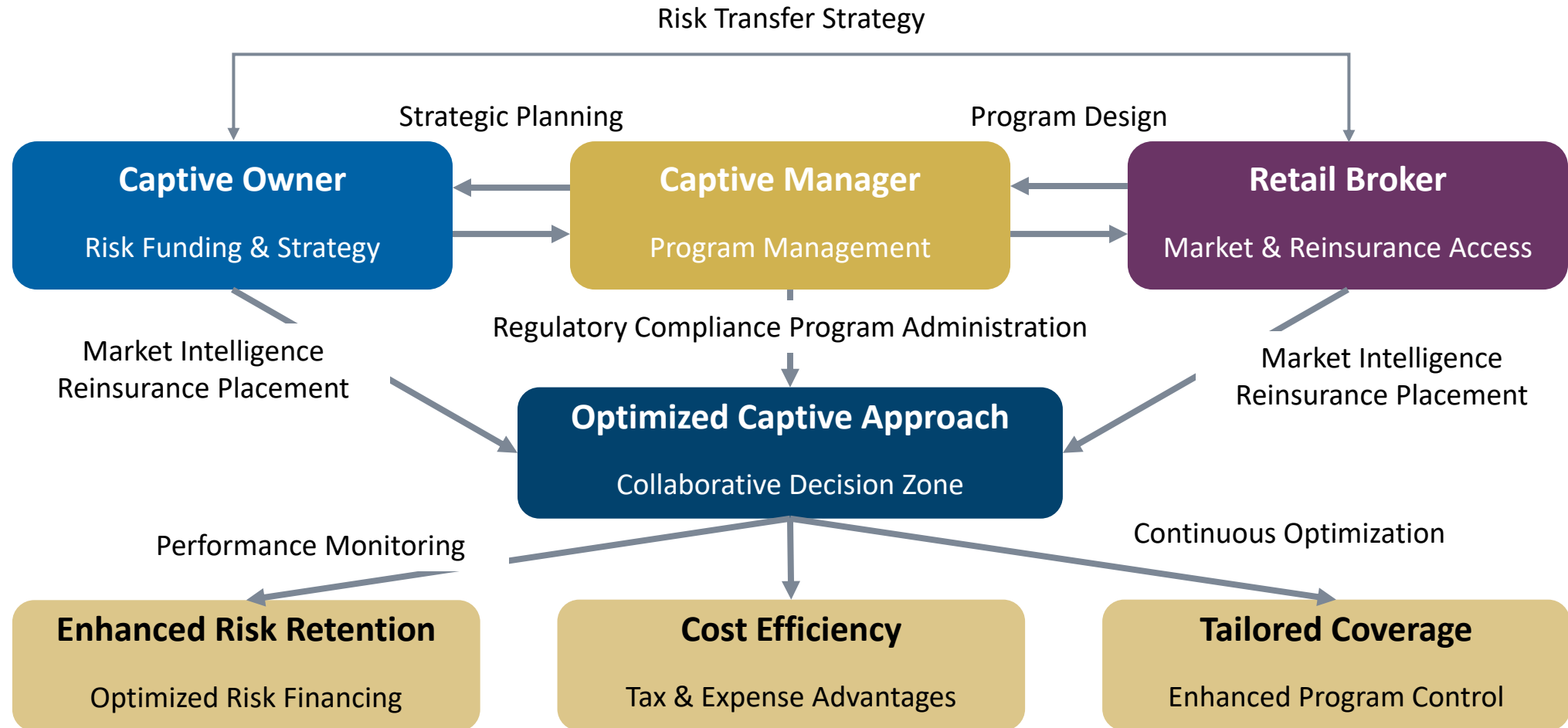
“The greatest danger in times of turbulence is not the turbulence itself, but to act with yesterday's logic.”

- Peter Drucker

Team/Measurables/Benefits

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Collaborative Team Approach



Financial Measurables

Ratio	12/31/2024	Peer Group	Benchmark	Significance
Reserves to Shareholders' Equity	2.40	2.90	< 3.00	How much risk each dollar of surplus supports
Assets to Liabilities	1.73	1.48	> 1.25	Captive solvency
Net Premiums Written to Shareholders' Equity	4.5 to 1	3.5 to 1	< 3.00	Capacity to underwrite new policies
Liabilities to Liquid Assets	.72	0.81	< 1.05	Ability of captive to cover short-term liabilities
Reserves to Liquid Assets	2.48	0.59	< 1.05	Ability of captive to pay expected losses
Loss	85%	72%	< 1.00	Adequacy of premium pricing and captive performance
Combined	97%	0.85	< 1.00	Captive profitability
Investment Income	7%	5%	0.02 – 0.06	Profitability of investments
Operating Income	0.82	0.86	< 1.00	Overall operational profitability from underwriting and investment activities
Expense	12%	13%	< 15%	Scale of captive administration costs

Strategic Review/Planning Benefits

Fresh Look:

- Reinvigorate and align changing goals & objectives.
- Understand what value the captive is bringing & plan for the future.

A strategic review provides captives with a systematic approach to assess:

- the current state
- identify opportunities challenges
- develop actionable strategies

The process enables organizations to make :

- informed decisions
- improve performance
- stay relevant in dynamic and uncertain environments.

Risk Management Approach

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Designing a Fit-for-Purpose – “Proper” Risk Management Program

Each company is different and has a different set of needs.

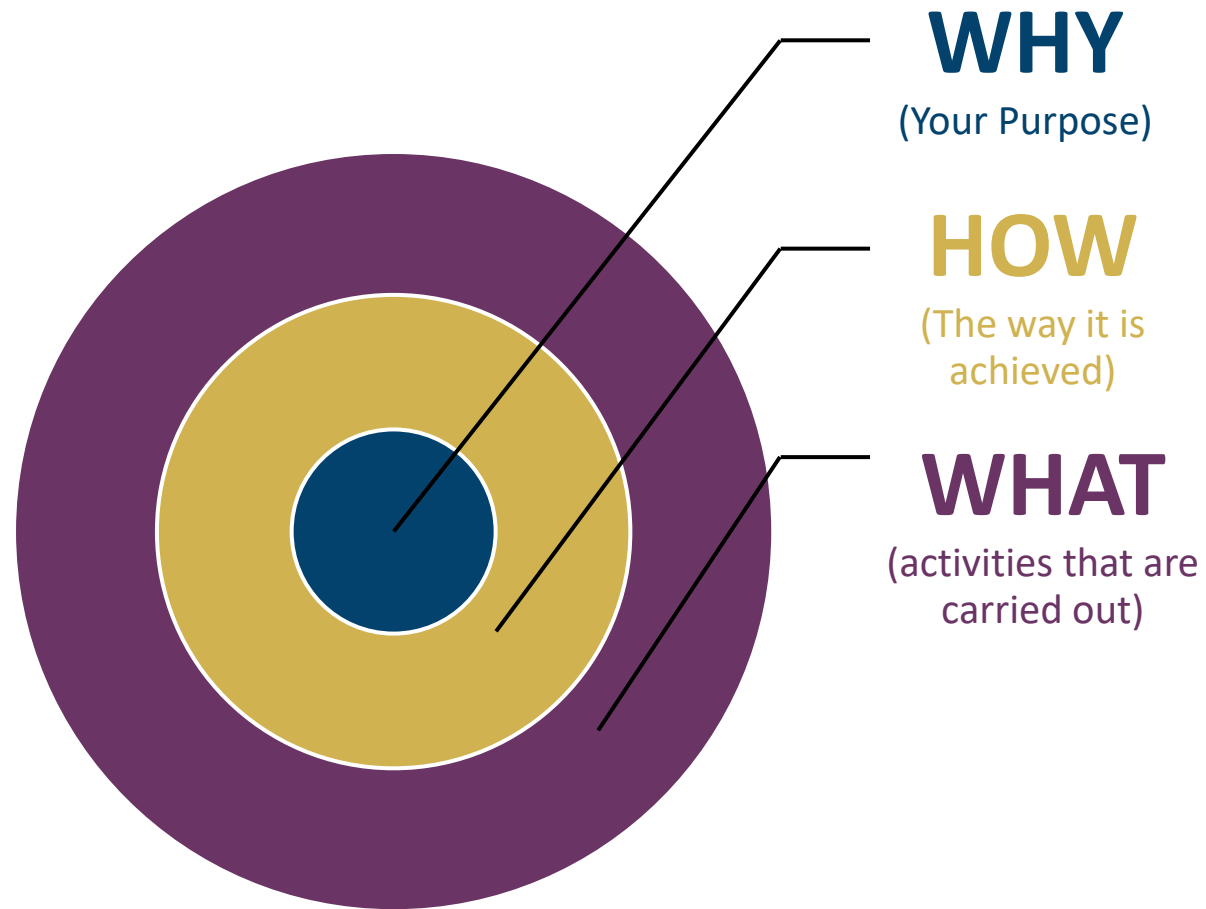
The Captive, as an Insurance Company, benefits from better risk management and therefore should support the Risk Management Process.

Better Risk Management
should equate to higher risk
appetite for the parent.

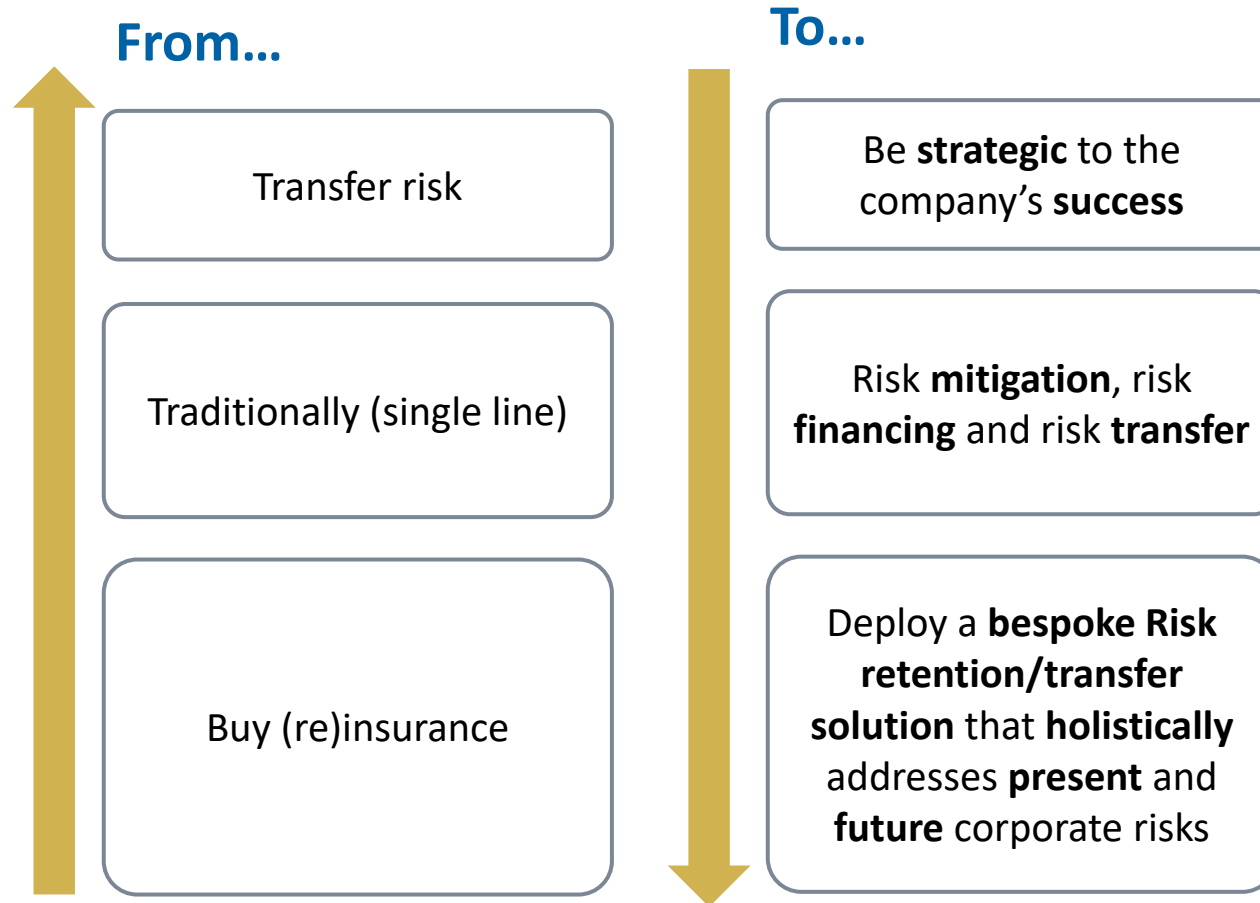


Willingness to retain more
risk and think differently
about risk transfer.

Start with Why...

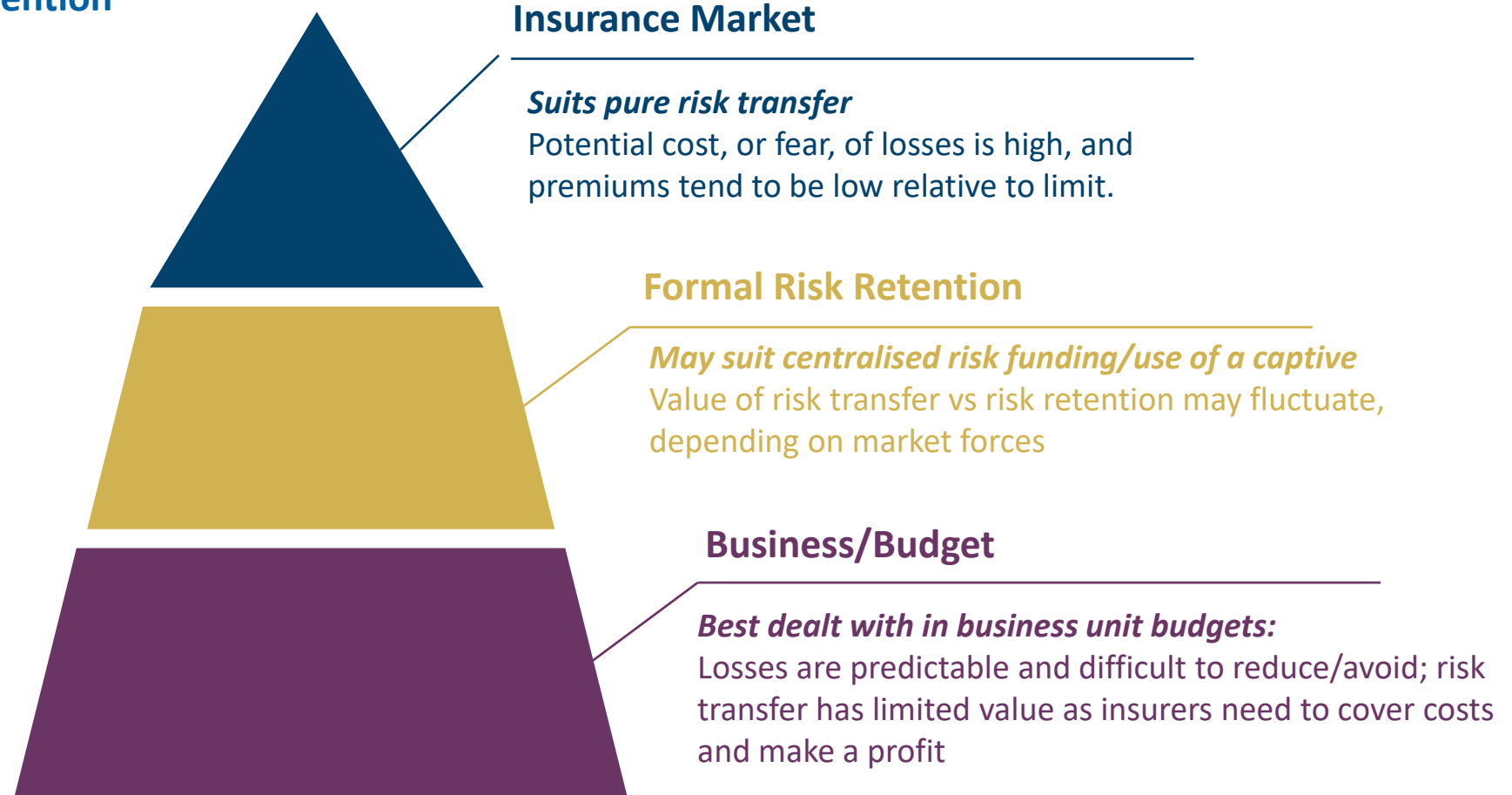


Start with Why...



Financial Drivers

Hierarchy of Risk Retention



Financial Drivers



Financial Cost:

Retained claims > Premium savings
=
TCOR Increases



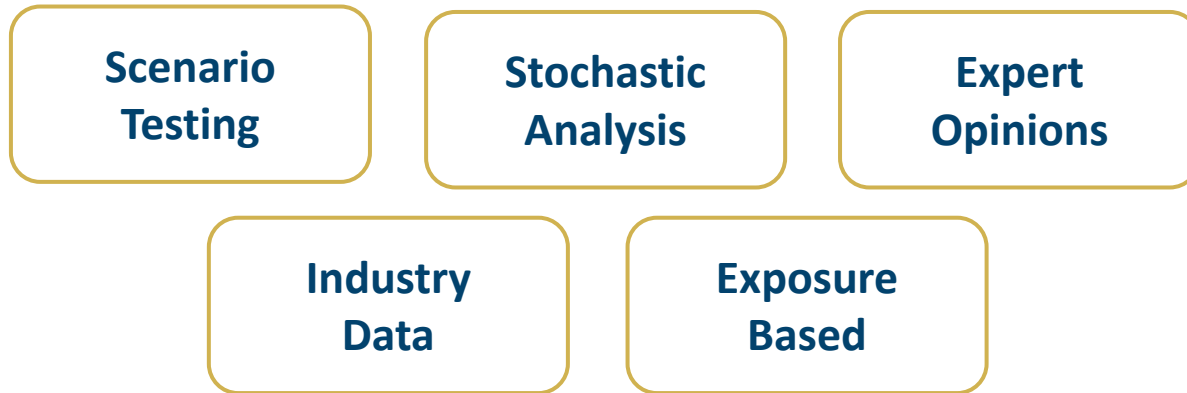
Financial Gain:

Premium savings > Retained claims
=
TCOR Reduces



PROGRAMME OPTIMISATION: Modelling Techniques

Methods to help understand future risk:



Total Cost Framework:

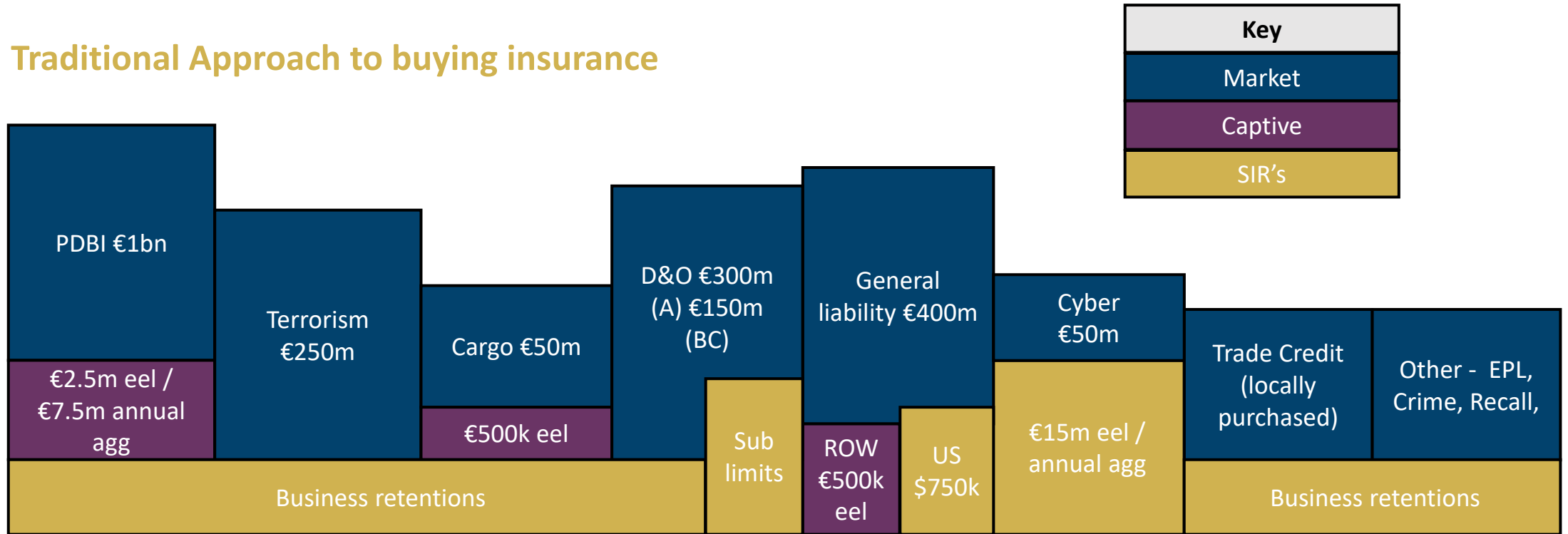


Multi-Year/Line Case Study

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Typical Features of Multi Year – Multi Line

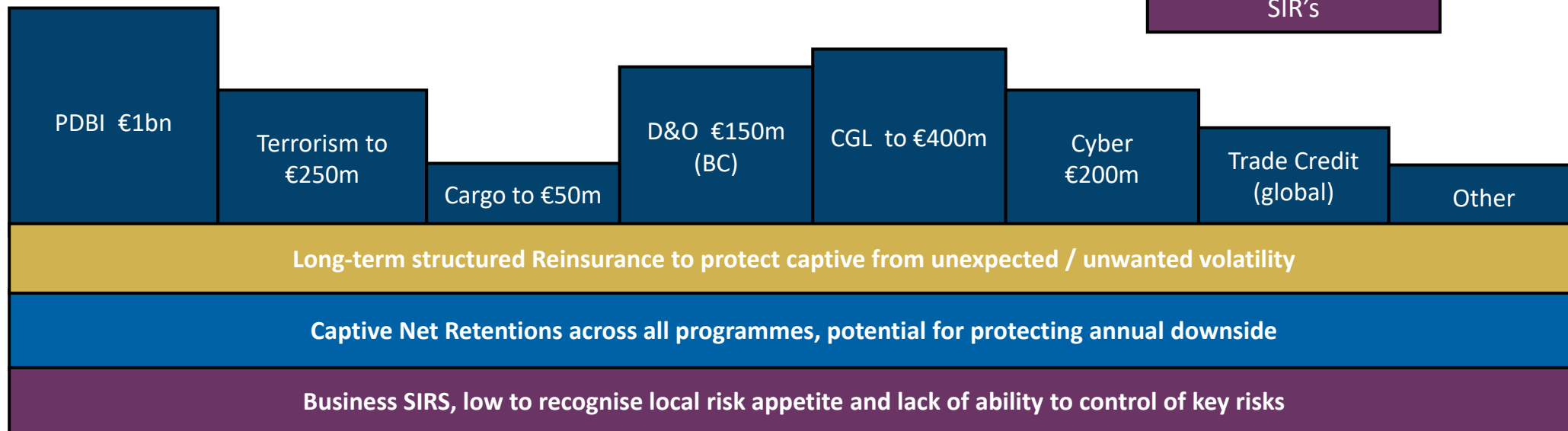
Traditional Approach to buying insurance



Typical Features of Multi Year – Multi Line

Alternative Approach

Key
Market
Captive
Reinsurance
SIR's



Benefits: Financial

Reduce total cost of risk in the short & long-term

Aggregate & incubate new/emerging risks

Long-term approach manages volatility

Profit commission benefits

Long-term stability

Benefits: Operational & Strategic

Additional capacity

Expandable &
extendibility

Flexibility: difficult to
insure risks

Breaks annual renewal
cycle

Can be combined with
multinational fronting

Potential Pitfalls

- Do the economics make sense?
- Perceived complexity?
- Timescale to implement?
- Broker input and support?
- Risk Appetite
- Long-term commitment?

SRe Observations

Clients generally surprised at how uncomplicated the SRe process is

Data required is readily available and client involvement is minimal

Recommended Step 1 - Undertake initial plausibility analysis for “Go/No-Go”

Diversification is inherent within the captive structure however SRe enables the captive to better capture this value

Uncorrelated risks will generate higher benefit through diversification – e.g. Trade Credit mixed with traditional P&C

In almost all cases the SRe provided potential for material financial & strategic benefit over the period

Expansion Case Study

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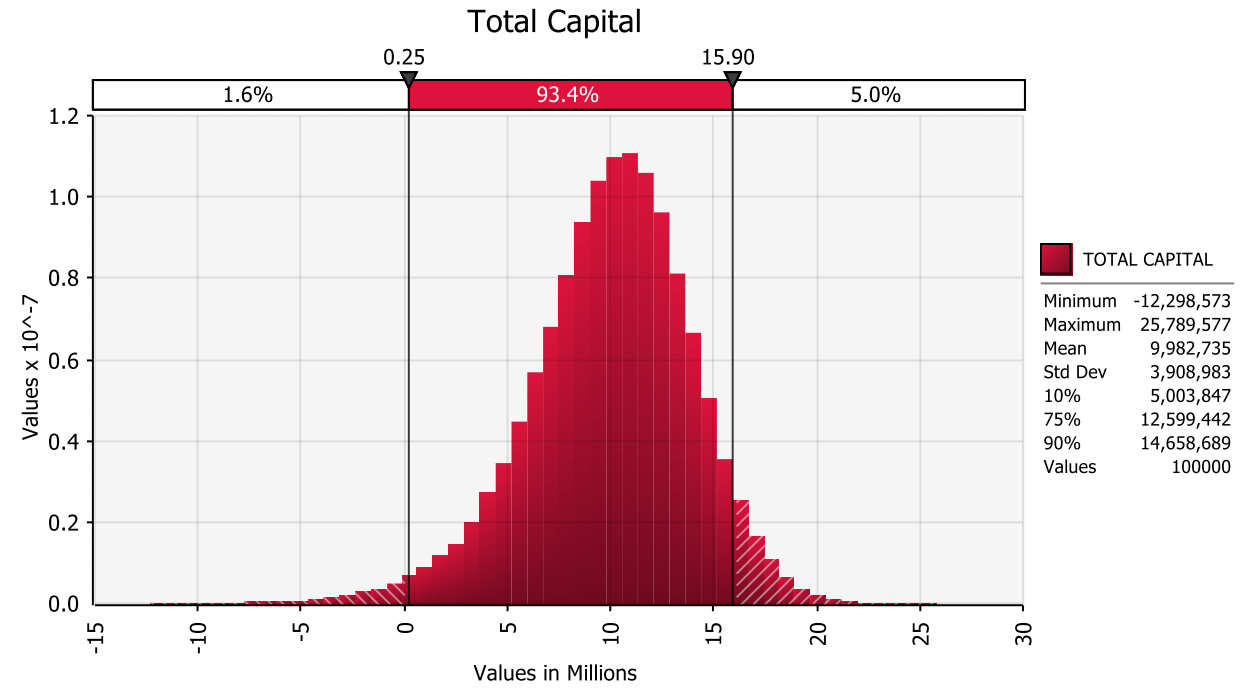
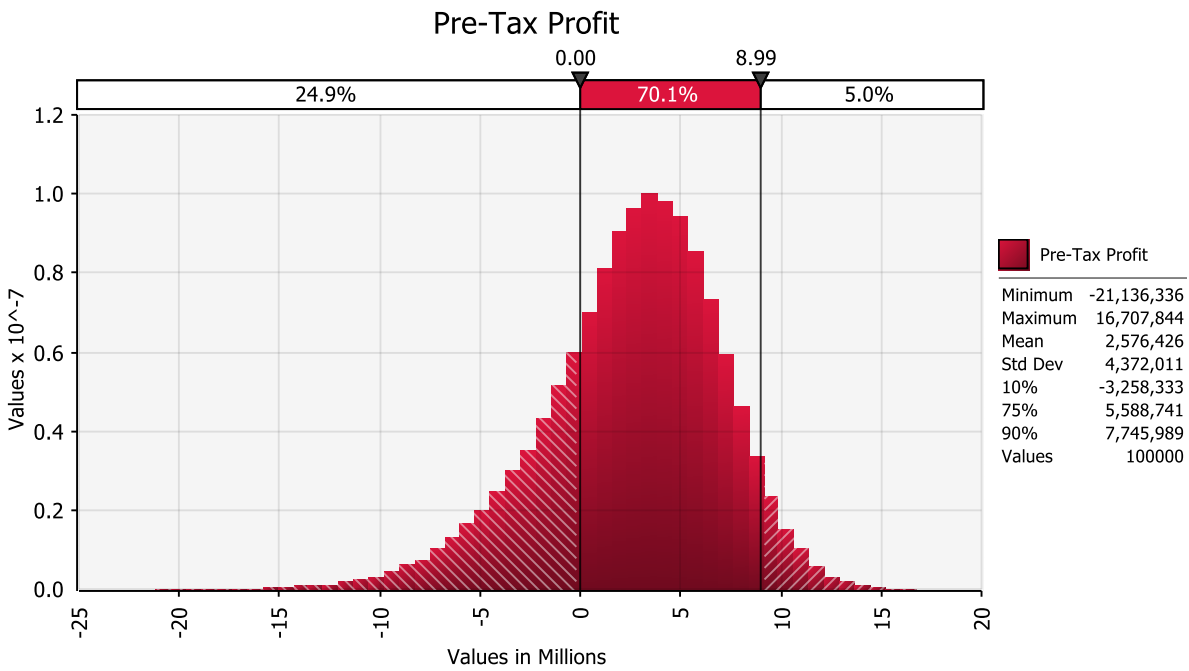
Expansion Case Study: Background

- Maturing captive (5th underwriting period) underwriting AL and GL with strong performance and growing investment performance.
- Property is the newest “problem” coverage line for the captive owner.
- Captive owner wants to understand the impact of placing a \$10M layer of property into the captive.
- Captive being considered because operating entities are not able to absorb significant property exposure and stop-loss available behind captive.

Expansion Case Study: Approach

- Actuarial analysis/CAT modeling of property layer completed with expected and higher confidence level estimates.
- Built a forward-looking pro-forma that merged AL, GL and PROP projections and completed a stress test to display the range of results they could expect.
- The analysis included the impact of investment income results after conferring with investment manager on liquidity needs.

Expansion Case Study



Expansion Case Study

LOSS AND EXPENSE RATIOS

	2020	2021	2022	2023	2024
INCURRED LOSS : NET PREMIUM	81.429%	82.305%	81.907%	75.749%	82.863%
U/W EXPENSE : NET PREMIUM:	0.232%	0.232%	0.232%	0.231%	0.230%
GENERAL & ADMIN.EXP. : NET PREMIUM	1.700%	1.462%	1.439%	1.416%	1.150%
COMBINED EXPENSE RATIO	83.361%	83.999%	83.577%	77.397%	84.243%

SOLVENCY RATIOS

PREMIUM : CAPITAL AND SURPLUS	2.917 To 1	2.086 To 1	1.613 To 1	1.301 To 1	1.254 To 1
RESERVES : CAPITAL AND SURPLUS	1.357 To 1	1.88 To 1	1.985 To 1	1.717 To 1	1.568 To 1
RETAINED RISK PER OCC *: EQUITY	83.33%	57.22%	42.50%	32.89%	25.1%
NET PER OCCURRENCE RETENTION	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000

Thank You!

For questions, please reach out to

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