

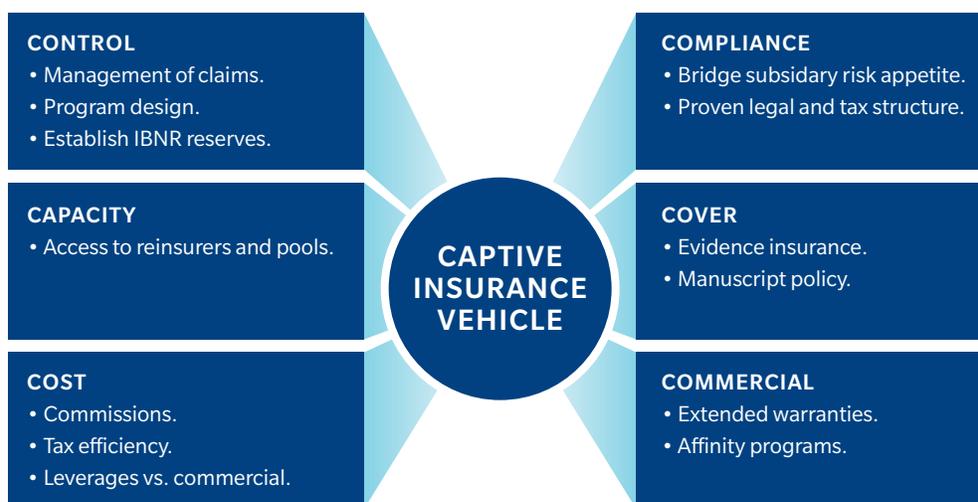
# CAPTIVE SOLUTIONS WITH AN ANALYTICAL APPROACH



# Empowering Confident Decisions to Manage Your Own Risk

A captive insurance vehicle is a premier alternative risk finance solution – one thousands of companies of all sizes benefit from. Once viewed primarily as a solution to counter rising premium costs, captives actually offer many potential risk management benefits. Supporting this more expansive application of captives is the increasing use of data and analytics to inform companies' risk financing decisions and to drive down their cost of risk. Analytics can play an important role in helping identify risk retention opportunities and optimizing captive utilization, which often yields significant strategic and economic benefits.

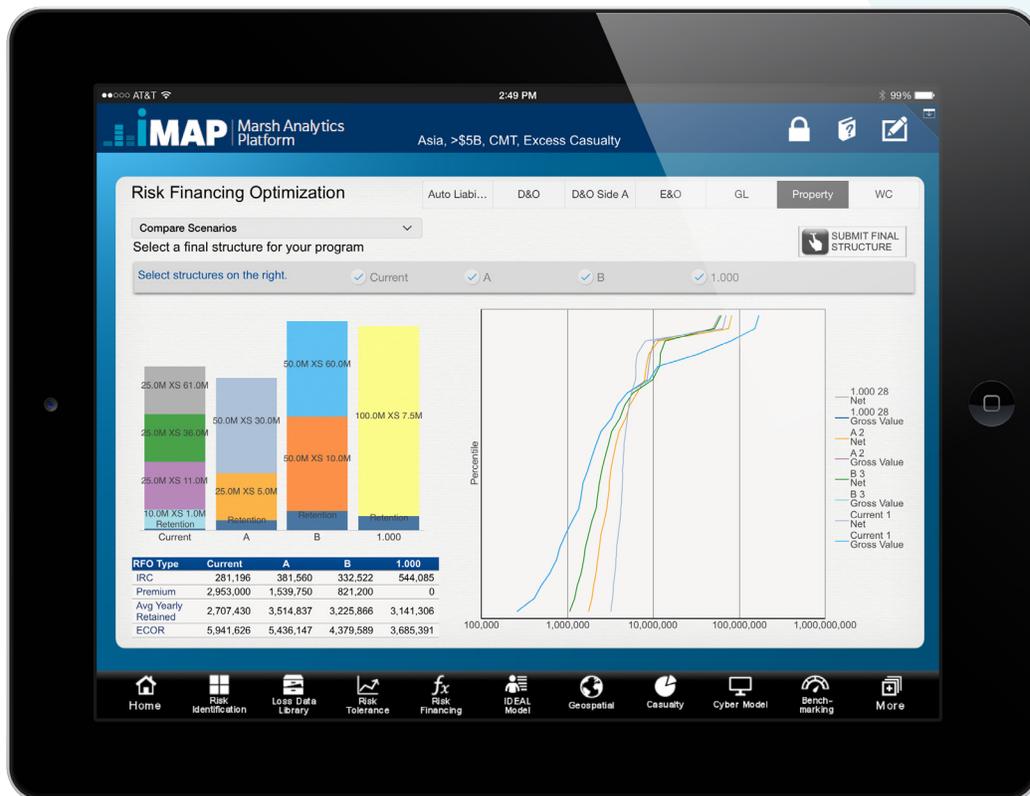
## CAPTIVE VALUE



# A Modern Approach to Risk Management

By providing clients with a new forward look at risk, Marsh enables captive clients to quantify and manage risk through a notable combination of data, analytics, and technology. The insights from the Marsh Analytics Platform (MAP) empower clients to take a holistic view of risk and confidently move forward with strategic plans in today's modern risk environment.

MAP is delivered through a groundbreaking mobile platform that allows clients to have a real-time, customized, dynamic conversation about risk financing options. Through this industry-leading, real-time, mobile content-delivery platform, Marsh helps clients navigate massive amounts of data related to exposure, claims, and placement information all in a dynamic, customized, and easy-to-understand experience.



# Analytics Is a Key Part of Establishing and Managing a Captive

Marsh’s analytics team works with captive clients to help them answer questions such as:

- How much risk can the company retain without significantly impacting its financials?
- Is the company appropriately protected against risk within its corporate risk tolerance?
- Is the company getting a fair price for insurance?
- Can the company leverage a captive to gain strategic advantage and minimize the cost of risk?

By analyzing financial data, Marsh works with the captive client to create a threshold for risk tolerance aligned with its risk appetite. The risk tolerance threshold is an important factor in selecting an appropriate insurance structure to support the client’s overall capital allocation and strategic planning. Analytics help our captive clients justify risk tolerance and guide sound strategic and financial decisions.

## Risk Financing Optimization

The keystone of the MAP platform is the Risk Financing Optimization (RFO) approach. RFO distills the statistics that measure a company’s risk into Economic Cost of Risk (ECOR) — the best measure to describe the cost for retaining and transferring risk and the volatility surrounding expected losses. Through RFO, dozens of possible financing structures are dynamically considered, allowing the client

to choose the one that appropriately protects the company while lowering its overall economic cost. The objective is to help clients better understand their risks, evaluate alternative insurance structures, and, ultimately, make optimal risk financing decisions backed by data and analysis.

### HOW A MANUFACTURING CLIENT USED ANALYTICS TO OPTIMIZE RISK RETENTION AND CAPTIVE FINANCING

Client engaged the Marsh Global Analytics team to review the efficiency of its casualty program. Inefficiencies show in the current program.

Client raised retention from \$250,000 to \$1M and retained losses within the layer of approximately \$7.5M.

Client forms and capitalizes a captive and pays premiums to the captive of \$7.6M. Incurs captive startup and annual operational expenses.

Savings on insurance premium:  
 \$11,700,00  
 - \$3,700,00  
 \$8,000,000

Risk management, business, and economic benefits of owning and operating a captive of approximately \$375,000 (net of all operating costs).

# Making Your Captive More Efficient

Marsh offers industry-leading experience in captive program design and management, with captive professionals and offices throughout all the world's major captive domiciles. We evaluate your organization holistically — understanding your strategies, goals, and needs — and provide the tailored, comprehensive captive solution that works seamlessly within the context of your business. The combined power of Marsh Global Analytics and Marsh Captive Solutions can help you answer questions about the risks you assume and determine the right financing vehicle for your business. With Marsh's support, you can better manage your own risk and make decisions with confidence.



For more information, contact:

**ELLEN CHARNLEY**

MARSH CAPTIVE SOLUTIONS  
+ 1 415 743 8565  
ellen.charnley@marsh.com

**LORRAINE STACK**

MARSH CAPTIVE SOLUTIONS  
+ 353 1 605 3039  
lorraine.f.stack@marsh.com

**CHAD WRIGHT**

MARSH GLOBAL ANALYTICS  
+ 1 404 995 2488  
chad.m.wright@marsh.com

**FABIEN GRAEFF**

CAPTIVE/ANALYTICS LEADER –  
CE REGION  
ANALYTICS SALES LEADER,  
FRANCE, BELGIUM & SWITZERLAND  
+33 1 4134 5855  
fabien.graeff@marsh.com

**DAVID KRAFT**

ANALYTICS SALES LEADER,  
NORTHERN & CONTINENTAL EUROPE –  
CE REGION  
+31 10 40 60 284  
david.kraft@marsh.com

**VITTORIO POZZO**

ANALYTICS SALES LEADER,  
SOUTHERN EUROPE – CE REGION  
+39 02 4853 8632  
vittorio.pozzo@marsh.com

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