MARSH

THE CAPTIVE LANDSCAPE | JUNE 2019

Securing Your Future With a Captive

Captive insurers deliver value to a variety of stakeholders

MARSH & McLENNAN COMPANIES

Securing Your Future With a Captive

CONTENTS

Introduction

The number of organizations and risk professionals embracing captives as a tool to secure their future continues to grow, according to Marsh's *2019 Captive Landscape* report.

Captives in all their forms — including single-parent entities, group captives, protected cell captives, and special purpose vehicles — prove their value every day for a wide variety of industry sectors and types of risks. No matter their structure or premium volume, all captives offer flexibility for their parent organizations' stakeholders to access and protect capital, accelerate business unit objectives, and protect human capital.

Organizations see multiple value drivers for maintaining captives, including acting as formal funding vehicles for self-insured risks, accessing alternative capital, and designing customized insurance coverage. Captives also provide cost efficiencies, including purchasing commercial reinsurance coverage, potentially reducing tax liabilities, and generating profits by underwriting third-party risks. And as you'll see in the 12th annual *Captive Landscape* report, organizational stakeholders — chief financial officers, treasurers, chief information officers, chief technology officers, human resources executives, and risk managers — all have their own views on captive value propositions.

The financial benefits afforded by captives are one side of the coin. On the other, captives can facilitate the funding of employee benefits and programs that promote a culture of well-being and safety, thus supporting employee engagement, recruitment, and talent retention.

Marsh is proud to present the *2019 Captive Landscape* report. Our client service team is ready to discuss these or other topics to help you secure your organization's future.

Ellen

Ellen Charnley, President
Marsh Captive Solutions

Captives provide cost efficiencies, including purchasing commercial reinsurance coverage, potentially reducing tax liabilities, and generating profits by underwriting third-party risks.

Flexibility in Meeting Business Needs

Captives and Risk Managers at the Core

In the context of a risk management program, placing a captive at the center facilitates value drivers and offers support to different stakeholders. Each of these offers specific advantages for an organization.

FIGURE 1

Putting a captive at the core of a risk management program offers agility in funding risks and support for business operations.

Business Cases for Captives

A key benefit that captives offer an organization is the acceleration of corporate objectives, which can be viewed not just at the corporate level, but through the lens of critical organizational stakeholders. Thus the advantages of a captive align with the objectives of stakeholders including:

- Risk managers.
- Chief financial officers (CFO).
- Treasurers.
- Human resources (HR).
- Chief information officers (CIO)/chief technology officers (CTO).

Captive Advantages	Principal Stakeholders	Value May Include
Provide risk financing flexibility, elevate profile of risk management.	Risk manager	• Reduced cost of risk. • Stable risk capacity. • Access to reinsurance. • Discipline, control, and administration of the claims process. • Captive surplus to fund for incentive programs for increased safety and loss control.
Allow for efficient use of and access to capital.	CFO	• Profit from unrelated third-party business. • Business unit budget alignment. • Potential tax efficiencies.
Optimize investment strategies.	Treasurer	• Risk retention analytics. • Access to alternative capital and insurance linked securities (ILS). • Intercompany investment strategies. • Efficient use of the organization's capital for retained exposures, and risk transfer products for transferred exposures.
Protect human capital, provide employee benefit incentives.	HR	• US and multinational employee benefits. • Attracting and retaining talent. • Program control and collaboration. • Voluntary benefit offerings. • Access reinsurance markets for medical stop-loss.
Allow for cyber protections and digitization across the enterprise.	CIO/CTO	• Cyber liability and security. • Digital technology integration. • Enhanced data collection.

Captive Viewpoints

Consider a hypothetical company that deploys a captive insurer to finance the self-insured portion of its risk management program and to fund activities for which commercial insurance options are limited. Among those activities is a planned data center that will support a new consumer product line. How is the captive viewed by key executives?

- **Risk manager:** Favors the captive for its flexibility in financing risks and raising the profile of risk management activities across the company — even extending to cover the risks of third parties. Over the past five years, the number of captives writing third-party coverages has increased 62%.
- **CFO:** Sees the captive as enabling the company to reduce the volatility of its cash flow, facilitate growth and profitability, and deliver possible tax efficiencies. Investments by Marsh-managed captives in 2018 included more than US$67 billion in intercompany loans.
- **Treasurer:** Views the captive as providing efficient risk retention and financial flexibility. Marsh-managed captives in 2018 held total assets of more than US$374 billion.
- **HR:** Appreciates the captive's ability to efficiently fund employee benefits programs, which help the company attract and retain diverse talent. The number of captives participating in multinational benefits has grown 243% over the past five years.
- **CTO/CIO:** Considers the captive as a provider of cost-effective ways to protect the data center and preserve the company's assets for future technology investments. The number of captives writing cyber liability coverage over the past five years has grown by 95%.

Captives' Appeal for Stakeholders

Risk Managers

The role of risk managers has evolved from managing guaranteed cost insurance programs to advising senior management on strategic risk retention, financing, and transfer strategies in support of corporate objectives. Captives have become valued tools for risk managers, offering advantages that include:

- **Risk financing flexibility.** Captives are able to write a wide variety of risks and provide a formal structure for funding risks that an organization chooses to retain.
- **Reduced volatility in insurance purchasing.** Captives used to fund self-insured retentions and working-layer risks can ultimately reduce an organization's reliance on primary insurance, the pricing of which is subject to market volatility. Buying excess insurance can be more cost-effective for organizations that mitigate working-layer risks.
- **Support for business units.** A captive can facilitate risk allocation strategies and offer incentives for business units that control losses effectively. Captives can also equalize differing risk tolerances among business units, easing the administration of global insurance programs.
- **Funding of safety and loss control.** Captives can enable risk management departments to finance investments in safety and loss control, protecting an organization's people and property.

Captives can elevate the role of risk management across their parent organizations and with third parties. Third-party business has shown strong growth in Marsh-managed captives over the past five years (see Figure 2).

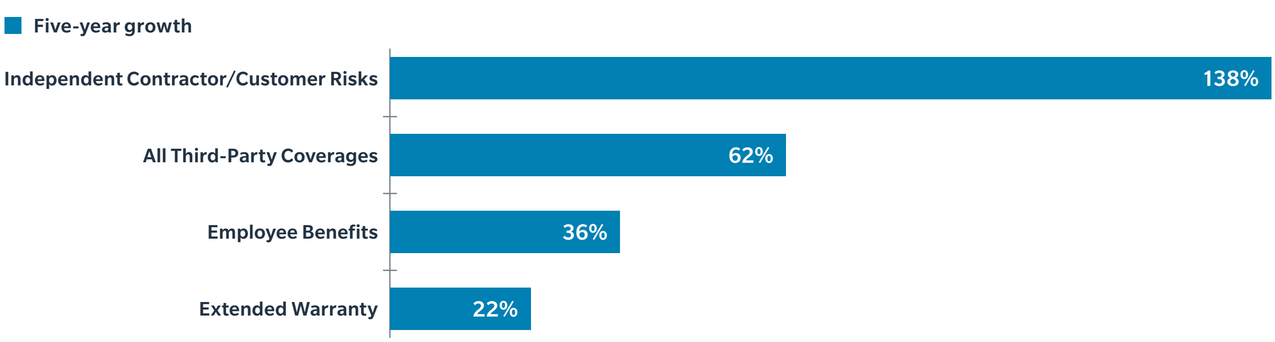
Chief Financial Officers

CFOs have diverse concerns, including growth and profitability, investments, and their organizations' financial health. In many organizations, operational risk management reports through the CFO as well. Captives can play a central role in meeting a CFO's objectives, including:

- **Retaining risk.** A captive is a disciplined way for an organization to use data and analytics to drive risk strategy.
- **Acting as a profit center.** Underwriting third-party risks — such as extended warranties — through a captive can help business units retain customers and/or strengthen their relationships with suppliers, while providing a profit source. Captive-funded loss control programs can also improve productivity and profitability (see In Focus, page 6).
- **Building surplus and capital.** Captive insurers enable parent organizations to generate additional investment yields and accumulate surplus.
- **Providing cost savings.** Captives' flexibility as risk management tools provides long-term savings for their parent organizations by reducing overall cost of risk and enabling integrated risk programs.
- **Facilitating access to capital.** A unique feature of captives is their direct access to alternative capital sources, ranging from reinsurance to insurance-linked securities, such as catastrophe bonds.
- **Achieving tax efficiencies.** Captives, under certain circumstances, can qualify for tax deductibility of premiums and have the potential to build up underwriting income on a tax-deferred basis.

FIGURE 2

Third-party business written by captives increased between 2014 and 2018.



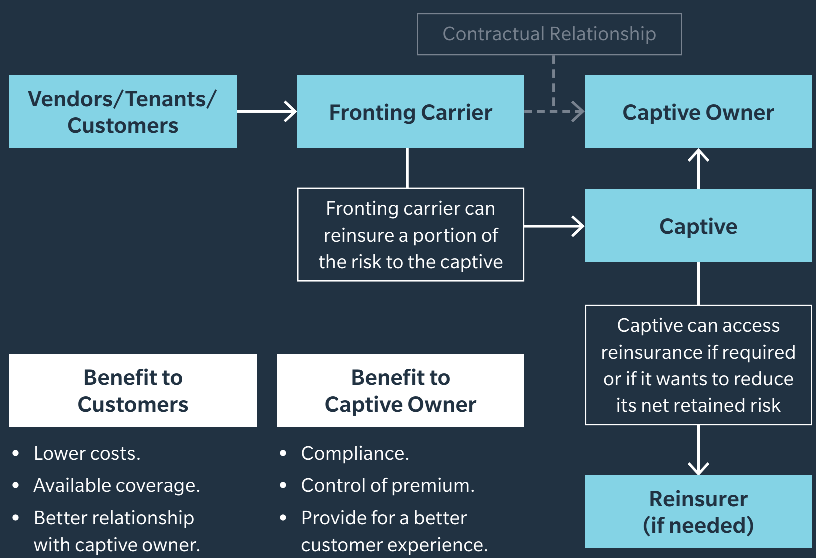
IN FOCUS

Profiting from Third-Party Risks

Captives turn extended warranties and other coverages into a US$3 billion profit center for their parent organizations

Captives are important tools for funding their parent organizations' self-insured risks, yet many also write third-party risks (see Figure 3). What captive parents may not fully realize is that writing third-party risks can also generate profits, if the captive performs well. In 2018, 22% of Marsh-managed captives globally with a value of $18.7 billion in premium were writing some form of third-party coverage (see Figure 4).

FIGURE 3 Third-party coverage: How a captive can offer insurance products to its customers.



As insurance entities, captives can underwrite a range of risks. Offering coverage to third parties, such as customers and suppliers, can strengthen those relationships and bring additional premium to the captive. Common third-party coverages include extended warranties, auto liability, theft, travel accident, and independent contractor/customer risk vendor policies.

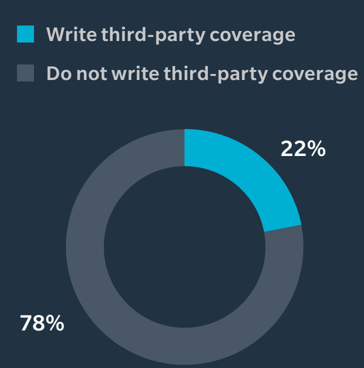
Extended warranties: In 2018, Marsh-managed captives wrote more than US$3 billion of net premiums for extended warranty coverage. In the past five years, the number of Marsh captives offering extended warranties grew by 22%. Extended warranties protect a variety of assets, from computers to automobiles.

Auto liability: In 2018, auto liability generated more than US$1.2 billion of net premiums for captives. A manufacturer, for example, could offer personal auto liability insurance to its contractors through a captive. Similarly, employers in several industries might offer captive-funded auto liability coverage to their employees and dependents.

Independent Contractor/Customer Risks: Coverage for non-employed contractors, vendors, independent contractors, and customer risk has been on a steep growth trajectory for the past five years, growing 138% among Marsh-managed captives. This form of coverage in 2018 generated more than US$162 million in net premiums. Industries such as construction and retail/wholesale, for example, might offer general liability or professional liability insurance to contractors, vendors, or independent contractors, helping them secure contractually required amounts of coverage.

If not needed to pay losses, the underwriting income that third-party business may generate can enhance a captive's value by creating a new profit center for its parent organization.

FIGURE 4 Captives can profit writing third-party coverage.



Treasurers

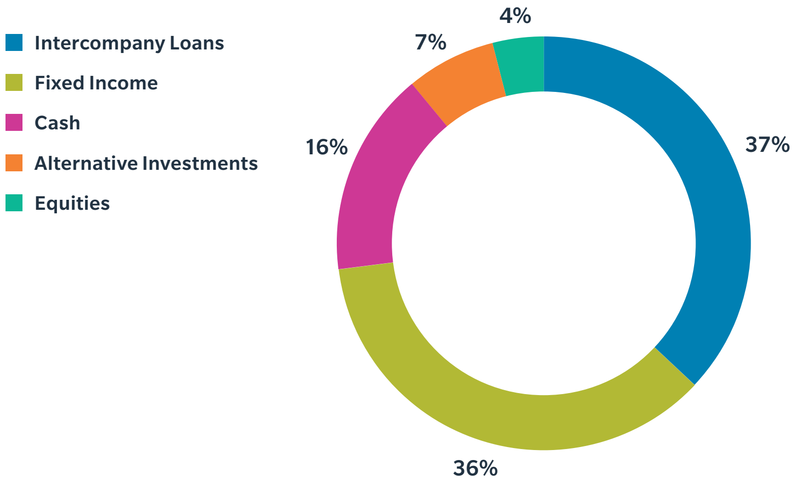
Corporate treasurers have increasingly complex jobs, with key responsibilities as the stewards of their organizations' financial and liquidity risks. Captives are helpful to treasurers in multiple ways, including:

- **Preserving working capital.** Risk retention through a captive enables parent organizations to pre-fund losses, which can stabilize annual expenses if unexpected large liabilities arise. In addition, business units of varying sizes can protect their budgets, which may allow for more certainty in their budgeting process.
- **Intercompany loans.** Captives offer a formal investment vehicle for intercompany loans. In 2018, Marsh-managed captives held more than US$183.5 billion in investments, of which intercompany loans accounted for 37%. Another advantage of captives for intercompany loans is that the parent can avoid tying up cash.
- **Diversifying investments.** As regulated insurance entities, captives provide parent organizations options for placing assets in alternative investments, enabling additional hedging opportunities. Investments among Marsh-managed captives included 36% in the form of fixed income securities, 16% in cash, 4% in equities, and 7% in alternative investments (see Figure 5).
- **Reducing cost of capital.** Captives allow parents to reduce their dependence on commercial insurance markets, reducing the expense of commercial coverage and offsetting future insurance costs.

Captives can accumulate significant amounts of capital. Marsh-managed captives across more than two dozen industry sectors globally have amassed total shareholders' funds exceeding US$108.3 billion.

FIGURE 5

Intercompany loans and fixed income lead captive investments.



VALUE IN VOLUNTARY BENEFITS

Reinsuring voluntary employee benefits is an emerging opportunity that most captive owners have not explored, but could find significant value in. Voluntary benefits have no catastrophic loss potential, and they enable employees to access enhanced coverages and financial security. For captive parents, reinsuring voluntary benefits offers advantages, including:

- Risk diversification. Voluntary benefits are typically not correlated with other risks placed in the captive.
- Third-party premium. Employees pay 100% of voluntary benefit premiums, which count as third-party business.
- Improved cash flow, profitability, and control over investment income.
- Additional funding for new or existing employee programs. Using a captive to reinsure voluntary benefits also offers greater control over benefit plan design, enabling employers to offer innovative benefits to increase employee engagement.

A Marsh program, BeneCap, offers a turnkey platform for reinsuring voluntary benefits.

MEDICAL STOP-LOSS

A growing number of captives are writing medical stop-loss coverage and life reinsurance to enhance the value of their parent organizations' benefit programs. For employers with self-funded health plans, medical stop-loss coverage can provide greater control over plan costs, mitigate high-value claims, and generate premium savings.

Medical stop-loss coverage generally attaches above a sizable retention per each covered plan member. Such retentions may range from US$150,000 to US$500,000. Marsh-managed captives wrote nearly US$1 billion in medical stop-loss premiums in 2018, and have found value in risk pooling for many years. More recently, Marsh created a medical stop-loss pooling facility, MedPool Re, which enables captives to achieve cost savings and financial certainty by pooling their excess medical risks.

Human Resources

HR executives' principal responsibility has traditionally been to manage employees and employment-related issues. As HR assumes a more strategic role in supporting financial objectives, captives offer several advantages, including:

- **Funding employee benefit programs.** Self-insuring medical benefits has proven to be cost-effective for many employers. Medical stop-loss coverage, acting much like excess-of-loss reinsurance, can provide financial protection from catastrophic claims or loss accumulation. In 2018, Marsh-managed captives wrote more than US$979 million in medical stop-loss premiums.

- **Financing multinational benefits.** A growing number of organizations seek to combine their national benefit contracts to make administration and finance easier, and to unlock cost savings. Captives are increasingly being used to reinsure the liabilities of pooled benefits.

- **Enhancing employee engagement.** Voluntary benefits, such as supplemental life and disability, legal services, and pet insurance, are becoming more popular as a way to recognize employee needs and raise engagement. Captives are well-suited to fund voluntary benefits.

- **Supporting safety programs.** Cost efficiencies achieved through utilization of captives may facilitate investments and incentives in safety and loss control that can foster a culture of care in the workplace.

Chief Information Officers/ Chief Technology Officers

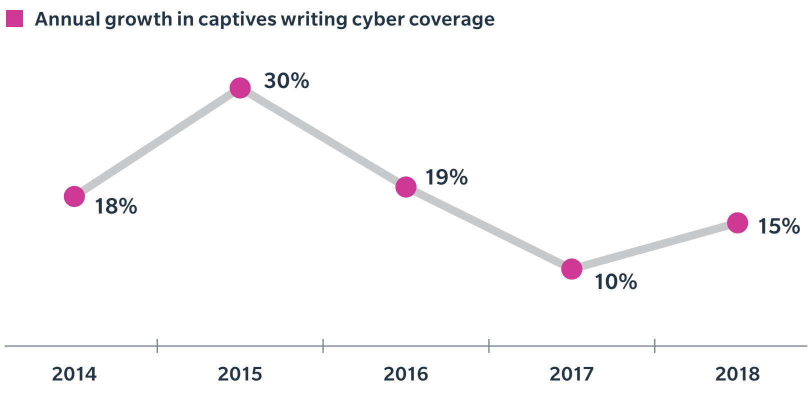
CIOs and CTOs have complementary, yet distinctly different, organizational roles. Technology is the common ground on which they stand, with the CIO focused internally to run the organization and the CTO overseeing technologies sold to outside clients. Captives can respond to internal and external business needs, offering several advantages for CIOs and CTOs, including:

- **Protection against cyber liability and cyber terrorism.** Whether a cyber incident compromises internal or customer-facing systems — or an act of cyber terrorism shuts down an organization — a captive can provide valuable financial protection alone or in

combination with commercial insurance. Over the past five years, the number of captives writing cyber liability coverage has increased 95% (see Figure 6). In addition, US captives accessing the Terrorism Risk Insurance Program Reauthorization Act for property can now access it for cyber terrorism events, if they are certified by the Secretary of the US Treasury, pursuant to TRIPRA.

- **Cyber analytics and risk assessment.** Capital and surplus from a captive can fund analytics and cyber risk assessment services to enhance data security.
- **Risk data sharing.** Captives can facilitate risk data sharing across the enterprise to inform business decisions.

FIGURE 6 Number of captives writing cyber coverage continues to increase.



FUNDING BENEFITS ON THE RISE

The recruitment and retention of talent remains one of the most significant global business risks for multinational companies, driving many to explore the use of captives to finance benefit risks. Among Marsh-managed captives, 53% are already writing, considering writing, or likely to consider writing benefits such as group life, multinational health and disability benefits, and voluntary benefits.

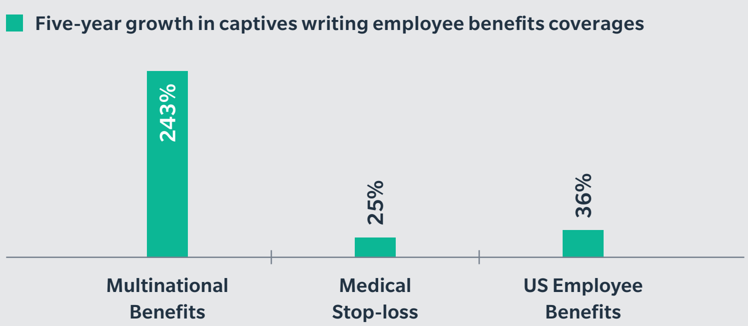
Over the past five years, participation by captives in multinational benefits has increased 243% (see Figure 7). One reason for employers' increasing interest in writing benefit risks outside the US is the ongoing increase in medical benefit cost trends. In Mercer Marsh Benefits' (MMB) most recent *Medical Trends Around the World* report, cost trends globally averaged a 9.5% increase in 2017 and were forecast to reach 9.1% for 2018.

Marsh-managed captives are innovative in the types of benefit coverages they offer. New, non-traditional coverages include treatments for human immunodeficiency virus, and family-friendly benefits such as treatments for infertility as well as coverages for same-sex domestic partners.

Captives offer an additional potential advantage to employers: access to claims data, which is a goal of every employer using a captive as a means of identifying the sources of cost increases. The quality and availability of benefits underwriting data is a work in progress, due to disparities in reporting around the world, though it continues to improve. An MMB survey of nearly 200 insurers globally found that their top strategic priority is to invest in data analytics capabilities.

As more multinationals seek solutions to their business challenges, the role of captives will increase in importance and evolve from being primarily a financing vehicle into a tool to support organizations' future benefits strategies.

FIGURE 7 Number of captives writing employee benefits coverages continues to increase.



Captives Looking to Capitalize on Technology Innovations

From blockchain to mobile apps, digitization is creating opportunities for captives

The wave of digitization across industries, including insurance, is creating opportunities for captives to invest in technology innovations that can reduce administrative expenses. As digital experiences reshape consumer expectations, businesses are taking cues to deploy technologies that make it easier for users to find information and complete transactions.

For captives, innovations such as blockchain and mobile applications represent new risks to insure. They can also reduce operating expenses by facilitating the distribution of policy information, proof of insurance, and claims payments.

Blockchain, a popular term for distributed ledger technology, enables multiple parties to record ownership of assets, without any single party able to change or tamper with the records. Registering data on a blockchain essentially creates a digital asset in a process known as "tokenization." Tokens are an efficient way to manage information, and blockchain technology ensures only one copy of a token exists. This principle is what gives value to cryptocurrencies; each "coin" is its own digital file that cannot be copied or altered because the file is stored on a series of distributed ledgers.

A wide variety of assets can be tokenized, which means an equally broad set of exposures. Because blockchain is a new technology and loss exposures are not yet well understood, the commercial insurance marketplace finds tokenized assets difficult to insure. This creates an opportunity for captives in at least two ways: offering tailored coverage for blockchain risks and using blockchain technology to make insurance policies tokenized assets. An insurance contract registered in a blockchain can be accessed by multiple parties, offering proof that risks are formally funded.

Mobile apps are another technology opportunity for captives. Commercial insurers are increasingly using apps to let policyholders manage their account information, pay premiums, and report claims. Some are even using mobile payment apps to settle claims. Marsh recently unveiled a cloud-based digital broker platform, Bluestream, that enables clients to offer insurance products and services to their customers, contractors, and employees. Captives can use Bluestream to similarly offer coverage to third parties, a strategy that can turn a captive into a profit center for its parent organization.

A Global Overview of Captives

Alternative risk transfer solutions are increasing globally, with captives reigning as the most common type as organizations understand their value and utility (see Figure 8). According to a recent Marsh survey, 78% of companies that say they use some form of alternative risk transfer use captives.

FIGURE 8

Captives top the list of alternative risk transfer solutions.

SOURCE: 2019 EXCELLENCE IN RISK MANAGEMENT

Value Drivers

A survey of Marsh clients with captives identified the main value drivers in maintaining a captive, including acting as a formal funding vehicle to insure risks that the parent organization has decided to self-insure, accessing reinsurance markets, and designing manuscript policy forms (see Figure 9).

FIGURE 9

Funding corporate retained risks is the key value driver for maintaining a captive.

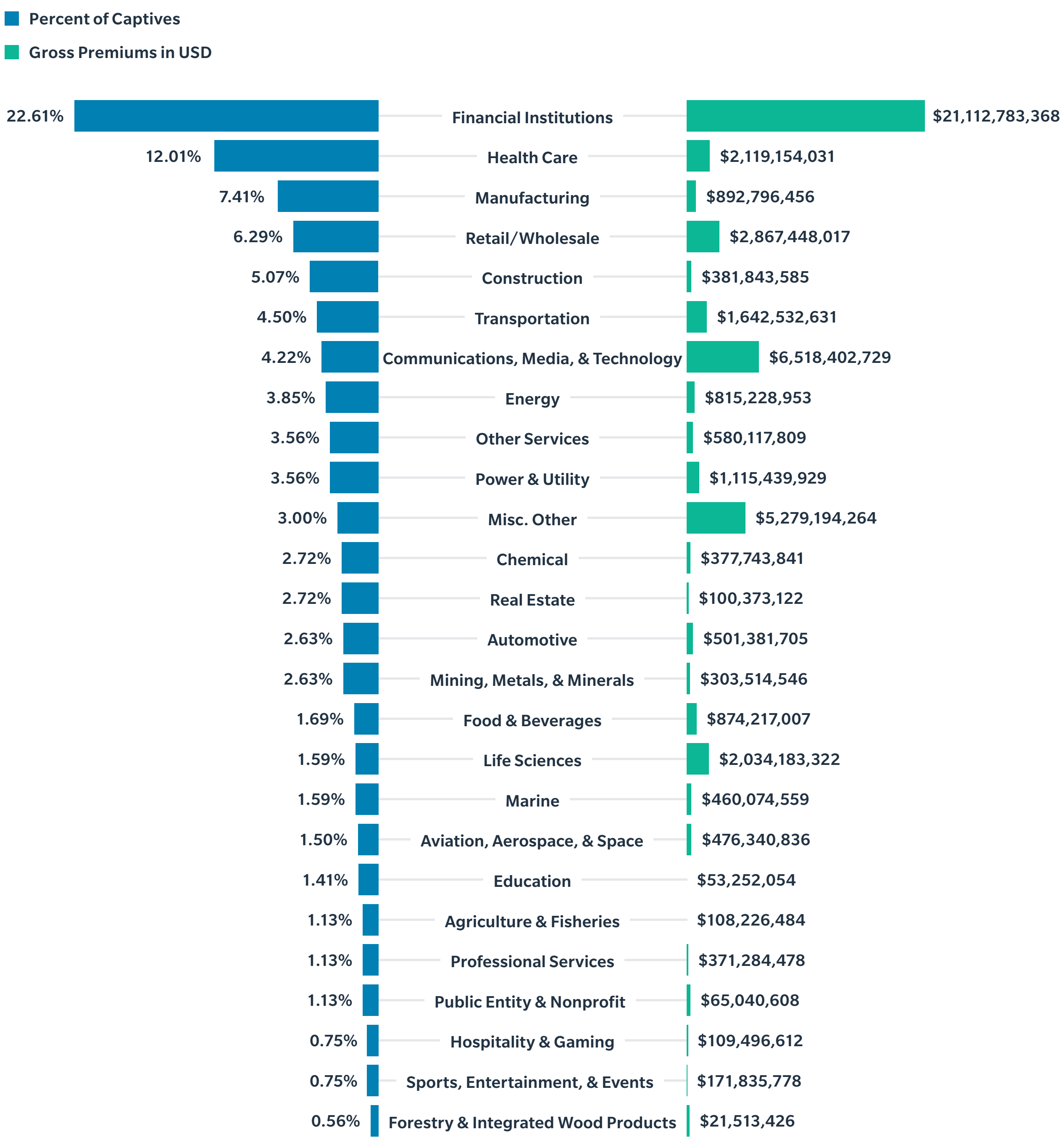
For captives, innovations such as blockchain and mobile applications represent new risks to insure.

Captives by Industry

Although financial institutions continue to lead in both number of captives and premium volume, other industries are adopting or expanding their use of captives, including health care; manufacturing; retail/wholesale; and communications, media, and technology (see Figure 10).

FIGURE 10

Financial institutions continue to dominate in number of captives, but captive use has expanded across industries.



Captive Structures

Single-parent, or pure, captives continue to be the primary structure for captive vehicles, accounting for more than two-thirds of captives globally. However, captive parents have a variety of options for structuring a captive entity (see Figure 11). For example, in Singapore and Guernsey there has recently been an increase in the use of ILS structures leading to more special purpose captives. Interest in cell structures has been growing, and in the past year Marsh-managed cell captives reported gross premiums of US$3.23 billion, up 48% from US$2.18 billion the year before.

Special purpose vehicles (SPVs) offer captive parents flexibility and access to various sources of capital. Among Marsh-managed captives, the domiciles attracting the most SPVs are Vermont, Dublin, and Bermuda (see Figure 12).

FIGURE 11

Single-parent structure remains most popular for both US and non-US parents.

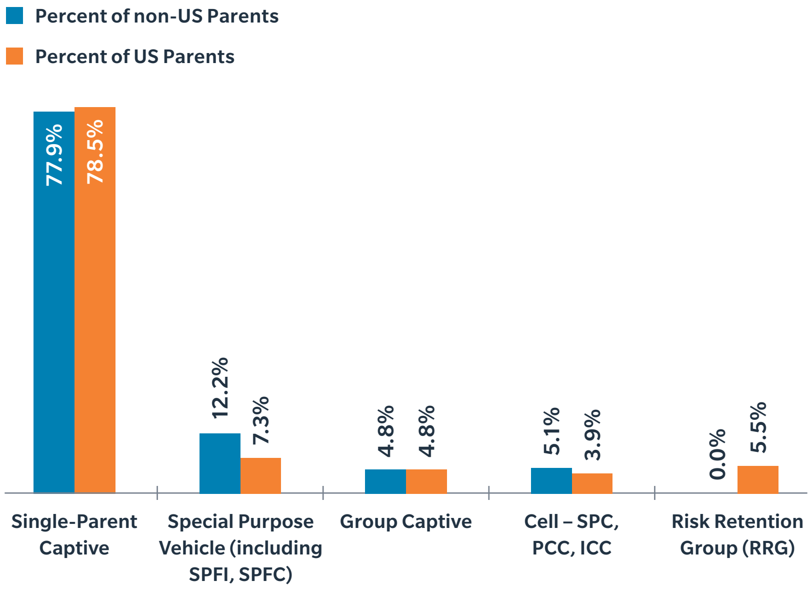
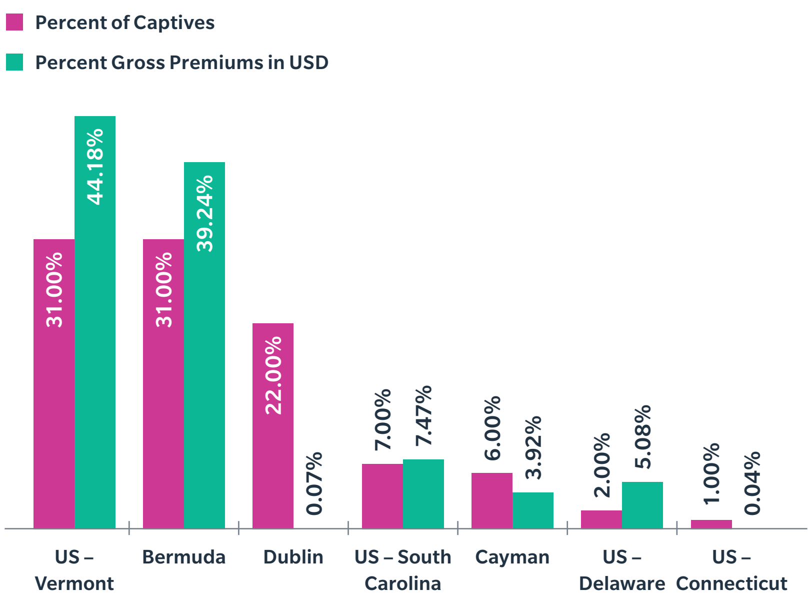


FIGURE 12

US-Vermont and Bermuda domiciles lead special purpose vehicles/life companies.



Different Captive Structures Offer Flexibility and Value

Single-parent captive: A wholly owned structure controlled by one company and formed to insure or reinsure the risk of the parent and/or unrelated parties of their choosing.

Stakeholder value: Risk manager; close similarity to commercial insurance company operations.

Special purpose vehicle: A subsidiary with an asset/liability structure and legal status designed to make its obligations secure even if the parent goes bankrupt. Generally used to house asset-backed securitizations, protect organizations from financial risk, or manage capital and surplus.

Stakeholder value: CFO/treasurer; offers capital efficiencies and access to capital markets.

Cell captive: A captive formed by a third-party sponsor that "rents" cells to outside companies. The liabilities and assets of each cell are separate from other cells, and each cell owner is usually required to capitalize that particular cell.

Stakeholder value: Risk manager, CIO/CTO; flexible structure for different risks, transparent infrastructure for managing data and cybersecurity.

Group captive: Owned and controlled by multiple companies to insure or reinsure the risk of the group. Owners may be heterogeneous, but use captive for common risks, such as medical stop-loss.

Stakeholder value: HR and risk manager; cost efficiencies in funding benefits and risks.

Risk retention group: A structure that requires owners to be insureds of the RRG and that may write only liability coverage on a direct basis to its participants. It can operate in all 50 US states on an admitted basis, yet requires a license only in its state of domicile.

Stakeholder value: CFO/treasurer; large-scale cost reduction for liability risks, access to reinsurance capital.

FUNDING LONGEVITY RISKS IN CAPTIVES

Global life insurance and reinsurance companies continue to look for innovative solutions to the longevity risks in their portfolios — life insurance, annuities, and long-term disability programs. Further, pension fund trustees are looking for financially efficient methods of managing the longevity exposure in their pension portfolios. With greater life expectancies in much of the world, fear of pandemics, and financial market challenges, these companies are increasingly interested in forming long-term insurers, particularly in Bermuda, Cayman Islands, and Guernsey.

These special purpose long-term insurers are insurance entities licensed offshore that function like captives and offer many of the same advantages, including:

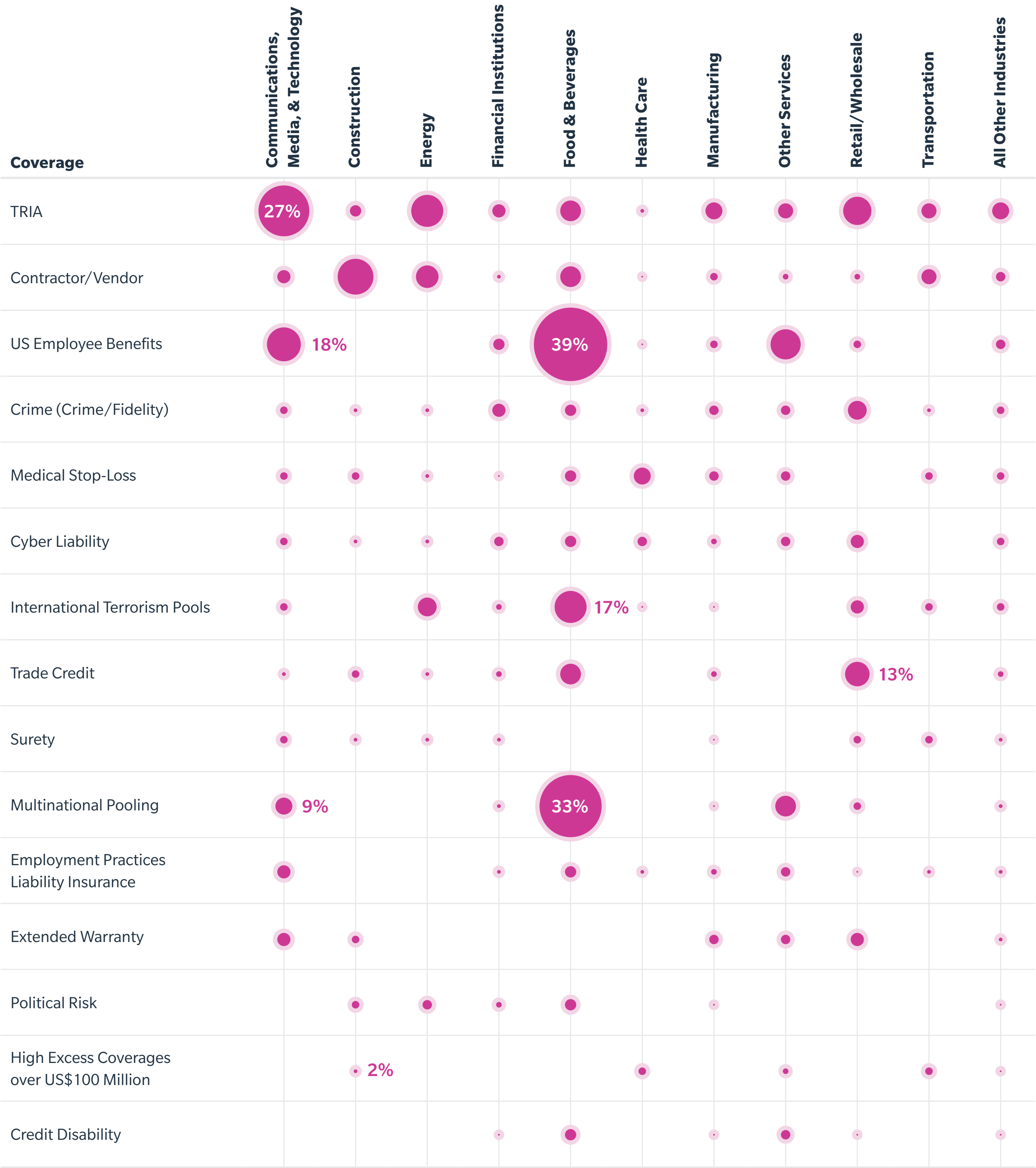
- **Capital efficiencies.** Statutory reserving requirements can be onerous for life insurers. Reinsuring a portion of these reserves offshore can free up capital for the parent organizations.
- **Interest rate risk management.** A prolonged low-interest-rate environment is contributing to reduced investment returns, adding pressure to balance sheets globally. Reinsuring long-term insurance contracts such as life, annuities, and disability can offer more investment flexibility to generate higher returns.
- **Management of longevity, mortality, and morbidity risks.** Demographic changes and worries about pandemics have heightened risks for primary life insurers, pension plans, and long-term disability and critical illness carriers. Offshore reinsurance can help provide capital support and risk mitigation strategies.
- **Access to a growing reinsurance market.** The international reinsurance market has identified longevity risk as an opportunity to diversify their portfolio and uncorrelated risk, generating opportunity to create financial efficiency for pension fund trustees.

Bermuda, Cayman Islands, and Guernsey are seeing growth in this type of offshore company. For example, in 2018 Bermuda experienced its greatest year-over-year growth in new long-term insurer formations. Bermuda achieved equivalency with Solvency II in 2016 and with the National Association of Insurance Commissioners in 2015. Regulatory equivalency has created a new market option for European and US insurers. These domiciles allow more flexibility in investment assets than regulatory authorities elsewhere. Guernsey has seen a number of high-profile pension funds setting up cells in incorporated cell company structures to manage the longevity risk due to the expertise that exists in the local market.

Non-traditional Coverages

FIGURE 13

Employee benefits, multinational pooling, and TRIA dominate percentage of captives with non-traditional coverages used by industries.

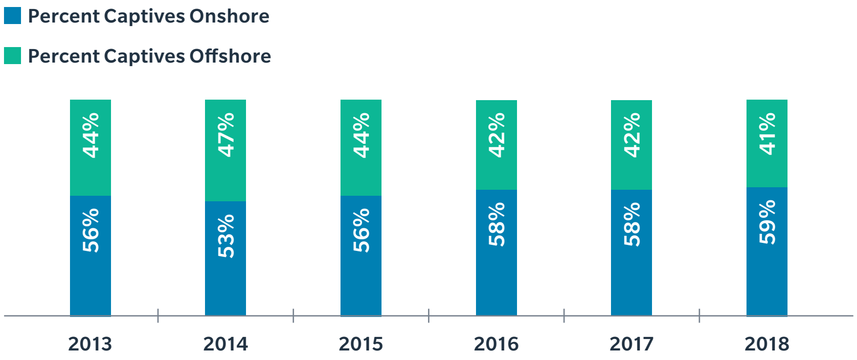


More Onshore Captives Than Offshore

Even though there are numerous captive domiciles around the world, a majority of Marsh-managed captives opt for onshore domiciles (see Figure 14).

FIGURE 14

Onshore domiciles continue to dominate for Marsh-managed captives.

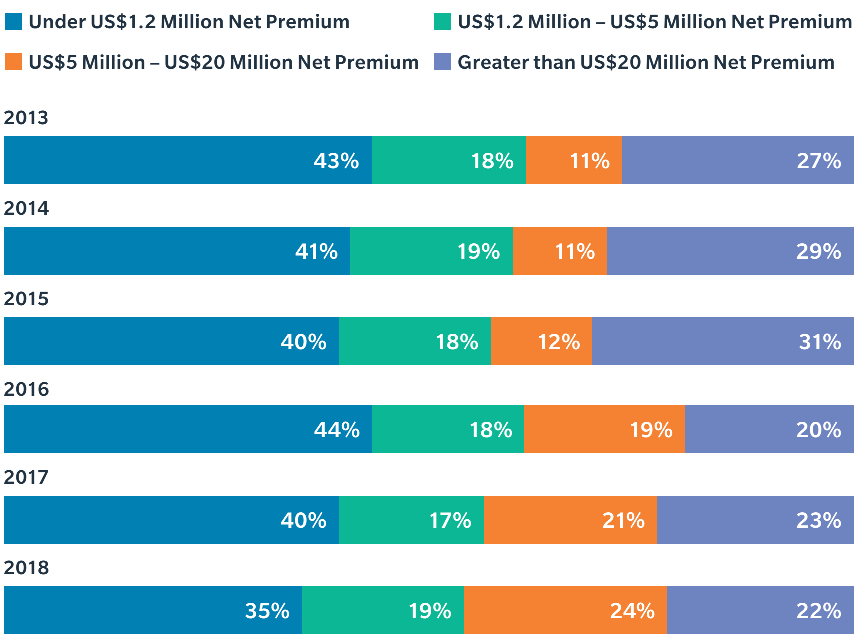


Size Trends

Captive growth in 2018 mainly occurred among entities with US$1.2 million to US$20 million in net premiums, corresponding to midsize and large captives (see Figure 15). Over the past five years, large captives — with US$5 million to US$20 million in net premiums — grew by 87%.

FIGURE 15

Midsize and large captives continue to show growth.



Parent Company Regions

Among regions where captive parents are based, growth over the past five years has been robust in: Asia-Pacific, up 24%; Middle East, up 33%; Caribbean, up 18%; and Latin America, up 17% (see Figure 16). Although the growth in the Middle East appears to be quite large, this is somewhat skewed by the small number of captives in the region. Captives in the Asia-Pacific region saw a 116% increase in gross premium over the last five years (see Figure 17).

FIGURE 16

Asia-Pacific region leads five-year growth in number of captives.

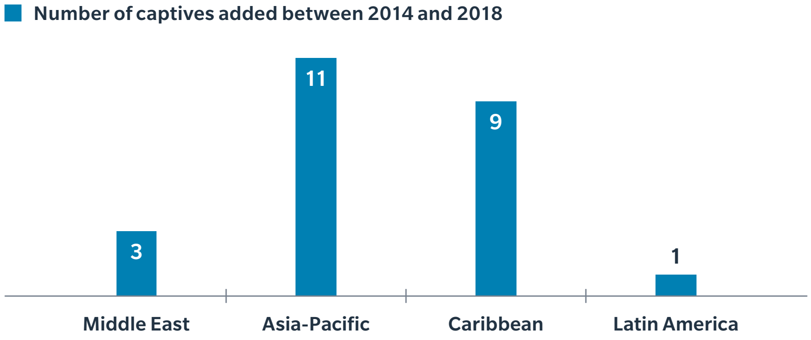


FIGURE 17

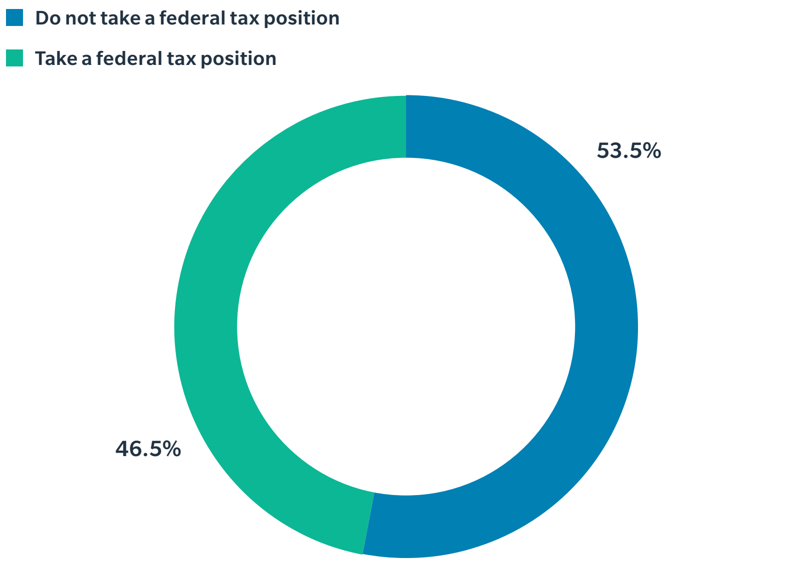
Trending geographies include Asia-Pacific and EMEA.

Tax Benefits

While captives can offer tax efficiencies under specific circumstances, only 39% of Marsh-managed captives viewed tax benefits as a key value driver in 2018, and less than half (46.5%) of all US companies owning captives treat their captives as an insurance company for federal income tax purposes (see Figure 18).

Among Marsh-managed US captives, 51% use third-party risks as their primary method of risk diversification to qualify the captive's activities as insurance to meet US federal income tax classification as an insurer. This is typically in the form of risk pooling (primary casualty risk pooling with other large organizations, such as the Green Island Reinsurance Treaty) and other third-party insurance coverages, including extended warranty, property insurance, auto liability, and professional liability.

FIGURE 18 US for-profit captive owners that treat their captive as an insurance company for tax purposes.



Recommendations

Captives are flexible tools that continue to evolve with their parent organizations' businesses. The multitude of structural options makes captives especially helpful in meeting their parents' needs and delivering financial solutions that maximize value. As part of benefitting the overall organization, captives also enhance the strategic goals of key internal functions. Stakeholders should consider the following ways that captives help secure their organization's future:

RISK MANAGERS:

- Flexibility in financing risks.
- Raising the profile of risk management activities.

CFOs:

- Asset protection.
- Profit opportunities.
- Supporting growth strategies.

TREASURERS:

- Risk retention to preserve working capital.
- Enhancing cash flow.
- Efficient use of capital.

HR:

- Funding employee benefits.
- Programs that improve safety and reduce injuries and illnesses.
- Enhancing employee engagement.

CIOs/CTOs:

- Cyber risk mitigation.
- Risk data sharing.
- Preserving capital for technology investments.

For more information, contact marshcaptivesolutions@marsh.com.

ABOUT MARSH

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