

Captive Insurance Strategy

Focus on Feasibility



A captive insurance company is a wholly owned subsidiary licensed to insure the risks of the owners of the captive. It is a risk assumption vehicle that can be an insurance or reinsurance company. Captives act as an infrastructure for transparency, validation and rationalization of retained risk positions.

One of the key elements of the captive development process is the feasibility study.

Feasibility Overview

A feasibility study is a study undertaken to determine whether a contemplated risk financing program is feasible for an organization.

The feasibility analysis will consist of the following:

- Evaluation of the proposed insurance program and determination of the appropriate premium, reserve and surplus levels
- Review of overall program structure and dynamics to best develop an operational framework which meets strategic goals
- Review of captive structure and tax consequences by appointed tax and legal advisors
- Domicile selection
- Preparation of pro forma financial statements
- Recommendations of service providers for strategic risk management partnership value

We will partner with your appointed actuarial, legal and tax consultants relating to these issues and will work in collaboration with them to develop the framework for the captive.



Common Data Collection

Upon engagement to conduct the captive feasibility study, the following data will be requested:

- Overview of parent business, including operations, number of employees, subsidiaries, etc.
- Corporate structural, tax and organizational information
- Corporate audited financials
- Current insurance program details for all lines of business to be considered, including current insurance policies, certificates of insurance and exposure
- Projected loss information for all lines under consideration, including any actuarial or risk analytics recently performed and or loss history for the last 10 years including large loss detail
- Historical and projected exposures
- Data related to growth plans, expansion and any expected circumstances which may impact exposures and risk

A formal actuarial analysis will be required to include quantitative analysis of data collected to perform loss forecasting at various limitations and confidence levels, loss pay-out patterns and surplus recommendations. The outcome of the analysis becomes the foundation for developing the final program pricing and structure and will be central to the discussions with fronting partners and reinsurers, as required.

Draft Report

We will issue a draft report for your review. This report will include discussion of the following information:

- Overview of parent business
- Development of recommended insurance program
- Summary of actuarial findings
- General costs and cash flow discussion recommendations
- Action plan for implementing recommendations, including timeline and cost
- Specific analysis of each of the proposed programs
- Risk financing
- Cash flow and pro forma financial statements
- Surplus requirements
- Domicile section
- Structure

Following your feedback, we will make any necessary changes and issue a final report which will be a critical element of the captive program's business plan. We will summarize our findings and be available to present the report and discuss next steps. We will provide a detailed outline for the execution of the selected programs, third-party service provider engagement, regulatory requirements and operational set-up.

- Domicile application
- Plan of operations
- Multi-year financial forecast
- Service provider overview
- Sponsor (parent company) overview
- Corporate documentation

Actuarial Recommendations (Upon Request)

Thank you for allowing us to provide you with this information regarding the captive feasibility process and permitting us to demonstrate our experience and expertise in partnering with you to develop your alternative risk financing strategies.

For more information, visit NFP.com.

READY TO GET STARTED?

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