Advantage Insurance

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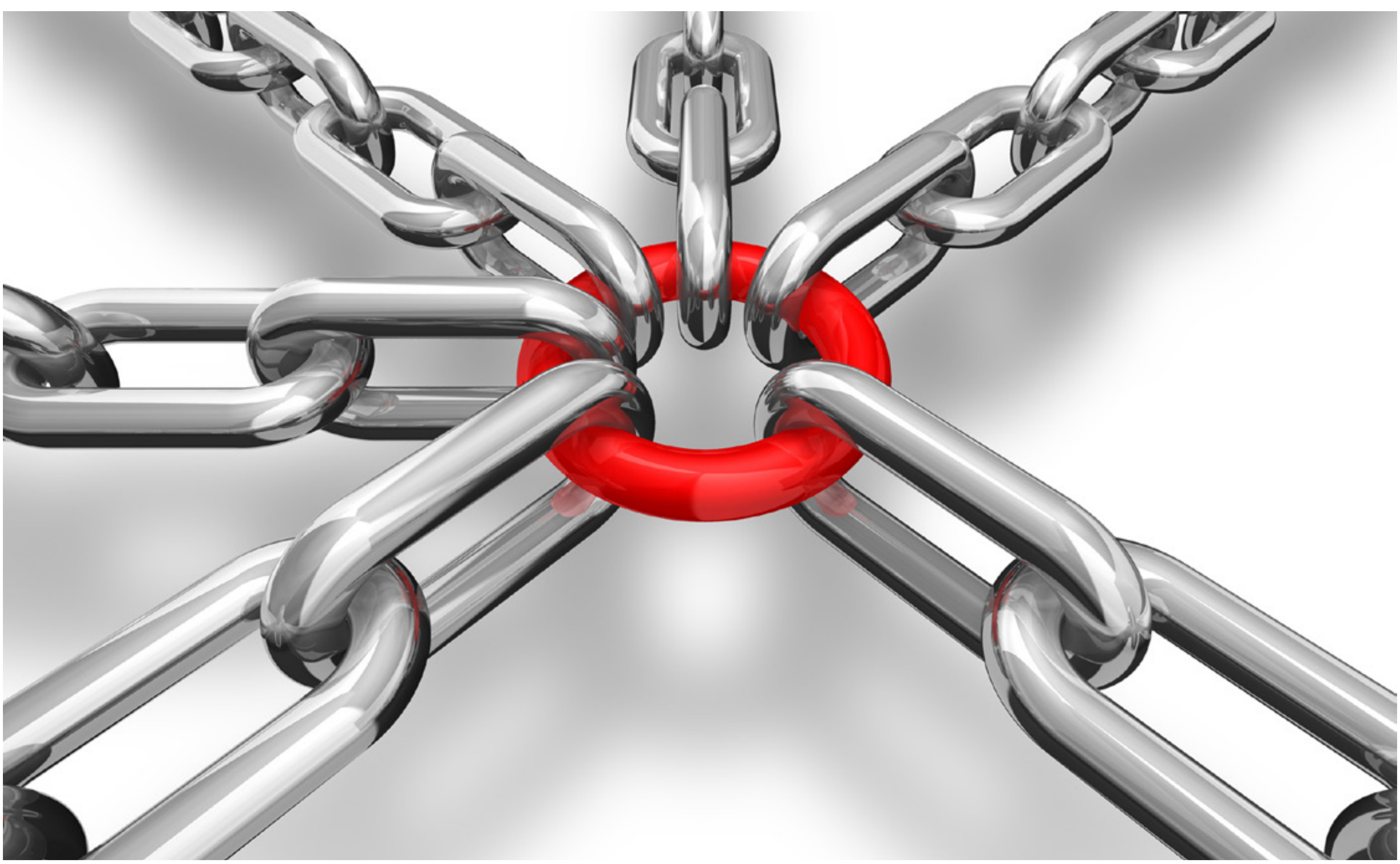
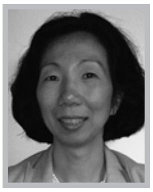
Evolution of captive insurance

FW discusses the evolution of captive insurance with Christina Kindstedt, Leslie C. Boughner, Liam Fleming and Simon Kilpatrick at Advantage Insurance.



THE PANELLISTS



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Christina Kindstedt started Advantage's Vermont office in 2017 after 14 years with Willis Towers Watson, where she built and led its risk retention group practice. She has extensive experience forming and managing captives, cells, groups, RRGs and RPGs in various industries. She has built her team into a leading independent manager in the largest captive domicile in the US. She and her team of seasoned professionals conduct feasibility studies, manage daily operations and provide strategic guidance on captive expansion.

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Les C. Boughner entered the insurance business in 1977. He held senior positions with FM Global, AIG, CNA, Zurich and Willis prior to joining Advantage Insurance Management (USA) LLC in 2015. He holds a Bachelor of Mechanical Engineering (with Distinction) from Carleton University, Ottawa, Canada, and an MBA from York University, Toronto, Canada. As chairman of Advantage Insurance Management (USA) LLC, he is responsible for developing and managing Advantage's captive insurance and related businesses globally.

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Liam Fleming has over 15 years of experience in the captive insurance industry in the Cayman Islands, having worked in assurance services with KPMG and two of the industry's leading providers of captive management services before joining Advantage. His experience includes working with single-parent healthcare captives, large reinsurance captives, and homogenous and heterogeneous group captives. Mr Fleming is a member of the Institute of Chartered Accountants in Ireland and the Cayman Islands Institute of Professional Accountants.

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Simon Kilpatrick has over 26 years' experience in the financial services industry, specifically in private banking, investment management and captive insurance. Mr Kilpatrick is primarily responsible for new business development, including captive insurance company consulting and formation as well as product development within the Advantage Group's captive insurance platform. He obtained a BBA (Finance) from the College of William & Mary in Virginia and holds the associate in captive insurance (ACI) designation.

FW: Could you provide an overview of how captive insurance has developed in recent years? What types of companies typically have captives and what types of risk can be insured?

Kindstedt: Due to the variety of ways that captives are used and counted and the fact that most of them are consolidated into their parents' regulatory reporting, it is always a challenge to accurately count them. Conventional wisdom excludes cell captives and series captives in counting, although cells have become increasingly popular. Per captive industry trade journals, the total excluding cells peaked at just under 7000 worldwide in 2015. The total would have been much higher if individual cells are counted. The types of companies that have captives cover all industries. Although captives were initially formed and owned by large manufacturers and other types of corporations, the middle market discovered their benefits and quickly adopted them. Captives cover all types of traditional lines sold by commercial insurers and non-traditional lines that commercial insurers have not got around to commercialise yet. Because commercial carriers have to go through a lengthy process to get their premium rates and policy forms approved by regulators, they are always a few steps behind the market demand. Captives often supply coverage to meet demand in a timelier fashion. Traditional lines include all property and casualty lines that are not personal lines. Non-traditional lines include, but are not limited to, crime, political risk, trade credit, cyber risk, surety and credit life. Within traditional lines, captives can customise their coverage scope more quickly to meet the demand in the marketplace.

Fleming: The captive insurance industry is poised to experience a period of sustained growth as organisations face rising insurance prices, reduced coverage and stricter terms and conditions. The global health crisis has brought the potential benefits of owning a captive insurer into focus as organisations grapple with business interruption, supply chain disruption and lost revenue. The ability to unlock excess captive surplus and improve cash flow during a pandemic is a clear benefit of owning a captive. The size and profile of parent organisations seeking to utilise captive insurance solutions are more diverse than ever before, and captives are being used in a much more comprehensive way to service the broader spectrum of their parent organisation's risk management needs. A wide range of insurance coverages can be insured or reinsured within a captive, including medical malpractice, workers' compensation, business interruption, product liability and professional liability. Captives are writing emerging risks like cyber liability, environmental liability and terrorism risk more frequently. Given current market conditions, organisations increasingly assess how their captives can assist with directors and officers (D&O) insurance.

Kilpatrick: While the captive industry has been growing steadily in recent years, there has recently been a slowdown in terms of net new formations. Digging deeper, new formations for mid-to-large companies are increasing rapidly as businesses react to hardening market conditions, but this growth has been offset somewhat by a reduction in the number of micro-captives. Recent Internal Revenue Service (IRS) action against tax abusive micro-captives has created some uncertainty. However, each tax case that is resolved adds further clarity and I expect the formation of well-structured micro-captives will pick back up in the near future. One hallmark of captive insurance is its diversity. Captives can be utilised by a wide variety of businesses to cover a wide variety of risks. Any business that is well-run, profitable and has an appetite for self-insuring a portion of its own risk could be a candidate to own a captive.

Boughner: The most significant development in captive insurance has been in the US with the growth of micro-captives or captives with less than $2.4m in premium. This was significantly the fastest growing segment, by far, until approximately 2016, when the IRS started to target micros as abusive tax shelters. The fundamental issue is that the IRS publicly condemns all captives making the 831(b) election, rather than targeting abusive captives and providing guidance for the captive structured to provide financial risk management benefits which, due to size, can capitalise on a legal IRS election. Internationally, captives continue to steadily decline due to overregulation such as Solvency II, which does not provide proper recognition of the financial objectives and structures of a captive. Initially, companies with captives were large multinationals, whose captives, in many cases, were substantial insurance companies. Their captives, which in many cases were domiciled offshore, facilitated the management of a complex global insurance programme. This evolved into the US, whose legal principles created a large, private liability insurance industry. As underwriting for liability exposures such as commercial automotive and workers' compensation are a function of frequency, captives provide accounting efficiencies allowing the parent to self-insure a frequency layer without incurring the underwriter's expense component. The parent can then manage insurance reserves and derive the financial benefit from effective loss prevention. Any company that has a global exposure or is a large employer in the US would benefit from a captive. Risks are as diverse as the parent companies themselves. In many cases there is a unique exposure where insurance is either unavailable or prohibitively expensive. Currently, captives are actively insuring reputational risk and broad cyber coverage. In the US, there is an increasing number of captives providing medical stop-loss to their parent.

FW: What does captive insurance aim to achieve and what benefits does it offer to companies or groups of companies? Is there a role for captives in private equity and venture capital?

Fleming: Captive insurers primarily offer an alternative to traditional insurance arrangements, allowing parent organisations to capture underwriting profit and generate investment income from their underwriting subsidiaries. Additional benefits include the ability to tailor coverage for complex risks, unlock excess captive surplus, reduce insurance costs, improve risk control and access reinsurance markets that are otherwise unavailable. Commercial insurance carriers can find it difficult to appropriately price risk for start-ups given the lack of historical loss data, leading to disproportionate premiums and unanticipated exposure to financial loss because of policy exclusions. Captives can readily solve both issues. Private equity groups can utilise captive insurance solutions by creating numerous captive subsidiaries of wholly-owned companies within the private equity portfolio or establishing a group captive offering insurance coverage to several constituent companies. Ownership of a captive insurance entity generally lowers the risk profile of a private company, making it more attractive to buyers. Private equity and venture capital groups need to be aware that captives are ultimately regulated insurance companies. Regulators are always keen to ensure that financial support is available if a captive insurance company needs rescuing, which can be somewhat inconsistent with the objectives of private equity funds.

Kilpatrick: A captive allows a business to take an active role in financing its risk by self-insuring certain coverages. This allows for the creation of bespoke solutions that may not be available in the commercial market or that may be too expensive. A business with good risk management practices should have favourable loss experience that will translate into profits for the captive that previously would have gone to a commercial carrier. This new profit centre would increase returns for investors and add value to other aspects of the business. A captive could insure risks for start-ups in new industries or with innovative products and technology that the commercial would overcharge for, if they covered it at all. By insuring risks like representations and warranties or extended product liability, a captive can remove some of the risk in a corporate transaction. This could lead to a more attractive sale price or give an acquirer more confidence in moving forward.

Boughner: Captive insurance provides the benefits of insurance company accounting to a self-insured exposure. It also facilitates direct access to the reinsurance market. Group captives and risk retention groups are owned by a number of likeminded companies which may, but not necessarily, be in the same industry. They function like a mutual insurance company. When successful they are able to provide stable, consistent capacity to their owners with downstream dividends that significantly reduce their owners' cost of risk.

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Conceptually, a captive structure could provide significant value to a private equity fund. They would structure a captive to retain a much higher risk than what any of the individual companies could retain. The captive would provide funding for losses incurred by any of the individual companies. The excess programmes could be very competitively underwritten. Overall, it could function similar to a group captive, except the private equity firm would have total control to manage the structure. In reality, a private equity captive structure rarely moves beyond the conceptual phase. Private equity funds typically are required to return all of the value to their investors within a finite time frame. Insurance reserves take a much longer time frame before they are extinguished.

Kindstedt: Captives certainly have an important role to play in the private equity and venture capital world, with the financial industry already the largest user of captives worldwide. Approximately half of financial industry captives are owned by public companies. Their captives are typically treated as insurance companies for US federal income tax purposes, therefore allowing their owners to benefit from accelerated tax deduction associated with casualty loss reserves. It is estimated that this accelerated deduction typically produces a net present value saving of at least 3 percent of the annual expected loss, adding economic savings to their owners. We expect similar if not more economic benefits if captives are structured strategically and operated efficiently. With or without captives, private equity and venture capital still need insurance coverage for lines, including professional liability, also called errors and omissions under many circumstances, as well as fiduciary duty and D&O. Both worlds are known for their innovation and risk appetite, meaning it is difficult to find commercial coverage at a reasonable price and with adequate cover. In other words, there may be a substantial amount of exclusions in commercial policies. This is where captives are the ideal solution: broad coverage and actuarially assessed premiums based on empirical data.

FW: What different types of captive structure are available to prospective captive owners, and what are the advantages and potential limitations of each structure?

Kilpatrick: Decades of innovation in the industry have led to the creation of captive types across a wide spectrum. At one end, simpler structures, such as single parent captives, offer their owners the most freedom in terms of coverage design, pricing, claims handling and strategy. These captives require the most involvement from the owners in the day-to-day operations of the company and have the most potential for retention of underwriting profit or loss. At the other end, large group captives and risk retention groups offer less autonomy and profit potential but provide the greater protection of having other group members to help absorb large losses.

Kindstedt: Types of captives include pure captives, also called single parent captives, association captives, group captives, cell captives, risk retention groups, and 831(b) captives, also known as micro-captives. Each type has its advantages and limitations, depending on the captive owner's characteristics, such as organisational form, onshore or offshore, and fields of operations. The limitations of one type may turn out to be advantages for certain captive owners.

Boughner: Fundamentally, a captive owner can choose to form a pure, wholly-owned captive or own a cell. While the term 'cell' is used generically, cell companies have several forms with subtleties between them. Incorporated cell companies (ICC) and series LLC companies are separate and distinct entities within an overall structure. Protected cell companies (PCC) cannot contract on their own but operate on behalf of the cell company governed by a participation agreement. With the exception of the PCC, there is very little operating difference between ICCs, series LLCs and pure captives. The cell structures can be more economical to operate sharing actuarial and audit expenses. Depending on their size, premium expenses can be reduced once a minimum tax threshold is exceeded.

Fleming: There are many variations of captive structure, and the appropriateness of each will depend on the prospective captive owner's size and complexity of risk profile. A prospective captive owner can establish a wholly-owned captive insurance subsidiary to service only the risk transfer needs of the parent organisation and affiliates, or participate with a group of unrelated organisations which come together to form a group captive. The owner insured pools risk with other owner insureds with a similar risk profile in a group captive. Predictable losses are retained, and catastrophic losses are transferred using aggregate excess reinsurance coverage to protect the captive. A captive's legal form can be incorporated with its own governing body appointed by the parent or take the form of an unincorporated cell attaching to a segregated cell captive insurance company sponsored by a third party. A shareholder's agreement typically governs participation in the latter, and the right to appoint a director to the incorporated core is generally not a possibility. However, in the event corporate governance is not a primary consideration, segregated cell participation provides a flexible, cost-effective solution for small to medium-sized captive owners.

FW: What are the main factors a prospective captive owner should consider when choosing a domicile for a new captive insurer?

Boughner: The first factor to be considered is whether any particular domicile has specialised in its particular business plan. Cayman, for example, is well known as a domicile for US healthcare. Some states specialise in 831(b) captives. Not all domiciles will license agency captives and there are only a few that have the regulatory depth to regulate risk retention groups. If the owner operates in a state with captive legislation, there may be compelling reasons to domicile its captive in its home state. It is not fully appreciated that while captive insurance is considered non-admitted insurance, it is in fact admitted in its state of domicile. Once a shortlist has been developed, the prospective captive owner should make an effort to visit with domiciles in order to gauge the states' expertise and interest in their particular plan.

Fleming: There has been a proliferation of new domiciles globally. Bermuda, Vermont and the Cayman Islands remain the top captive domiciles for all industries, with a combined share of around 34 percent of all captive insurance entities globally. A prospective captive owner should ensure that the law and regulations in the domicile under consideration provide a modern, robust and flexible regulatory environment to ensure that the domicile attains continued compliance with international regulatory standards. The minimum capital requirements, ongoing margins of solvency requirements, the capability of service providers, the overall cost of doing business and the responsiveness of the domicile regulators are also important factors to consider when choosing a domicile. The law and regulations in the chosen domicile should be applied proportionately, in line with the size and complexity of the captive insurance entity.

Kindstedt: A prospective captive owner needs to consider domiciliary regulators' and service providers' knowledge base. Vermont is the largest onshore captive domicile, celebrating its 40th anniversary as one of the first states to adopt captives in the early 1980s. Well over 30 out of the US' 50 states have now established captive legislation. But it takes years to build up a network of knowledgeable regulators and service providers.

Kilpatrick: There are around 40 US states with some form of captive legislation that is often very similar, as states regularly make updates to stay competitive. But only a handful of these domiciles are worth serious consideration. It is crucial to place your captive in a domicile where the regulators have dedicated captive insurance staff with sufficient knowledge and resources. Regulators also need to have experience with, and an appetite for, the type of business you wish to place in your captive. Captives require support from quality service providers, so I would recommend always using a well-established domicile with a strong infrastructure of captive managers, auditors, attorneys and actuaries.

> **PREDICTABLE LOSSES ARE RETAINED, AND CATASTROPHIC LOSSES ARE TRANSFERRED USING AGGREGATE EXCESS REINSURANCE COVERAGE TO PROTECT THE CAPTIVE.**
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> LIAM FLEMING
> Advantage Insurance

FW: How important is it to regularly review and re-evaluate captives to ensure they meet current and future risks, as well as strategic requirements? What key considerations need to be made?

Fleming: Strategic planning horizons have shortened, and organisations are coming under continuous pressure to change more frequently than in the past. Captive owners should review their current captive programmes on a systemic basis to ensure that the combination of captive and commercial insurance coverage is providing sufficient protection, and that there are no potential gaps in coverage that could expose the organisation to unintentional risk and look to their captives as a potential solution to cover emerging risks.

Kindstedt: It is extremely important to regularly review and re-evaluate captives to ensure they meet current and future risks.

For starters, regulations change. These changes may expand or contract what a captive can write or not. The insurance market goes through cycles. While it is reasonable to buy certain insurance products in a soft market, it probably makes better economic sense to include the same insurance products in a captive when the hard market hits.

Kilpatrick: Risk finance is a significant part of any company's budget, so every effort should be made to optimise it. The business world is highly dynamic, and a business owner should find their captive an invaluable tool as they review the risk financing decisions each year. New risks faced by the business should be evaluated and the decision made to self-insure or purchase commercial coverage. Existing commercial policies should be reviewed annually for changes. Carriers are tightening their contract language, narrowing coverage definitions in the wake of the pandemic and many seem to have less appetite for large limit exposures. The captive can be used to fill new gaps in commercial coverage or adjust its limits to achieve a complete coverage solution. Additionally, as a captive grows and builds its surplus, it can take on more and more risk, so it should become an increasingly valuable tool over time.

> "WITHOUT A CAPTIVE THERE IS TYPICALLY INSUFFICIENT TIME TO REACT STRATEGICALLY WHEN FACED WITH HARD MARKET TERMS AND CONDITIONS."
>
> LESLIE C. BOUGHNER
> Advantage Insurance

Boughner: Regular review is extremely important, but I continue to be amazed at how infrequently it happens. The captive can be a valuable financial tool. It is also very flexible. You want to allow for a strategic dialogue between the captive owner who understands its own risks and the captive manager who is knowledgeable about current captive developments. Some of the best captive coverages have evolved from strategic discussions. The captive can be used strategically to manage the insurance market. The insurance market is notoriously cyclical. Captive owners can adjust their commercial insurance retentions up or down depending on whether it is a soft or hard insurance cycle. If it is a particularly soft cycle, they can elect to stop using the captive for a period of time in order to benefit from depressed insurance pricing. However, without a captive there is typically insufficient time to react strategically when faced with hard market terms and conditions.

FW: How would you characterise the regulatory framework pertaining to captive insurance? Can we expect to see more stringent requirements going forward?

Boughner: Increased regulatory requirements should be viewed as a threat to the captive industry. The experience of overregulation in Europe has already resulted in a steady decline of captives due to the impact of Solvency II. The only real threat in the US would be the elimination of the 831(b) election and even that would be limited in scope. There are many captive owners of 831(b)'s which, after having experienced their value, would continue with their captive. State regulation of captives is responsive although it is important to deal with a state with its own regulatory staff. States that subcontract to outside auditors often charge the captive owners multiples of what an audit would cost in states that use their own staff. Bermuda and Cayman have done an excellent job of increasing their financial oversight in order to avoid being miscategorised as a tax haven.

Kilpatrick: In the US, captives are primarily regulated by their state of domicile. Good domiciles support captive innovation and have legislation that allows for captives to thrive when managed responsibly. As competition between them increases, we should continue to see legislation allowing for new and unique uses of captives. Non-domicile states regulate captives primarily through the imposition of direct procurement taxes to recapture lost premium tax revenues. There is a development that bears watching in Washington state where new legislation seeks to impose not just a tax on premiums but adds additional filing and surplus requirements. It will be interesting if this approach is copied by other states and if captive domiciles push back against it in any way.

Kindstedt: Regulation should be prudent but nimble, and rigorous but pragmatic. It is always hard to predict the future, although one could see that regulations tend to tighten up year after year. But regulators recognise that the interests of captives owners and the insured are aligned – as a result, they have always adopted sensible legislation.

Fleming: The regulatory framework that captives operate within is generally proportionate to the size, scale and complexity of operations, but this varies by jurisdiction. Several jurisdictions continue to impose regulations more suited to open market insurers than captive insurers, which has complicated strategies for smaller captive insurers. Going forward, captives operating in international financial centres will continue to experience additional regulatory requirements from the Organisation for Economic Co-operation and Development's (OECD's) base erosion and profit shifting inclusive framework. Micro-captives in the US will likely continue to be scrutinised by the IRS. From a financial reporting perspective, International Financial Reporting Standard (IFRS) 17 becomes effective for reporting periods commencing on or after 1 January 2023 and brings with it additional disclosure requirements for specific contracts for captives that have adopted IFRS.

FW: How have independent captive management firms impacted the captive industry in recent years?

Kilpatrick: Independent managers can provide advice free of any conflicts of interest arising from an existing brokerage arrangement. They typically can work with any complementary service provider which enables a business owner to assemble a team that meets their needs exactly. These days many independent managers are in the 'sweet spot' in terms of size. They are large enough to have the necessary resources and support staff to design and operate new captives, yet small enough to be nimble. This fosters creativity and innovation and leads to new and exciting uses for captives.

Kindstedt: Independent captive management firms have done more to increase competition and transparency than anyone else in the industry. The insurance industry has long been dominated by a few large players, whether insurance carriers or brokers. Commerce values higher revenue and stock prices prefer short-term gain to long-term strategy. Both themes run counter to captives' strategic advantages. There is a general misconception of captives cannibalising insurers' and brokers' revenue streams. It is easy to think this way when it is clear that captives take underwriting profits away from insurers and commissions away from brokers. While it seems that way if viewed in a certain light, strategically designed captives complement insurers' and brokers' offerings. Independent captive management firms are free to offer captive ideas without insurers' or brokers' interference.

Fleming: The benefits of engaging a captive management firm with no ownership interest in the insurance distribution channel have been recognised more widely in recent years. Unbundling brokerage and captive management lends itself to unbiased advice and potentially more flexible and responsive client service.

Boughner: There seems to be fewer and fewer truly independent managers, but independence is still valued, particularly by the larger captives. It is not that brokers with management capabilities do a poor job, but they do focus on cross-marketing opportunities for their other capabilities and seek to drive down their own costs by institutionalising customer service. Independent managers provide a customised service and an objective perspective. There is a saying in the captive industry that 'when you have seen one captive, you have seen one captive'.

FW: What advice would you offer to companies that are considering captive insurance? What insights can you provide into aspects such as claims analysis, marketplace pricing and capacity volatility issues?

Fleming: A comprehensive review of commercial policies, historical annual premiums and claims data is a good starting point. The benefits of retaining risk become apparent once historical underwriting profitability by line of coverage is determined. Prospective captive owners should consider having a comprehensive feasibility study prepared to cover a retention analysis by line of business, optimal ownership structure, tax implications analysis, investment policy, corporate governance, a domicile analysis and detailed financial projections for at least three years. The impact of global economic uncertainty has added pressure to the operations of commercial insurers forcing higher rates, reduced competition and lower capacity. The current expectation is that rates will continue to increase, and capacity constrict, for the foreseeable future.

Boughner: I fundamentally do not understand why any company of substance would not have a captive. I feel a sense of failure when a feasibility study does not result in a formation. A company without a captive cannot react effectively to market volatility. Companies owning captives inevitably increase their focus and attention to risk management issues and claims oversight. The benefits of good loss prevention and claims oversight have a direct impact on the financial success of the captive.

> COMPANIES NEED TO GROW THEIR CAPTIVE EXPERTISE THROUGH ACTUAL EXPERIENCE AND ALSO BY WATCHING HOW AND WHERE OTHERS HAVE FAILED.
>
> CHRISTINA KINDSTEDT
> Advantage Insurance

Kindstedt: Companies should start by talking to an independent captive management firm whose staff have personally formed and managed all types of captives in various industries. Companies need to grow their captive expertise through actual experience and also by watching how and where others have failed. Companies should also accumulate industry data to benchmark each service, such as claims analysis, risk management and pricing.

Kilpatrick: Companies considering captives should make sure they start the process with enough lead time for the captive to be formed properly. A simple captive can take two months to create and a larger risk retention group could take six or more. You cannot wait until your commercial renewal is underway before deciding to investigate it. Captives should not be considered a solution to a short-term problem; they should be intended to be used on an ongoing basis to assist the company. A well-structured captive should allow the business to control the costs of its risk financing to reflect its loss experience, rather than that of the market. Owning a captive should provide a signal to the commercial carriers that your interests are aligned in terms of the focus on loss control. This may help gain access to carriers which are becoming increasingly selective about the risks they assume.

FW: Do you expect to see continued growth of captives through 2021 and beyond? In what ways is this market likely to evolve?

Kindstedt: We expect to see continued growth of captives in the future. A key obstacle to captive formation in the past has been capital contribution. With the hard market upon us and significant premium increases, capital contribution has turned out to be easier to handle than premium hikes. More importantly, some companies in emerging markets and innovative industries simply cannot find coverage capacity despite their pristine loss history. Everyone is talking about special purpose acquisition companies (SPACs) these days, but few know how expensive D&O coverage is for SPACs, and even fewer know how captives can provide broad coverage at reasonable costs, all actuarially assessed. As long as private equity and venture capital do not stop innovating, captives will be the best option to meet their insurance needs and enhance the owners' overall financial planning.

Boughner: There has been a levelling and moderate decline in the total number of captives as reported in the industry press, for a couple of reasons: IRS scrutiny of micro-captives and a prolonged soft commercial insurance market. If the IRS continues its broad-based, negative publicity campaign, then the reputational impact will result in fewer formations. On the other hand, providing guidance on what they view as a properly structured captive should result in a significant increase. We are currently seeing a significant constriction in insurance capacity, reduced terms and conditions, and increased pricing which will result in captive formations, particularly from large companies. There are certainly signs of active formations from regulators, and other industry service providers.

Kilpatrick: This is a great time for the captive industry. Captives have long been a solution to a hardening market. Many businesses were already seeing significant price increases on their commercial renewals in 2020 and this has been exacerbated by the pandemic. Captives will likely begin to assume risks that the commercial market has lost appetite for, such as communicable disease liability and business interruption due to pandemics. The pace of innovation in industry continues to accelerate and the commercial market is slow to respond to new developments. In response, we will continue to see captive growth in fast-developing sectors such as information technology and personal services, as well as more niche applications such as cannabis or cryptocurrency. Additionally, I expect to see captives further embrace insurtech and utilise new technologies to find different ways to manage and understand data to more efficiently underwrite risks.

Fleming: The commercial insurance market will likely tighten further as the full impact of the pandemic and economic crisis becomes evident. The ability to offer bespoke insurance coverage, supplement income with third-party underwriting where permitted and the ability to assist organisations to become more responsive to reducing exposure to emerging risks, make captive insurance solutions more relevant today than ever. Given current macroeconomic and insurance market conditions, captives will continue to grow and evolve for the foreseeable future. ■