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CAPTIVE SERVICES
Exceeding Expectations

Analytics Help in Managing A Captive

Increasingly more companies are using data and analytics to help inform their risk-financing decisions and to reduce their cost of risk. This is especially critical when deciding on whether to establish a captive, and once doing so, successfully managing it.

A captive insurance company is an insurance or reinsurance entity formed to insure or reinsure the risks of the captive's owner and in some cases, its affiliates. There are several types of captives including single entity captives where companies form their own captive; group captives in which a company combines forces with other peer companies; agency captives that offer insurance agencies an opportunity to take a risk position on its book of business, be it heterogeneous or homogeneous in nature; and association captives that provide an association with the ability to participate in the members' risk as a whole; among others.

Robust analytics – the combination of data, technology and actuarial tools – allows a company to evaluate whether a captive is a viable solution to undertake and the potential for economic benefits. Analytics allow a company to determine how much risk it can retain without significantly impacting its financials. The company can gain clarity to its risk exposures and assess whether it can properly protect against risk within its corporate risk tolerance. Moreover, a company can evaluate whether it's getting a fair price for insurance, and whether it can leverage a captive to obtain strategic advantage and minimize the cost of risk. Analyzing financial data, in essence, provides the ability to create a threshold for risk tolerance based on a client's appetite risk and then setting up the structure to safeguard the organization against insurable risks. Knowing one's risk tolerance can help companies make better-informed risk financing decisions today and into the future.

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