THE AMETHYST CAPTIVE FEASIBILITY

Feasibility Study Process

- Owner organization(s) situational analysis – entities\risks\timing\capital constraints\structural & geographic parameters.
- Review current risk finance program & explore risk finance alternatives
- Determine prospective & retrospective risks suitable for captive analysis
- Data collection, inquiry & collaboration with client/owner resource team
- Explore captive structure options – Pure, Risk Retention Group, Reciprocal, Special Purpose Financial Vehicle, Risk Purchasing Group, Cell Alternatives, Self Insurance, Reinsurance
- Quantitative Analysis – comparative economic, financial, & administrative impact
- Qualitative Analysis – coverage terms, domicile analysis, staff administration time, service provider options, regulatory and compliance impact
- Next Steps…

Considerations

RESOURCE TEAM usually includes: Risk Management, Actuarial, Finance, Legal, Tax, Accounting, and Broker(s)

QUANTITATIVE ASSUMPTIONS will consider: Comparative Net-Present-Value of Cash Flows, Sponsor/Owners Risk Adjusted Cost of Capital, IRR requirement, Break-Even Points at various Investment Yields, Alternative Financing Options (Premium/Loss Funding), Collateral Impact, Capital Options, Reinsurance & Market alternatives.

KEY PLANNING POINTS

- Hire your actuary early in the process. Claims, losses & loss expectancy costs drive most captive formations.
- Get broker on board to determine market product options & reinsurance carrier options (if necessary).
- Early in the process, identify key organizational pressure points in legal, risk management, and the CFO's office. This eliminates time wasting exercises, saves costs and leads to the most relevant outcomes specific to organizational need.

Amethyst CAPTIVE INSURANCE SOLUTIONS

CAPTIVE STRUCTURE GOALS

Owning a captive (pure captive or group program) for insurance coverage is not like buying traditional risk transfer (insurance coverage) from a carrier. A captive structure introduces ownership dynamics coupled with group risk retention, coverage purchase, and alternative risk finance strategies. The centralized platform created by an owned captive structure should yield greater management control and cost savings from operational/financial risks.

If determined feasible a captive insurance program typically yields long-term QUANTITATIVE benefits. Most captive owners report overall improved QUALITATIVE outcomes with better decision-making information.

Quantitative benefits typically include, improved cash flow, lessened impact of traditional insurance market cycles, expanded risk taking capacity through reinsurance or through pooling member capital in a group structure, reduced total cost of risk, greater tax efficiency, investment income recapture and even underwriting profit capture in a third-party risk scenario.

Qualitative improvements may include coverage enhancements, facilitation of corporate risk allocation, control over services, enhanced senior management awareness, access to new or otherwise inaccessible markets/business opportunities, isolation of risk(s) in a legal structure, and a myriad of other possible outcomes.

150 Bank Street, Suite 201
Burlington, VT 05401
802-735-1682 main
info@acisvt.com
www.ACISVT.com