

Captive Feasibility

Establishing the value of a captive insurance company for your organization
A captive insurance company is an integral component of a sophisticated risk management program, formed primarily to (re)insure the risks of its owner and related parties.

Companies from all industries and service sectors use captives to cover their risk exposures – even those that the traditional insurance market cannot.

The first captive was formed in the 1950s and today there are more than 6,300 active captives, demonstrating their proven ability to provide value to their owners. In addition to pure captives, other entities include group and mutual captives and a range of cell company structures that can lower the barriers to entry into captive usage.

Captive insurance vehicles can drive substantial value in several areas by:

- Reducing the total cost of risk (TCOR)
- Stabilizing insurance costs
- Facilitating efficient (re)insurance market access
- Enabling retention of cash flows, investment income and underwriting profit
- Helping manage diverse global programs
- Controlling company-wide risk management and information

Aon's Captive Feasibility Study Process

A captive feasibility study provides the answers to key questions including can a captive deliver value, how a captive should be structured, what business it should write, where it should be located, and how it should be operated.

Aon follows a tried and tested feasibility process split into phases aligned to the delivery of our client's objectives. We begin with data collection and engage in a dialogue with key stakeholders to ensure alignment of understanding and direction. This then underpins actuarial analysis of the risks to be insured and determination of potential loss costs and premium income. With this base, we then determine the feasibility of a captive providing

comprehensive analysis of the captive's legal form, insurance program structure, domicile selection, capitalization, regulatory and tax issues, as well as providing cash flow analysis and pro forma financial statements.

Our completed feasibility study assesses the value and addresses the practicalities of implementation and operation. It then serves as a benchmark against which future captive performance can be measured, and provides the blueprint for the application and formation of a captive.

About the Risk Finance & Captive Consulting Team

Part of Aon's Global Risk Consulting, Aon's multi-disciplinary Risk Finance & Captive Consulting team includes individuals with capabilities risk management, insurance, reinsurance, captives, actuarial science, underwriting, law, tax and accounting. Seamlessly working together and synthesizing expertise, the team assists clients with their insurance buying decisions, optimizing the balance of risk transfer and retention financing through comprehensive valuation and comparative analysis. We work in partnership with our broking colleagues to evaluate alternative risk finance options with commercial options. This maximizes risk program cost savings while ensuring coverage alignment.

We're here to empower results

Learn more about Captive Feasibility from our experts.

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About Aon's Global Risk Consulting

In today's challenging global environment, business risks are no longer isolated by industry, geography or country. Economic slowdown, regulatory changes, cyber, crime, terrorism, increased competition, damage to reputation, and other critical risks are complex, inter-related and global in consequence. Aon's Global Risk Consulting is the world's leading risk consulting organization. With nearly 1,350 risk professionals in 50 countries worldwide, our consultants have the expertise and experience to recognize and address the unique challenges and opportunities that face our clients.

In close partnership with Aon's broking team, Aon's Global Risk Consulting provides comprehensive and tailored solutions through a consistent global approach backed by a panel of industry experts.

Our Risk Consulting business unit includes leading disciplines ranging from risk control and claims to actuarial & analytics, business continuity management, enterprise risk management, risk management outsourcing, risk finance, captive consulting and captive reinsurance.

Aon's Captive & Insurance Management practice is widely recognized as the leading captive manager, managing nearly 1,400 insurance entities globally with local capabilities in over 30 countries.