Captive Refeasibility Study for Fortune 500 Company Case Study

THE CHALLENGE

Alera Group was requested to undertake a captive refeasibility study for an U.S. based multinational manufacturer of appliances with over 90,000 employees and annual sales of over $20 billion. In light of the new regulatory and business landscape, the company wanted to explore new opportunities to grow and capitalize their multiple captives in order to add value to shareholders while providing additional flexibility to the corporate parent.

THE SOLUTION

The team conducted an Alera Group CARE evaluation of the company's current employee benefits and P&C programs to identify potentially profitable lines for captive funding. Alera Group's team of actuaries and consultants calculated the expected savings that would result from adding various lines of business into the company's existing captives by looking at several years of experience data (including premiums, claims, expenses and exposures) and calculating optimum retentions, volatility, capital requirements and more. The team's analyses took into account various other factors, including average cost of capital, internal hurdle rates, cost of risk, domicile comparison, reinsurance retention levels, overall risk appetite and profile impact on accounting and tax. Using industry benchmarks (A.M. Best's, etc.), the team presented their findings from the perspective of the corporate parent, captives and subsidiaries.

THE RESULT

Alera helped the company develop a 5-year business plan along with benchmarks to ensure timely implementation of suggested lines of coverage. As a result of the Alera Group CARE evaluation, the company was able to add several additional lines to their existing captives and was provided with greater flexibility to take on coverage for risks that were not being offered in the commercial markets. All first-year objectives were achieved and Alera Group continues to advise the company on ongoing implementation.

DID YOU KNOW

A captive refeasibility study "ensures your captive insurance company is still serving your organization's needs and furthering its mission, rather than holding it back." Industry experts recommend that a refeasibility study be conducted "at least every five years to reassess risk appetite and exposure."