



Risk Management and Captive Insurance Services

Captives – Adding strength and balance to risk management

Our clients are facing one of the most difficult insurance markets in recent memory. Across all lines of insurance, clients are having to accept significant increases in costs or increase self-insured retentions to mitigate these costs. Policies are now more restrictive, placing sub-limits and exclusions, which limit the cover available to our clients.

Increased cost and reduced coverage have fast-tracked insurance onto the agenda at management and board meetings. Clients are now considering more efficient ways to manage risk and looking for independent advice in developing a risk management program.

One solution for clients is the incorporation of a Captive Insurance Company ("Captive"). There are various forms of Captive, but at its simplest it is an insurance company owned and operated by the Parent to manage the organisations risk. There are many benefits and costs associated with operating a captive, please contact [Jonathan Barnes](#) if you would like more information.

KPMG has reacted to this client need by creating a multi-firm service, combining our insurance risk expertise across Advisory, Actuarial, Tax and Audit. The team has delivered various engagements for clients and we have included several credentials within this email to highlight the work being completed.

January 1st is a major insurance renewal date, and we believe insurance will continue to be an area of concern for clients. If any of your clients wish to discuss their insurance and risk management programs, please reach out to the team who have developed a range of supporting documents and will be able to assist.



The average premium price increase for all-sized accounts in Q2 2020 was

10.8% ↑

70%

of brokers surveyed in Q2 2020 reported a decrease in capacity for Umbrella, D&O, and Commercial Property



Over 90%

of Fortune 1000 companies utilise a captive insurance company.



2014-2018 \$6.6b

Between 2014 and 2018 \$6.6 billion remained with the captives or was paid back to their policyholders and stockholders instead of going to the commercial market.

For 2018 rated captives had a 88.8% five-year combined ratio average compared with the 99.9% for commercial insurers.

3,400 Captives in the US

United States has become the world's largest captive domicile, with close to 3,400 captives licensed in its states.

29 Captive domiciles in the US

Captive domiciles in the US

A wide range of services is available from providing a comprehensive ground up review of a current insurance program to identifying how alternative structures compare to an existing program and much more. The following highlights just a few of our credentials.

CURRENT PROGRAM REVIEW CREDENTIALS



US grocery chain

- Hosted a workshop for the client, including members of their insurance, finance and internal audit teams to understand their insurance program.
- Completed a policy review, including gap analysis and analysis of emerging risks.
- Evaluated alternative programs structures and quantified their potential savings.



Global furniture retailer

- Provided in-depth review of all insurance documentation including: deductible limits, limits of liability, policy exclusions, policy language.
- Developed an insurance program that resulted in a 20% reduction in premium spend while increasing coverage to the major risks the client faced.

ALTERNATIVE STRUCTURES ANALYSIS CREDENTIALS



American University

- KPMG evaluated the current insurance program structure and risk management function.
- Identified changes would deliver the greatest impact, including:
- Alternative program structures
- Captive feasibility analysis



Global construction equipment manufacturer

- Cost/benefit analysis of a variety of alternative program structures. Goals included:
 - Maximise cash retained in the group;
 - Minimise setup costs, time and disruption;
 - Use capital effectively across the group; and
 - Minimise trapped capital.
- The review highlighted potential savings of 20-25%.

TARGETS INDUSTRIES UTILISING CAPTIVES



Automotive



Construction



Energy



Healthcare



Manufacturing



Mining



Private Equity



Retail

KEY RISKS INSURED THROUGH A CAPTIVE



Auto liability



Cyber



General liability



Medical Malpractice



Property & BI



Workers' Comp

Contact us



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