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Captive developments against a changing and more digitised risk landscape

Oana Popescu, Charles Winter and Emma
Sansom

Sovos, Aon and Zurich

04 June 2019





Oana Popescu

Head of Captive Practice

Sovos

Oana Popescu is Head of the Captive Practice Sovos FiscalReps. Graduating with a Finance degree, Oana joined the company in 2015, from IBM, as a European IPT Specialist she now leads the captives team and helps captive insurers with their insurance premium tax compliance.



Charles Winter

Head of Risk Finance & COO

Aon

Charles has 29 years' experience in the insurance sector and has worked for Aon for over 20 years. With 20 years of experience in risk consulting, Charles takes an active senior advisory role for major clients. Previous roles have been in corporate broking and underwriting.



Emma Sansom

Head of Captive Services UK

Zurich

Emma has 18 years' experience in the industry. Emma has led Zurich's UK Captive team based in London since 2017 and is responsible for developing Zurich's Captive fronting, ART and other Risk Sharing solutions for domestic UK customers as well as international customers coming into the London market.

Agenda

Captive Market

Changing value of
Captives

Captive Innovations



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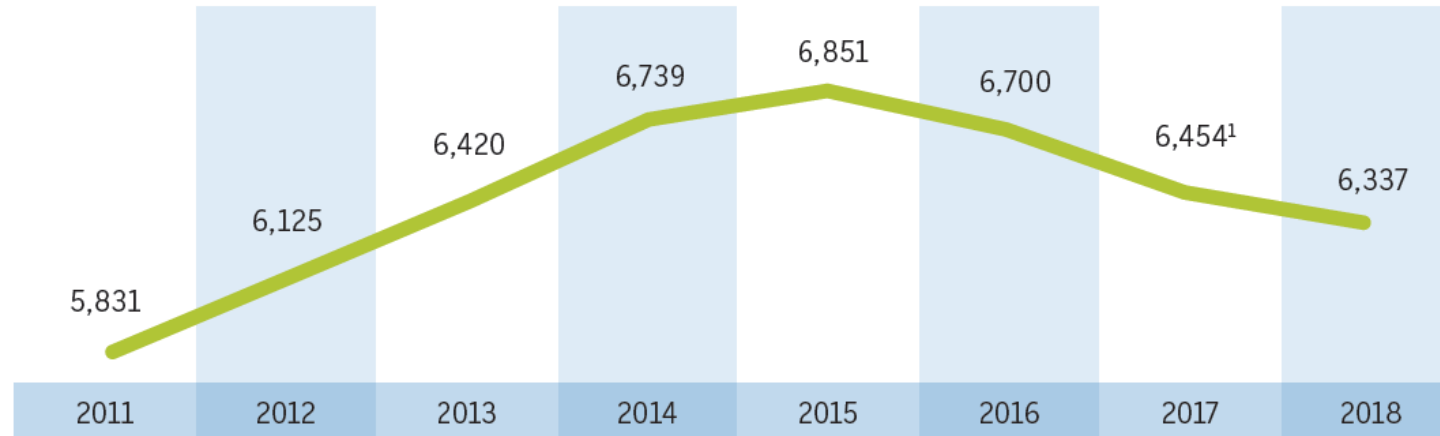
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An aerial, high-angle photograph of a city skyline at night. The image is dominated by numerous skyscrapers, many of which are illuminated with warm yellow and orange lights. A prominent, dark, angular skyscraper with a large rectangular cutout near its top is positioned on the right side, leaning diagonally. In the center-left, a large, bright blue arrow points downwards, partially obscuring the city below. Overlaid on the right side of the arrow is the text "Captive Market" in a bold, white, sans-serif font. The background shows a dense urban landscape with smaller buildings, streets, and some greenery, all under a dark, hazy sky.

Captive Market

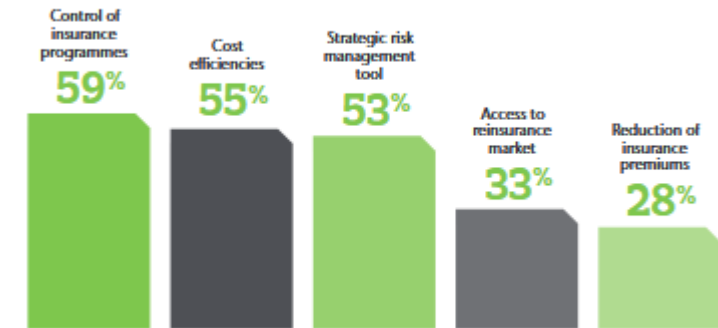
State Of The Market

TOTAL CAPTIVES WORLDWIDE



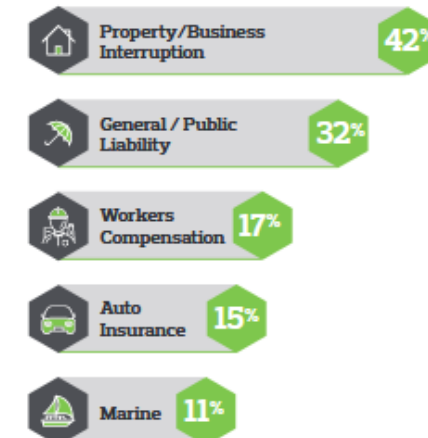
¹ Restated
Source: BI survey

Top five reasons for setting up a captive



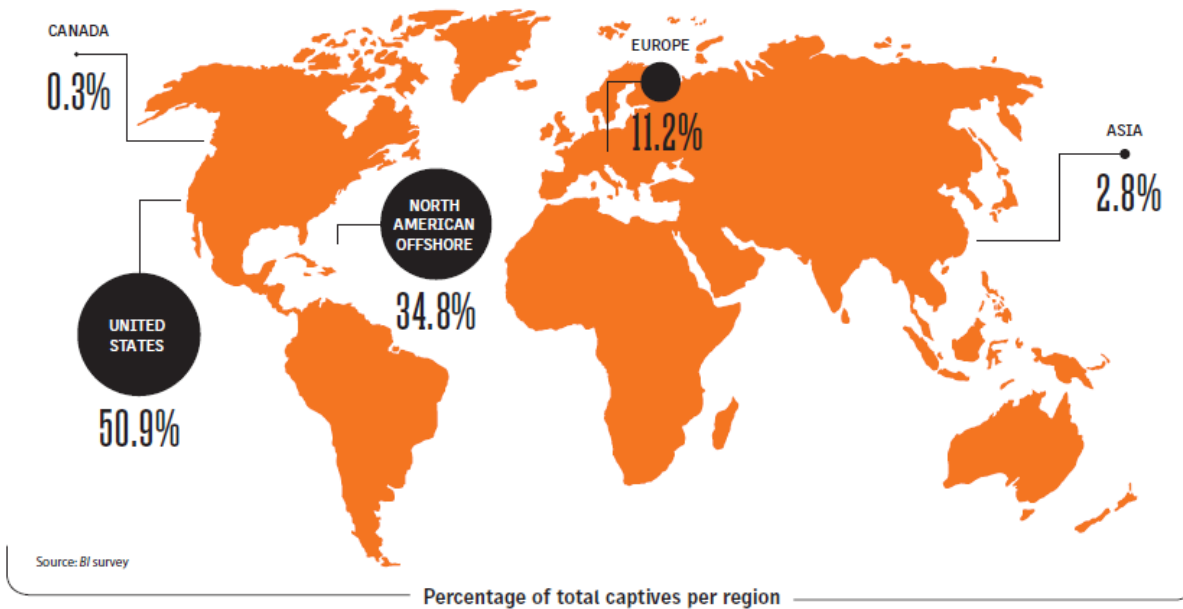
Source – Aon Captive Benchmarking Survey 2018

Lines of business written



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State Of The Market



TOP 5 NORTH AMERICAN OFFSHORE CAPTIVE DOMICILES

Ranked by number of captive licenses at year-end 2018

Rank	Domicile	2018	2017
1	Bermuda	711	739
2	Cayman Islands	674	669
3	Barbados	276	266
4	Anguilla	165	188 ¹
5	Nevis	155	151

¹ Restated.
Source: BI survey

TOP 5 ASIA-PACIFIC CAPTIVE DOMICILES

Ranked by number of captive licenses at year-end 2018

Rank	Domicile	2018	2017
1	Singapore	72	69 ¹
2	Labuan	48	43 ¹
3	Micronesia	25	22 ¹
4	New Zealand	9 ²	6 ²
5	Australia	7 ²	5 ²

¹ Restated. ² BI estimate.
Source: BI survey

TOP 5 EUROPEAN CAPTIVE DOMICILES

Ranked by number of captive licenses at year-end 2018

Rank	Domicile	2018	2017
1	Guernsey	206	217 ¹
2	Luxembourg	198	204 ¹
3	Isle of Man	103	109
4	Dublin	78	83
5	Sweden	42 ¹	44 ¹

¹ Restated.
Source: BI survey

IPT Scene Setting

Considerations

- Location of risk
- Rates & Application
- Tax base
- Who pays the tax?
- Fiscal Representation
- Bureaucracy
- Tax point date
- Deadlines
- Languages

Europe

- 25+ territories
- 70+ Indirect taxes
- 500+ filing deadlines

Implications of non compliance

- P&L impacts
- Fines and penalties
- Reputational risk
- Authorisations
- Corporation tax

SOVOS IPT Trends

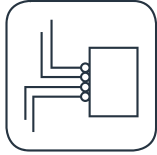
Increased Reporting Requirements



Increased Audit Activity



Developments in the captive world



Changing nature of Risk



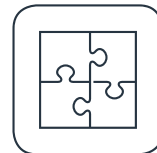
Emerging & developing covers



Hard vs Soft Market

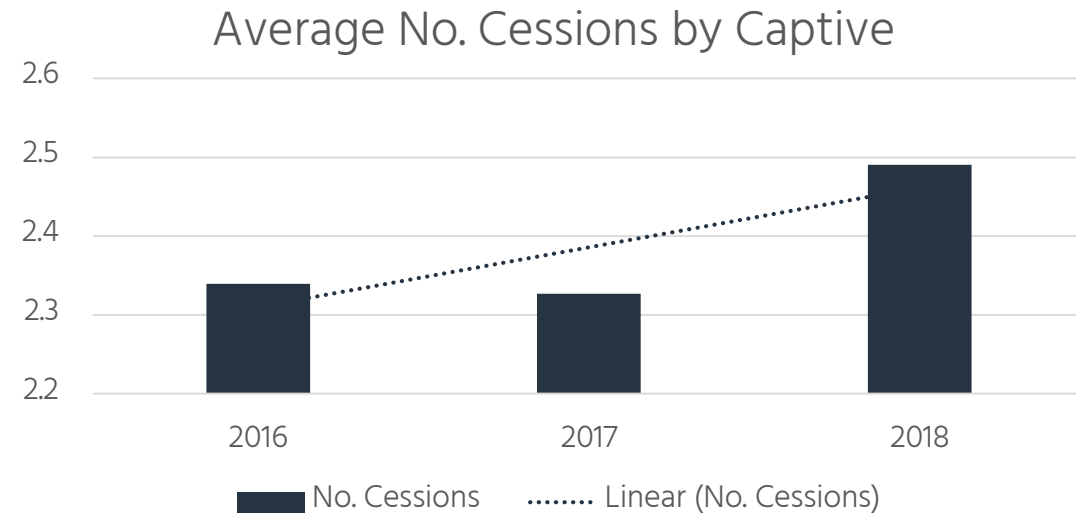
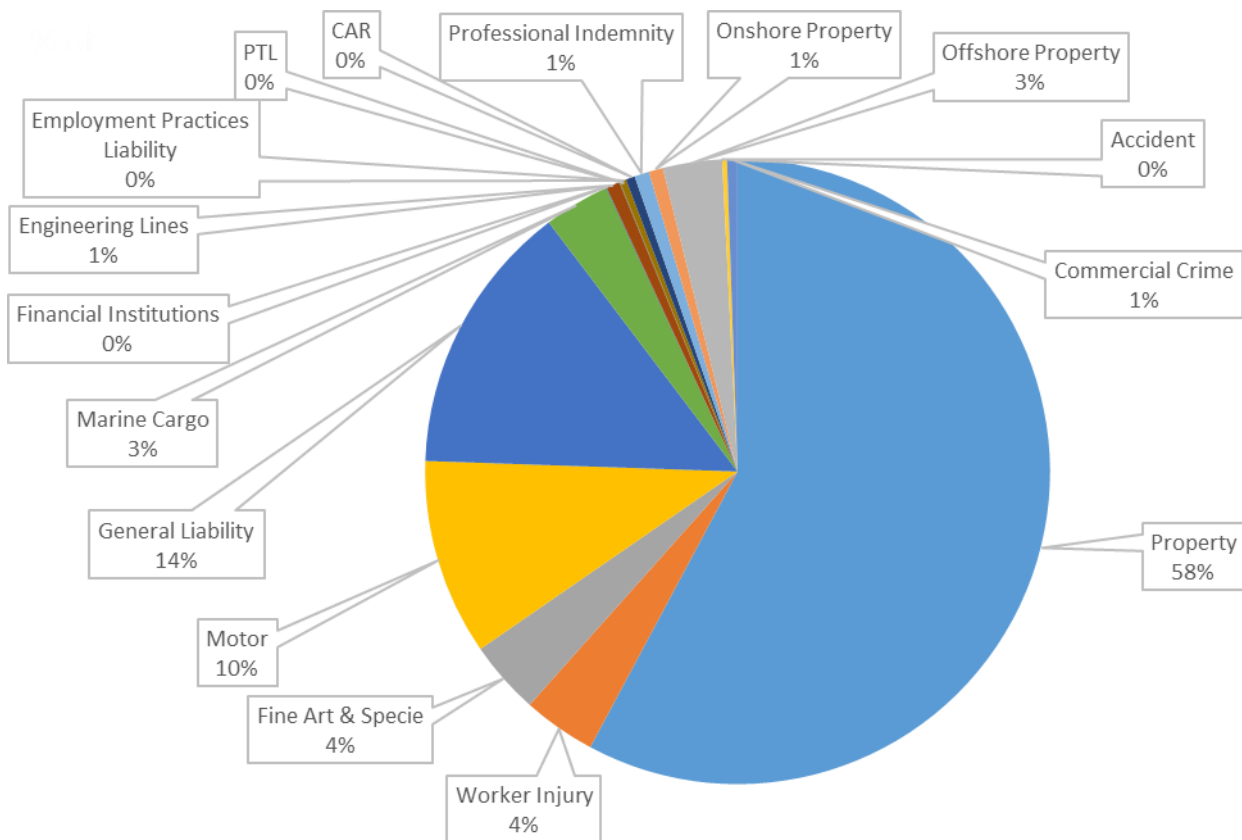


Collateral Considerations

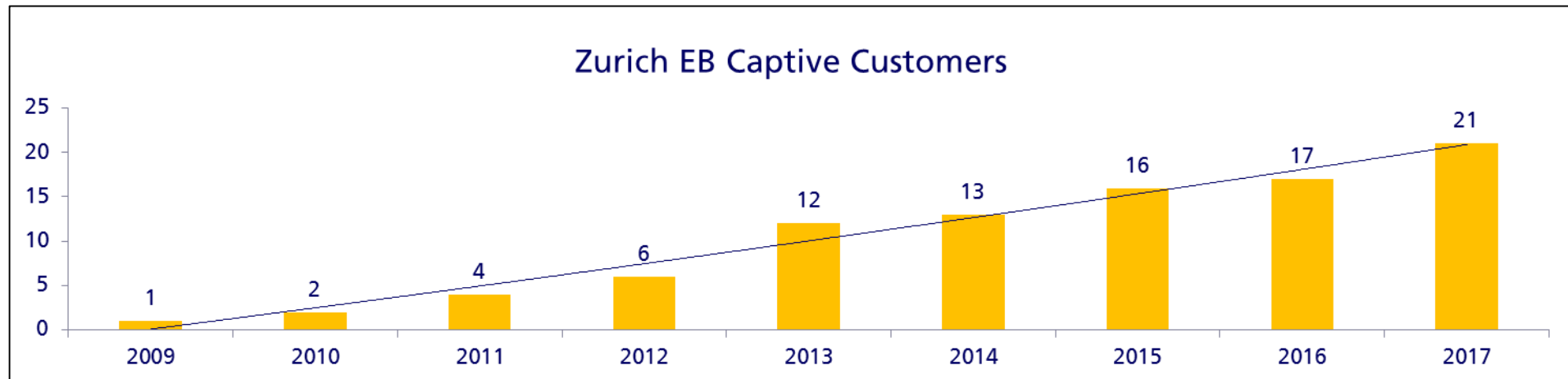
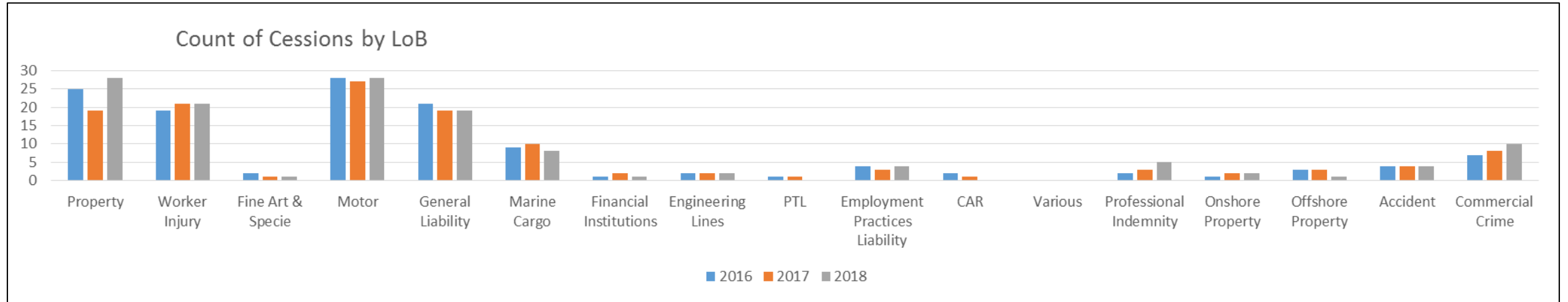


Alternatives to Captives

Developments in the captive world

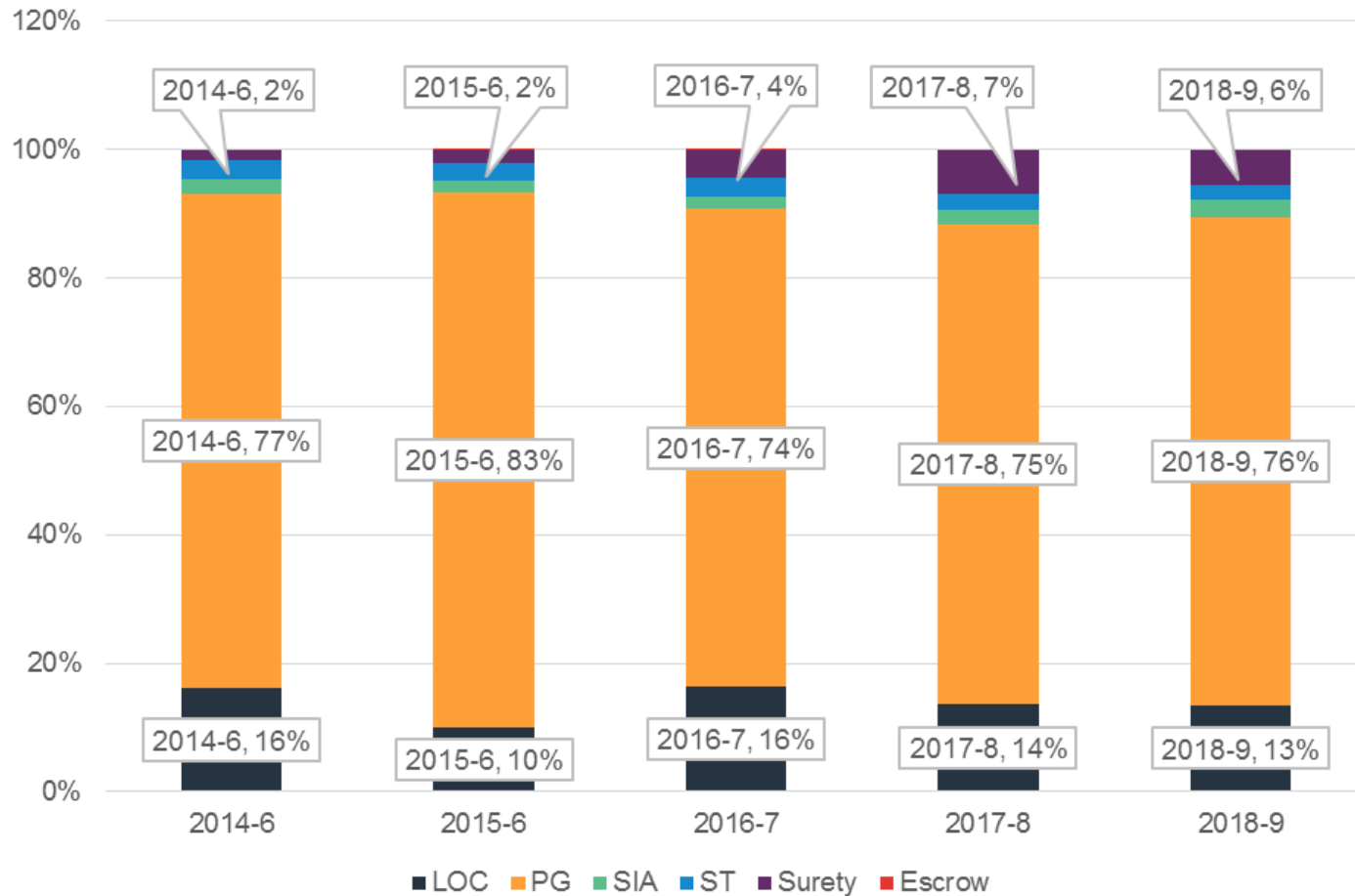


Developments in the captive world



Developments in the captive world

Collateral type as a proportion of the portfolio



Surety Bonds: after initial increase in popularity, restricted capacity in the market means a slight shift back to LOCs

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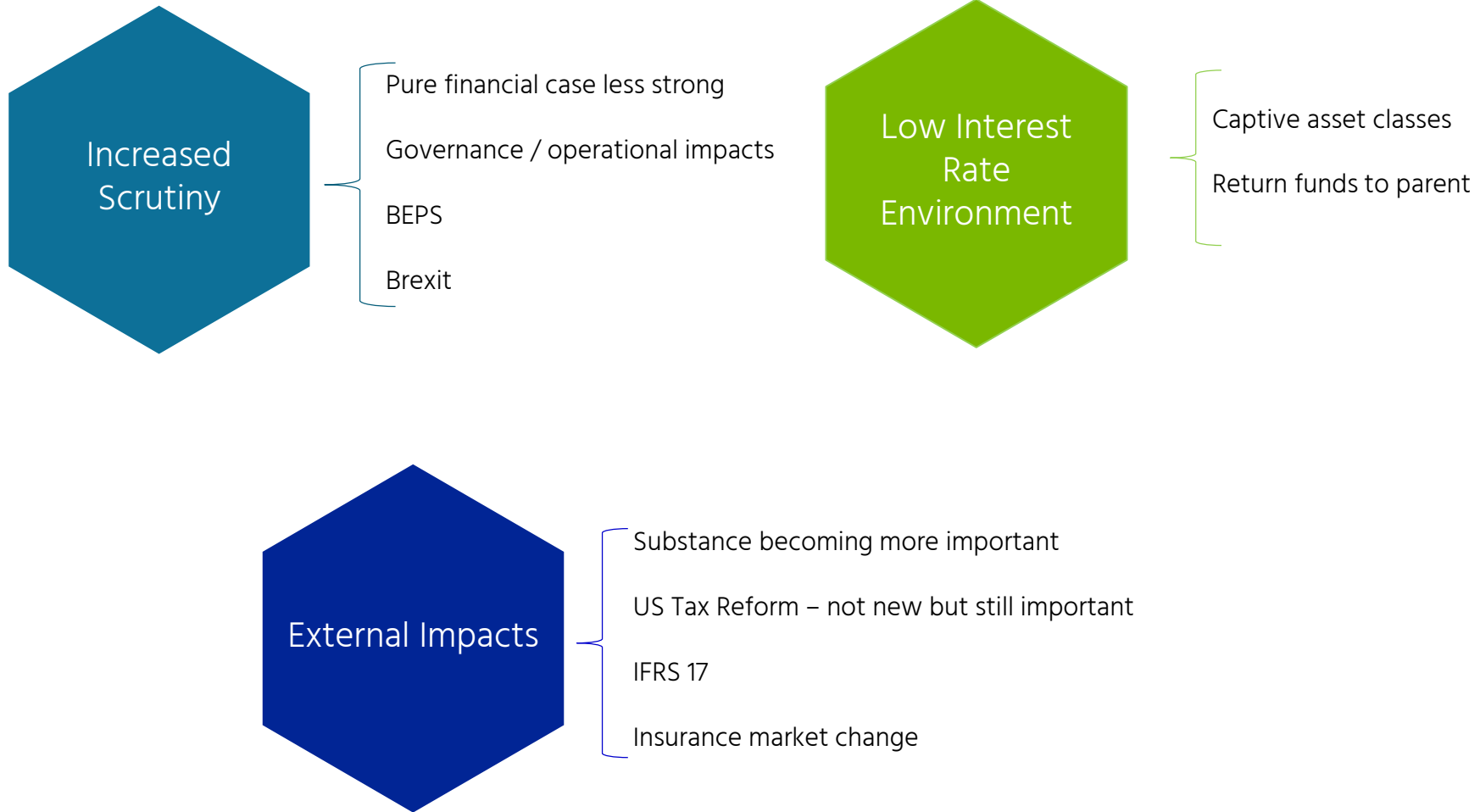
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An aerial view of the Shanghai skyline at dusk. The sky is a mix of blue, orange, and purple. The city is illuminated with lights from the buildings and streets. The Shanghai Tower and the Oriental Pearl Tower are prominent. A large blue arrow points upwards from the bottom left towards the center of the image.

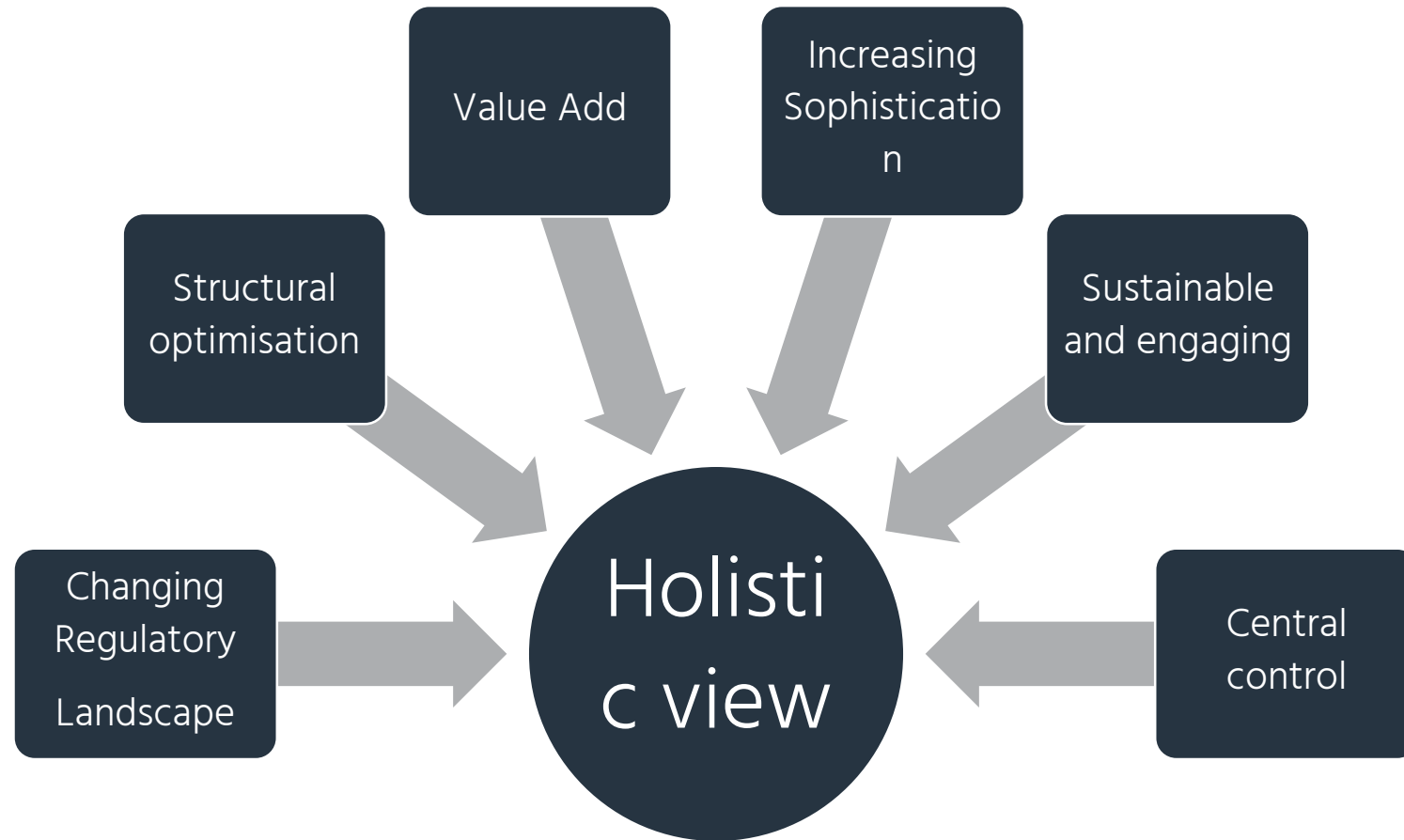
2

Changing value of Captives

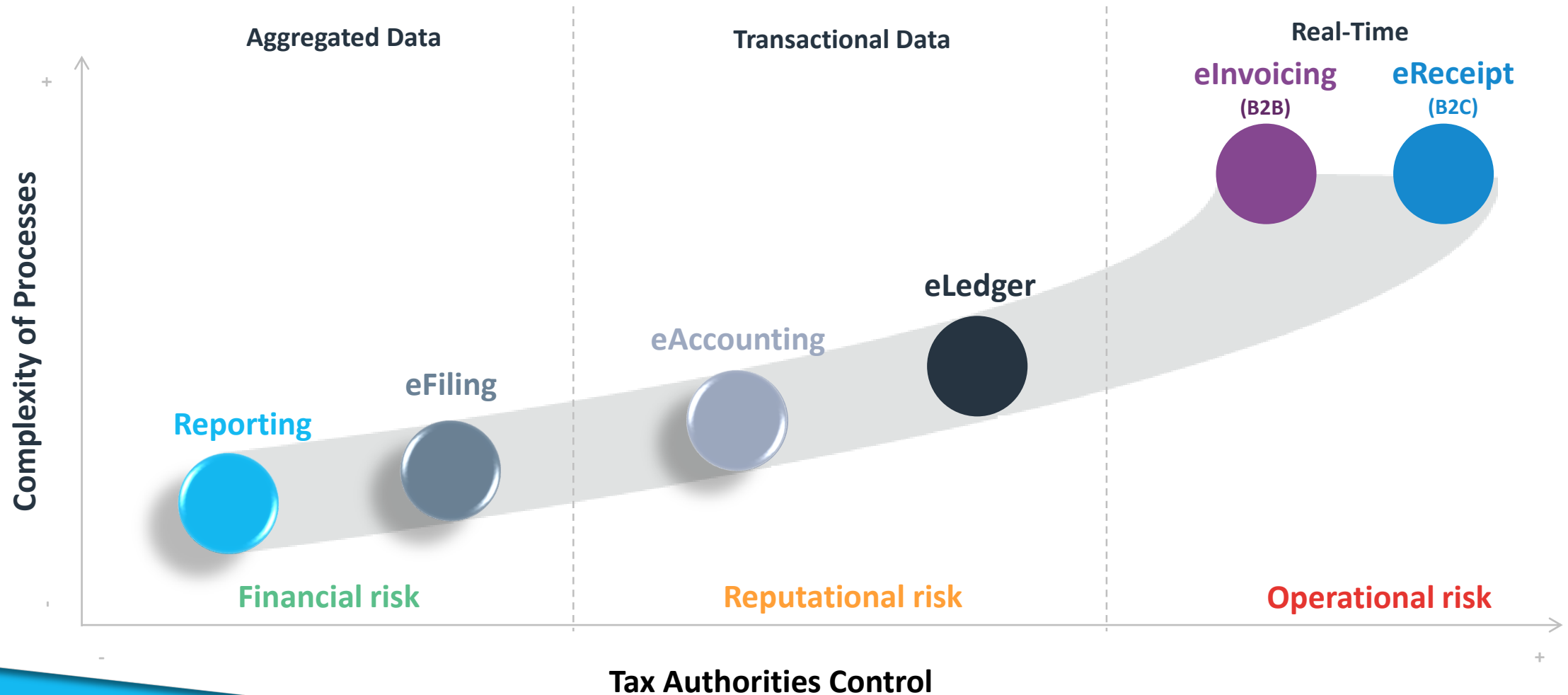
Practical Developments



Developments in the captive world



Indirect Tax Compliance Landscape Evolution



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An aerial, high-angle photograph of a dense urban landscape, likely Manhattan, showing a multitude of skyscrapers and buildings packed closely together. The perspective is looking down from a high altitude, creating a sense of depth and scale. The buildings vary in height and color, with some featuring greenery on their roofs. A large, stylized blue number '3' is superimposed over the left side of the image, and the word 'Innovations' is written in white text to its right.

3 Innovations

IPT & New Insurance Products

1

Law

- What does the law say?

2

Insurance

- Is it actually insurance?

3

Policy Wordings

- What does the contractual agreement say?

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Growth Areas

What's actually happening regarding Cyber in captives.....?

Headline Numbers

+30
Captives Writing Cyber

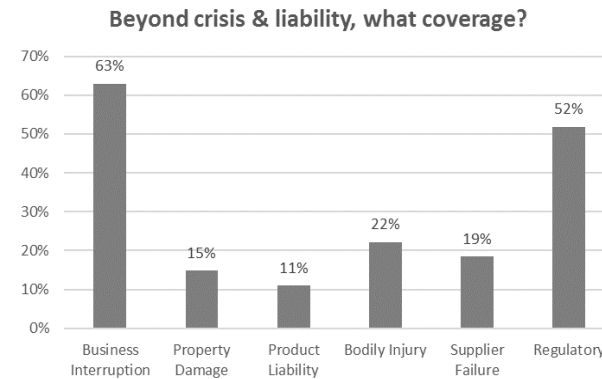
+263%
Growth in GWP

41%
Incubating Cyber Risk

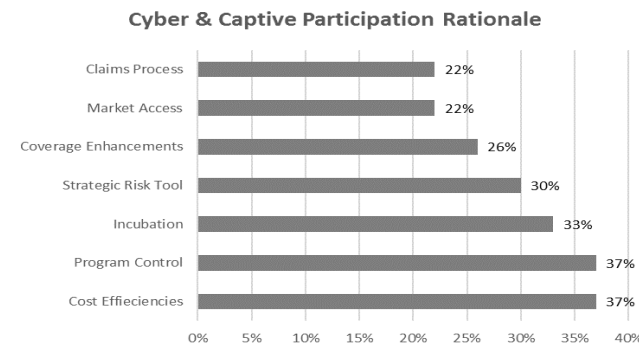
67%
**Premiums determined by
market pricing**

26%
**Captive Owners currently
reserving for a cyber loss**

Variance of Coverage Options



Captive Rationale



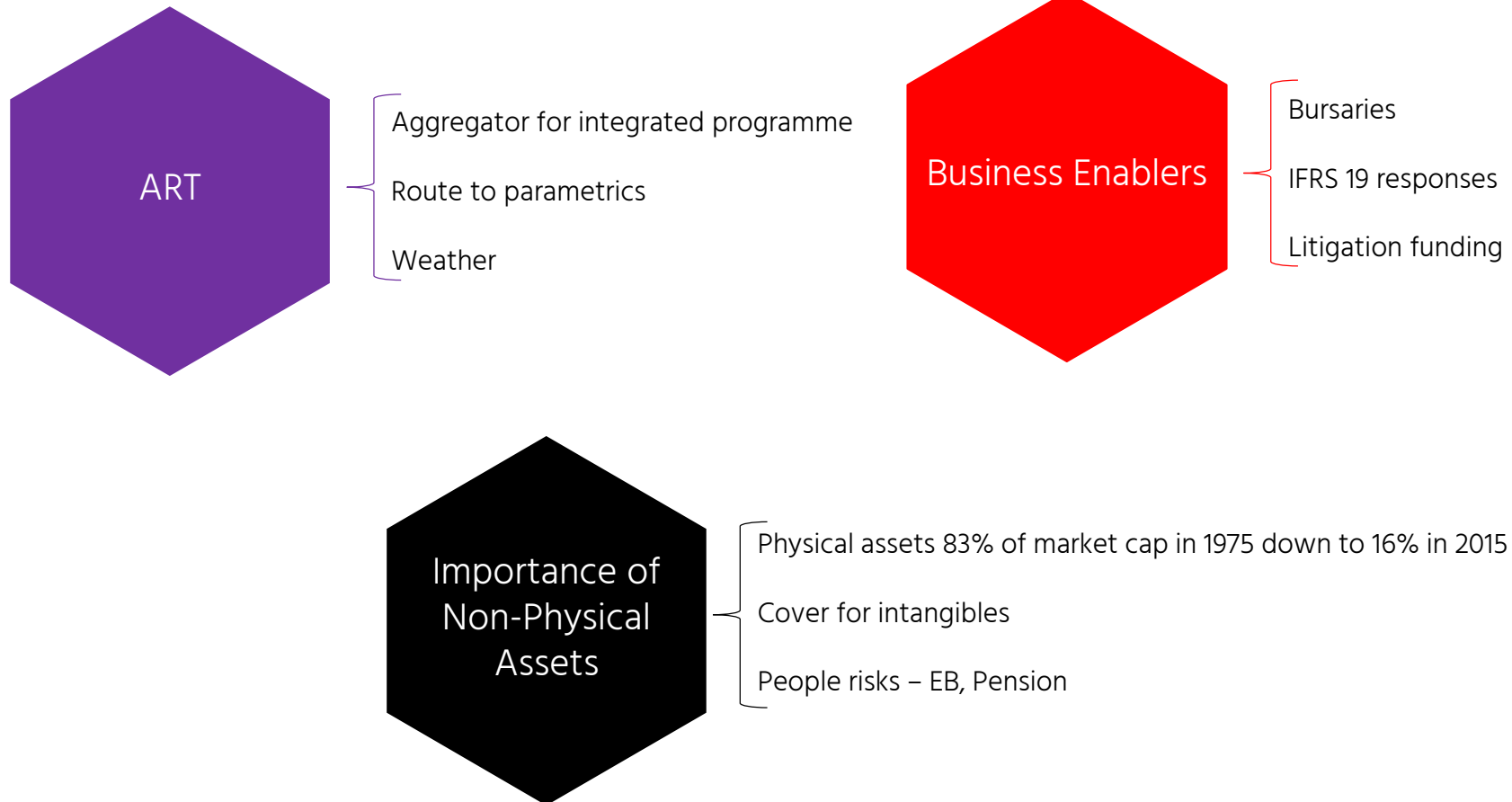
Top 5 Industries

- Healthcare
- Energy
- Financial Institutions
- Food & Beverage
- Life Sciences

Projected Growth

- Projection of +20% of captives writing cyber within 5 years
- Leveraging increased capacity for innovative coverage growth
- Shift in asset value from tangible to intangible via digital transformation will be a key driver

Growth Areas

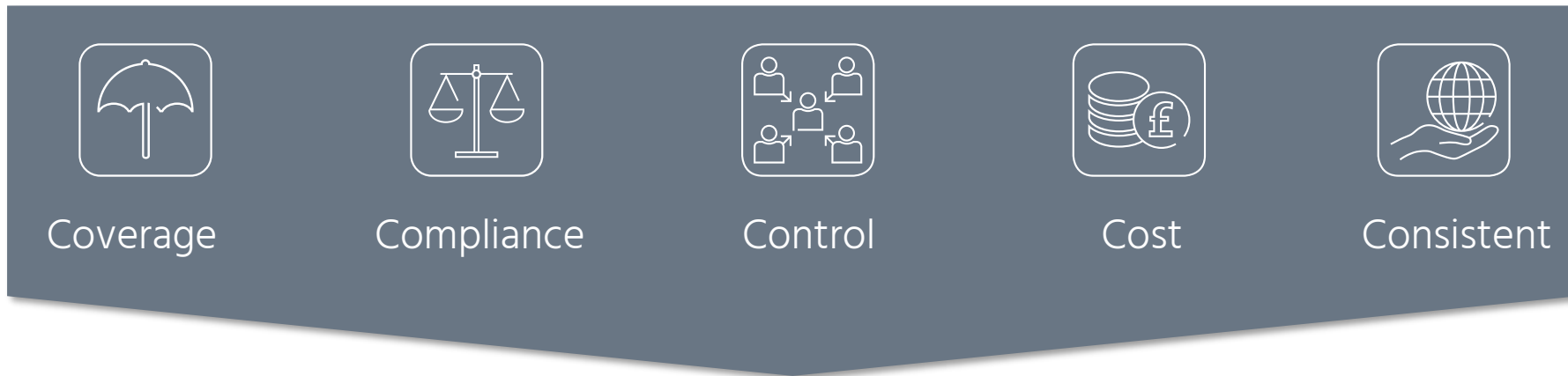


Developments in the captive world

Innovation in Fronting

Goal of a Global fronting programme has not changed:

A valid, enforceable international programme meeting the customer's needs and aligned globally with insurance regulatory laws and tax requirements.



Instant Access



Transparent

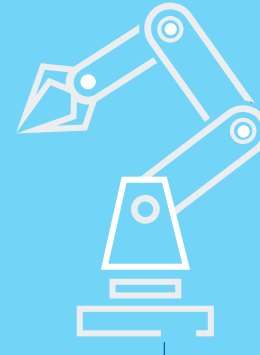


Insights

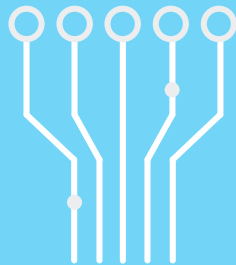
Developments in the captive world



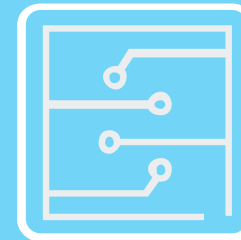
AI – COGNITIVE COMPUTING



ROBOTICS

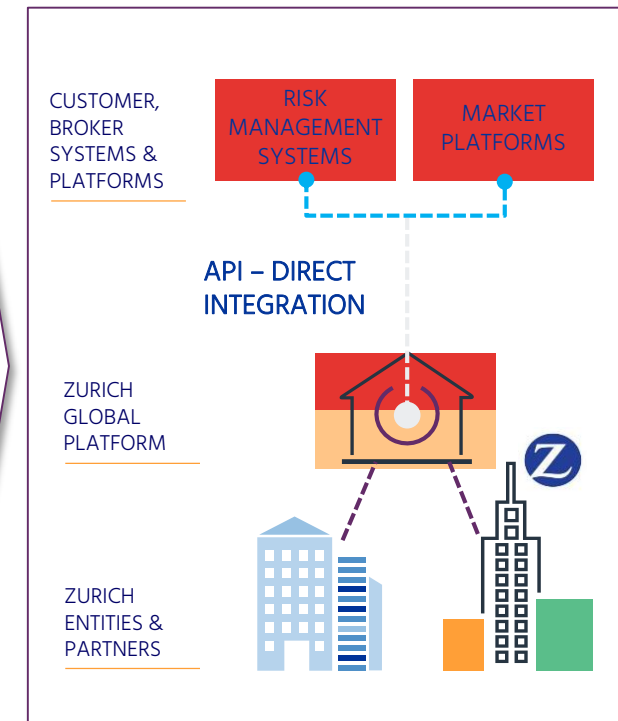
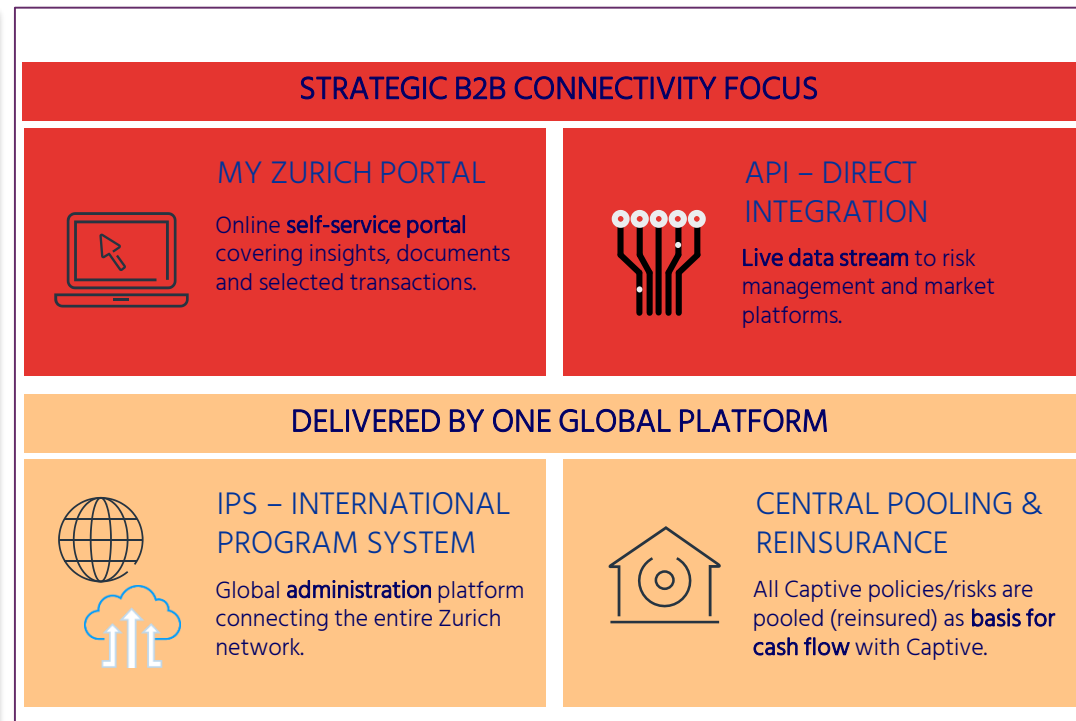
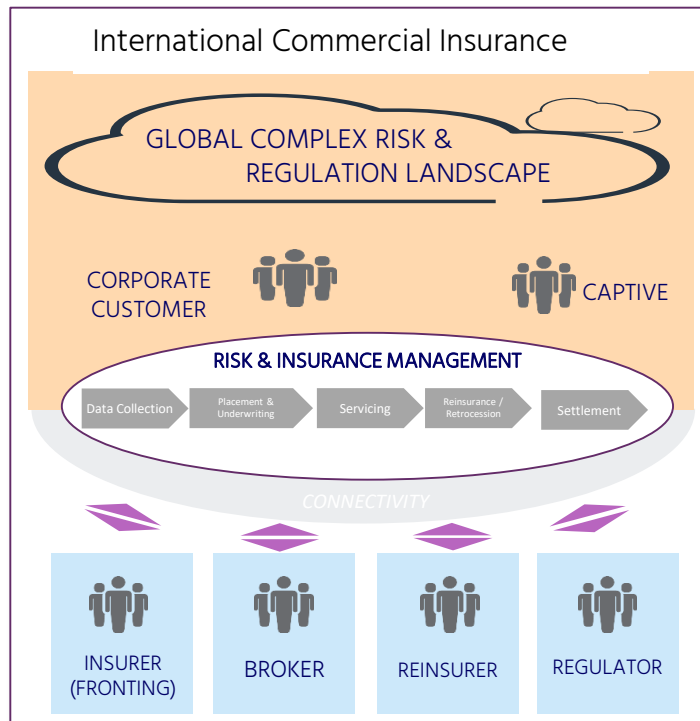


API



BLOCKCHAIN

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Thank you.

