Insurance

Captive Advisory & Consulting Services

Captives continue to provide significant tangible benefits and a competitive edge in alternative risk financing, outperforming their counterparts in the commercial casualty sector. The challenge, however, is to ensure that captive solutions align with and satisfy business strategies and objectives, delivering forecasted benefits over the long term.

MEETING THE CHALLENGES: THE FTI CONSULTING DIFFERENCE

Determining the feasibility of and assessing the performance of captives requires a multi-disciplinary team with deep insurance and other relevant industry experience and expertise in order to understand and identify issues and provide optimum advice and recommendations.

We are insurance experts. Our practice has a strong advisory and consulting track record of helping clients across multiple industries address risk management while improving financial and operational performance.

FTI Consulting team members include actuaries, claims specialists, CPAs, forensic accountants, and former regulators. Our team members are experienced in financial, operational, and regulatory issues across the full range of risk financing functions in all lines of business within insurers, reinsurers, captives, risk retention groups, brokers and insureds.

BUSINESS OBJECTIVES

Our advisory and consulting services are tied closely to ensuring alignment of anticipated captive benefits with the business objectives of our client. We work collaboratively with client personnel to achieve desired outcomes in the following areas:

Financial

- Retained underwriting profits and investment income
- Long term cost reduction
- Improved cash flow
- Accelerated tax benefits
- Effective capital allocation

Risk & Operations

- Broader coverage options
- Greater program control
- Improved claims management
- Focused risk management
- Compliance

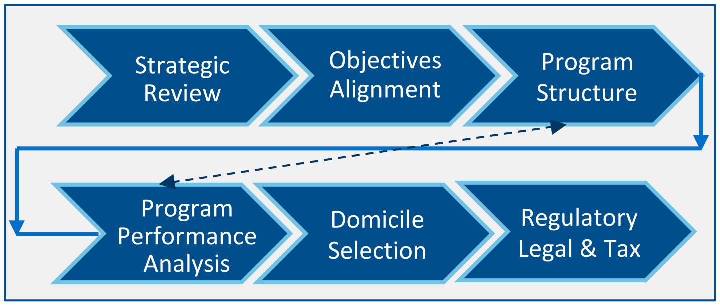
ADVISORY & CONSULTING SERVICES

Our advisory and consulting services are focused on critical components of the feasibility study and on supporting strategies and business objectives of our client in order to ensure that desired captive outcomes are sustainable.

FEASIBILITY STUDY

Strategic Review

Our Strategic Review is a high-level but comprehensive review with senior management that considers all aspects of alternative financing options (including excess coverage).



It takes into account the client's enterprise risk management program; the potential financial, operational, and strategic risks and exposures; the risk appetite of the board; claims experience; and the entity's business strategies and objectives.

The Strategic Review results in defining and aligning captive program objectives with business objectives, which informs selection of the type of captive and development of an initial program structure.

Program Structure

Our criteria for determining the type and structure of captive weighs heavily on the quality of the risk sharing partner. We especially focus on its services; such as certification of coverage and limits; reinsurance; loss control and mitigation; claims reserving, adjustment, and oversight; risk management; underwriting and regulatory optimization and assistance.

Program Performance Analysis

We apply actuarial models, predictive analytics, financial analysis and pro-formas to help validate assumptions and determine and improve performance of the program – both at program inception and for evaluation at future dates.

Our methodology for achieving optimum performance involves an iterative, data-driven process. It includes forecasting potential claims loss and liability exposure; reserve valuations; operational expenses; premium growth, projected financial pro-formas and capitalization under different risk factors and operational and market condition scenarios.

This critical phase of the feasibility study provides management with pro-formas under various scenarios that provide insights for informed decision-making. This phase also helps ensure optimum program performance, reliability and fulfillment of financial and operational objectives.

Domicile Selection and Regulatory/Legal/Tax

Selecting a domicile and addressing regulations, legal and tax requirements are often interrelated. Accordingly, we work in concert with regulators, client counsel and designated accountants in selecting the domicile, preparing the application, and establishing policies, procedures and controls to ensure compliance.

RELATED ADVISORY AND CONSULTING SERVICES

In addition to feasibility studies, we help clients reduce risk and gain optimum value from captives through the following advisory and consulting services:

- Risk Management & Claims Loss Control
- Expert Testimony & Litigation Support
- Risk Financing Realignment – Post M&A Restructuring
- Runoff/Exit

RISK MANAGEMENT & CLAIMS LOSS CONTROL

Our claims experts understand and address the full spectrum of claims issues, including exposures; loss controls and mitigation; damage and injury assessment and valuation; investigations involving fraud and financial wrongdoing; and those involving complex multi-jurisdictional claims. We also have a proven track record in improving claims operational processes, reducing time to resolution and improving claims outcomes.

EXPERT TESTIMONY & LITIGATION SUPPORT

Our teams support clients and their counsel with dispute resolution services that encompass the complete litigation lifecycle, from an initial triggering action to post resolution compliance and monitoring. We provide expert opinions, analysis, reports and testimony before a variety of litigation and arbitration venues. Our experts have been recognized as global leaders in "Who's Who Legal 2018: Experts, Insurance & Reinsurance".

RISK FINANCING REALIGNMENT – POST-M&A RESTRUCTURING

M&A transactions can often result in changes to risk financing requirements, prompting the need to reassess existing alternative risk transfer techniques, which may involve captives, risk retention groups, or structured reinsurance solutions. In such situations, we gather relevant data from the transaction due diligence phase, an existing feasibility study and other sources to perform a Strategic Review, which provides guidance regarding the need for any risk financing realignment.

RUNOFF/EXIT

Exiting a captive essentially requires negotiating with fronting and reinsurance insurers and regulators to ensure that reserves are taken down, claims are settled and closed, and funds are released.

We have an exemplary track record in performing claims runoff. Depending on the complexity of the situation our services can involve an approach that includes a mix of skills and resources, including actuarial, accounting, internal audit, risk management, regulatory, technical, and operational skills capable of supporting all stakeholders.

Contact our experts to learn more about our services and experience across a broad range of industries.

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