

# CAPTIVE INNOVATIONS

*Thinking Differently*

2023

## Evolution of a Captive: Case Studies with Captive Owners

## MEET THE SPEAKERS



**Tess Sherzey**

WellPoint Insurance Services, Inc.



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WellPoint Insurance Services, Inc.



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PS Alani Insurance Company, Inc.



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# SESSION OBJECTIVES

- How captives evolve over time to meet short-term and long-term needs
- How to evaluate when a program is, or is not, suitable for your captive
- Captive regulatory environment – pros and cons
- A.M. Best rating – process and considerations
- Captive's value proposition for internal and external stakeholders

# MEET THE CAPTIVES

## WellPoint Insurance Services, Inc.

Licensed Oct 2006  
17<sup>th</sup> operating year

Hawaii Class 4  
Sponsored (Cell)  
Captive

100% owned by  
Elevance Health

Initial Program	Current Program
Deductible Reimbursement	Deductible Reimbursement, Primary (fronted), and Excess, Reinsurance (Cell)
One line of coverage, including LPT	Five lines of coverage
\$1M per occurrence limits	\$40M+ per occurrence limits

# CAPTIVE MILESTONES

## WellPoint Insurance Services, Inc.

### Liability program:

- 2007 to 2022 – quota-share high excess layers
- From 2022 – primary (fronted) and excess layers
- From 2019 – primary (fronted) coverage for non-owned affiliates

### Cell program:

- 2018 – launched cell to reinsure certain blocks of business

A.M. Best rating – 2022

# MEET THE CAPTIVES

## PS Alani Insurance Company, Inc.

Licensed May 2016 \*\*  
 7<sup>th</sup> operating year \*\*

Hawaii Class 2  
 Captive

100% owned by Public  
 Storage

Initial (1994) captive	Second (2003) captive	Current Captive
Deductible Reimbursement, Liability, Excess Property	Deductible Reimbursement, Liability, Excess Property, Reinsurance (tenant program)	Deductible Reimbursement, Reinsurance (tenant program)
Two to Nine lines of coverage	Seven to Four lines of coverage, plus LPT from predecessor	Four lines of coverage, plus LPT from predecessor
\$4M - \$20M+ per occur limits \$2M - \$9M premium	\$12M - \$30M+ per occur limits \$38M - \$110M+ premium	\$9M+ per occur limits \$190M+ premium

\*\* Current captive is the 3<sup>rd</sup> captive for this organization

# CAPTIVE MILESTONES

## PS Alani Insurance and predecessors

### Property program:

- Filled in layer gaps during market cycles: 1995-1997, 2001-2003, 2006-2007 (EQ only)
- Funding for deductibles moved away from captive to operating co, 2016

### Liability program:

- Funding for “at fault” / preventable losses moved away from captive to operating co, 2004

### Tenant program:

- Captive reinsurance structure facilitates program and coverage changes to address pain points, on-going

# CAPTIVE OWNER Q&A

- How do you identify and evaluate whether a new coverage or program is suitable for the captive?
- What is your internal approval process like as it relates to expanding the captive.
- How do you overcome internal resistance to using the captive (if any)?
- Do you experience the opposite – wanting to throw everything into the captive?
- How has the captive provided value over time.
- A.M. Best rating – what was the process like. Suggestions for captives considering applying for a rating.
- What is your view of Hawaii's captive regulatory environment.



# Emerging Opportunities on Captive Utilization

- Captive owners and advisers continue to identify opportunities to expand Captive utilization where both strategic and financial advantages exist
- Consideration to write third party risks with business partners where the Captive owner already has an extensive knowledge of the risk landscape
- Medical Stop Loss provides the opportunity to help diversify underwriting risk within a captive and provide financial savings to the Parent Company over time
- As the Cyber market stabilizes can a captive play a role in the overall financing of a complex risk?
- Can a captive contribute to a Parent Company's ESG transition journey ?
  - Provide broader coverage to employees on benefit plans
  - Invest captive profits back into parent company facilities thereby providing an even safer work environment that can reduce frequency and severity around Work Comp risk

# Mahalo. This concludes our presentation.

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