

CAPTIVE CHAMPION: MANAGEMENT

## An essential component of society

A career in captive insurance can be glamorous, challenging, rewarding and a worthy path to follow. But most of all, it can be fun, says Martin Eveleigh of Atlas Insurance Management.

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it is never perfect.”

**Martin Eveleigh, Atlas Insurance Management**



“Why consider a career in captive insurance?” Surely this is the question that the reader of this guide would like to have answered. And it will be but, to answer that question we need first to answer others, such as: “Why do we, captive insurance professionals, do what we do?”, “What difference do we make?”, and “Does what we do matter; does it help?”.

That last question, I would answer with an unequivocal “yes”. Individuals and businesses are all exposed to risks of many kinds. There are the risks of death, of illness, of fire and damage to property. Then there are the risks of workplace injury, of legal liability, transportation risks, the risk of natural disasters such as flood, windstorm and earthquake, business interruption risk and supply chain risk.

The consequences of any of these risks becoming reality could be devastating to an individual or a business. Who could afford to replace their burned-down house? What company could afford a multi-million dollar judgement against it or a massive ransomware attack? And yet, while we take care to manage our risks by turning off the gas, by locking our doors, by training workers and by installing antivirus software, we otherwise do not worry unduly about them and sleep soundly at night.

How can this be? Simply put, we sleep soundly in the knowledge that when disaster strikes, we are protected from the financial consequences by insurance. By paying a relatively small amount of premium, we transfer the very large financial loss to a third party. What a boon.

Without this ability to transfer risk, our world would be very different. Indeed, it is hard to imagine what it might look like. Might we still be living in the dark ages? Insurance is a broad and inestimable social and commercial good. It is an essential component of our economy and one without which the wheels of modern commerce could not turn as they do.

## **An alternative way**

Clearly, insurance matters. What about captive insurance? If insurance is one way to protect against unexpected financial loss, it is not the only way. Losses could be financed prospectively by saving for that rainy day or after the event by borrowing to rebuild.

The choice to follow either of these paths surely suggests that a decision has been taken that insurance of a particular risk is a more expensive option or is, for some other reason, not effective. However good commercial insurance may be, it is never perfect and may not meet the needs or demands of the customer for a variety of reasons.

While businesses understand the imperative of financing risk and the benefits of insurance, they nonetheless often have many complaints about the product. Cost is the most common complaint, together with the belief that good claims experience is not being rewarded.

Insureds also have concerns about policy exclusions and whether they will be adequately covered in the event of loss. Some will say that insurers are too quick to pay claims in cases that should be more vigorously defended and that they then pass the cost of these claims back to the insured in the form of increased premiums.

So, in order to lower their total cost of risk or to take back control, businesses may decide to retain certain risks. Captive insurance companies provide them with a formal risk financing mechanism that will very likely be superior to saving or borrowing.

Captive insurance affords its users an alternative way to finance risk, to generate profit and to ensure the continuation of the business and the livelihoods of its employees. That is why we do what we do. It makes a measurable difference and it certainly matters.

## **Part of the solution**

Another question is: "who are we?". We are many and various. Various in the sense that a team of many different skills is needed to create and manage captive insurance companies. And, indeed, to regulate them.

A captive insurance company is used as part of a solution to a problem. The team solves problems related to risk and how to protect against or profit from it. The team needs to be able

to design a captive insurance solution, license and form a captive insurance company, manage and administer the company, ensure that the insurance transactions comply with local laws and that the company itself complies with the laws of its domicile.

The team needs to price risk, determine what risk to retain and what to transfer and to find insurers and reinsurers to partner with. The team needs to understand and advise on corporate governance, taxation and investment. It needs to issue policies and certificates, enter into reinsurance contracts, settle claims and manage risk.

With all these needs, the team can comprise insurance brokers, captive managers, accountants, actuaries, lawyers, bankers and investment managers, auditors and regulators.

If the provision of captive insurance solutions and services requires a variety of skills, there is variety too in the work that we do—tremendous variety. We are asked to solve a very wide range of different problems for businesses of all different types.

That is interesting, eye-opening even—it is challenging; and it requires curiosity, creativity and collaboration. Of course, it also requires professionalism, discretion, knowledge, imagination and great communication.

A captive insurance solution is only very rarely a short-term solution so we have the opportunity and the privilege of developing long-term relationships with our fellow team members, and especially with clients whose needs evolve over the years just as the captive programme must itself evolve to meet those changing needs. These long-term relationships with clients can be profoundly rewarding for both parties.

For others the answer may lie in the opportunity to travel to meet clients, attend captive board meetings or participate in some of the many industry conferences, where the captive insurance community comes together to learn, to network and to have fun. And perhaps, that's what it's all about. However worthy, interesting, challenging and glamorous (who said that?) a career in captive insurance may be, we all have fun.

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Career Focus