



15th CICA Captive Market Study
Results Highlights

March 2016

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After a year's hiatus for a strategic review, the Captive Insurance Companies Association (CICA) again engaged Veris Consulting to conduct a newly focused, confidential survey of captive insurance company owners from September 9, 2015 to November 2, 2015. The following presents highlights of the results from 255 survey participants. CICA members can access the full, compiled results, including open-ended responses and a breakout for single parent captives, on the members-only section at www.cicaworld.com.

Survey Objectives

- To encourage the discovery, or reconsideration, of how a captive can add increasing value
- To better understand how CICA can support this continued value proposition

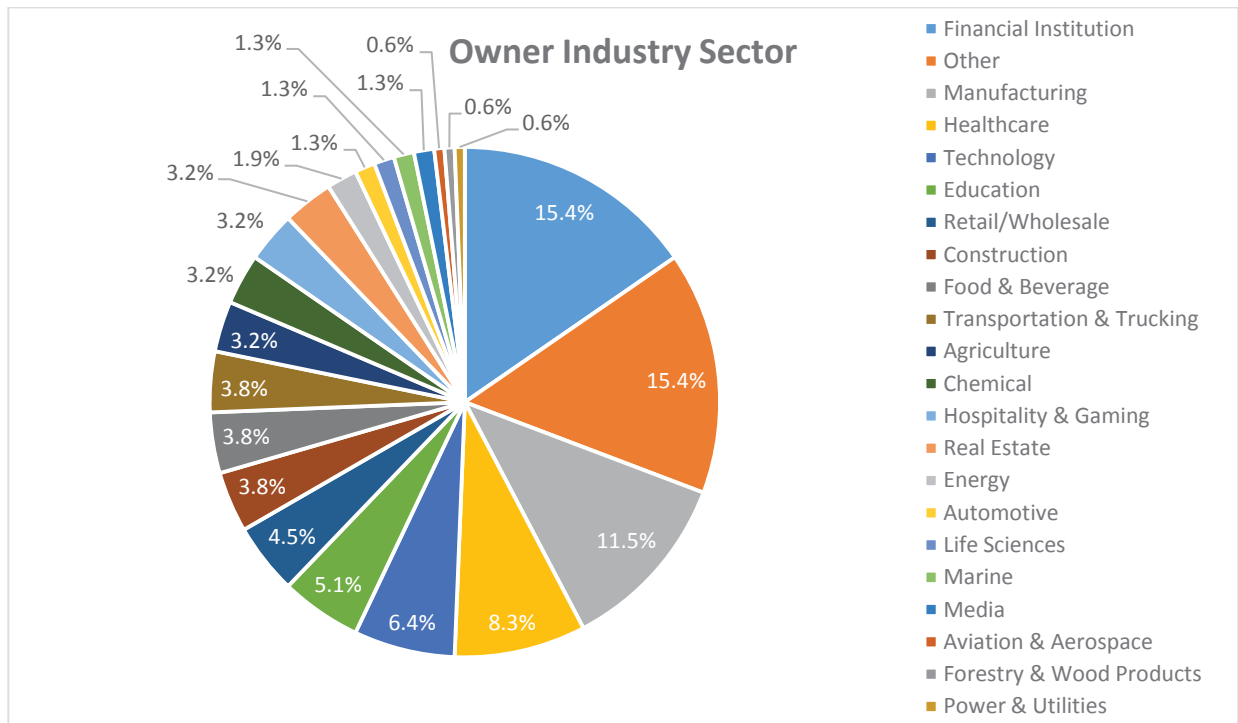
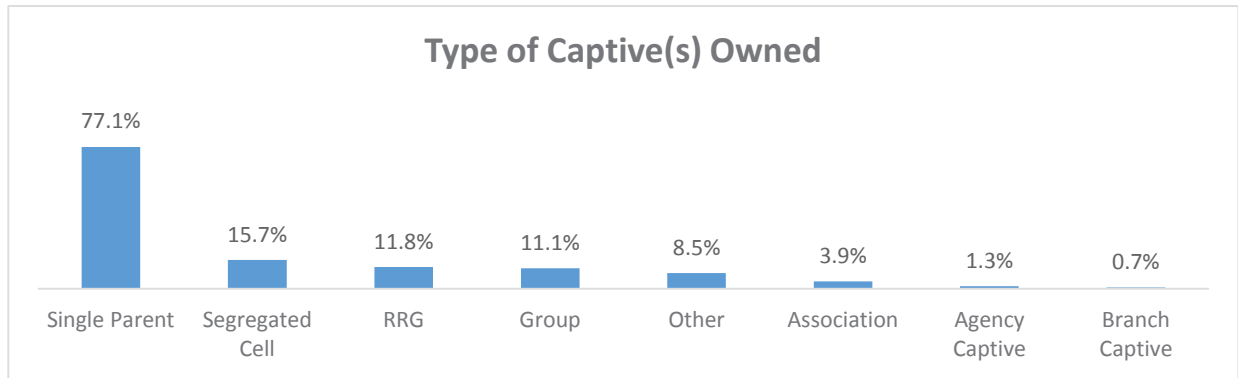
Key Findings

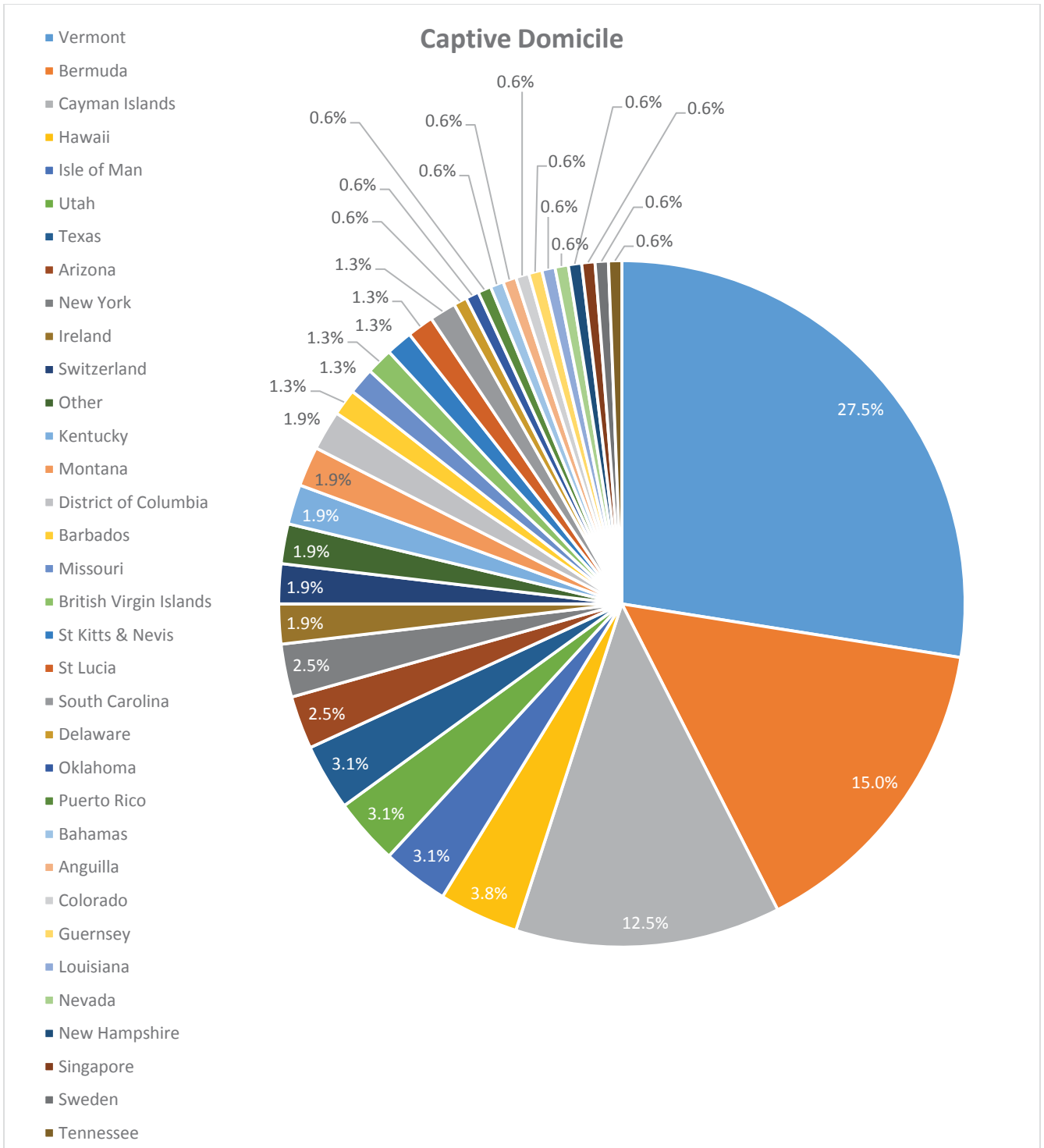
- While single parent captive owners still represent more than three quarters of the participants, the respondents to this year's survey represent a broader cross section of industries and domiciles than in previous surveys. That said, the survey responses were similar across captive types, industries and domiciles.
- Nearly 30% of the 'Other' industry sector is comprised of captive managers who own captives in order to assist existing and prospective clients with their risk management needs. They present a unique set of captive owner issues not previously captured by the survey.
- Cyber risk, mentioned by slightly more than three-quarters of respondents, is the number one emerging risk and the number one non-traditional risk that the survey participants are currently grappling with, with the more specific cyber issues from emerging technologies (drones, Internet of Things, etc.) mentioned by a quarter of respondents. In the 'Other' category, the issues arising from the sharing economy (Uber, Airbnb, etc.) are just beginning to emerge as risk management concerns.
- Health insurance (employee medical stop loss) is the number two non-traditional risk in captives, also mentioned by more than two-thirds of respondents. It is the number three emerging risk in captives.

Key Findings cont.

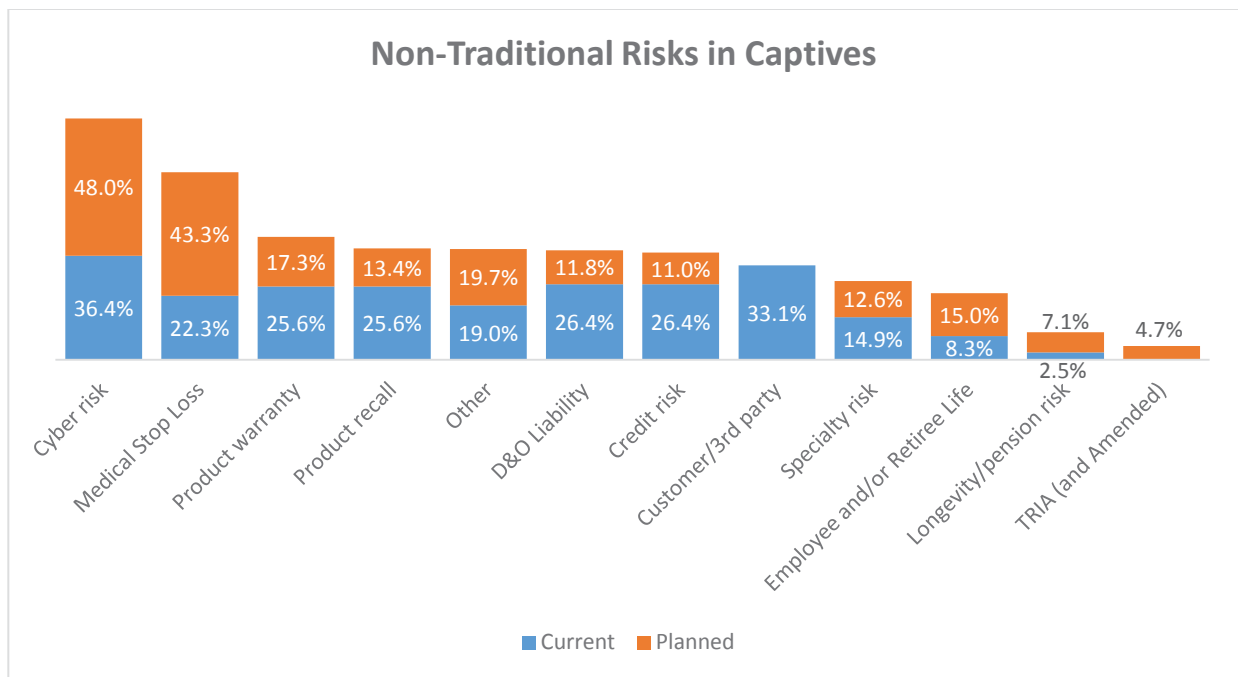
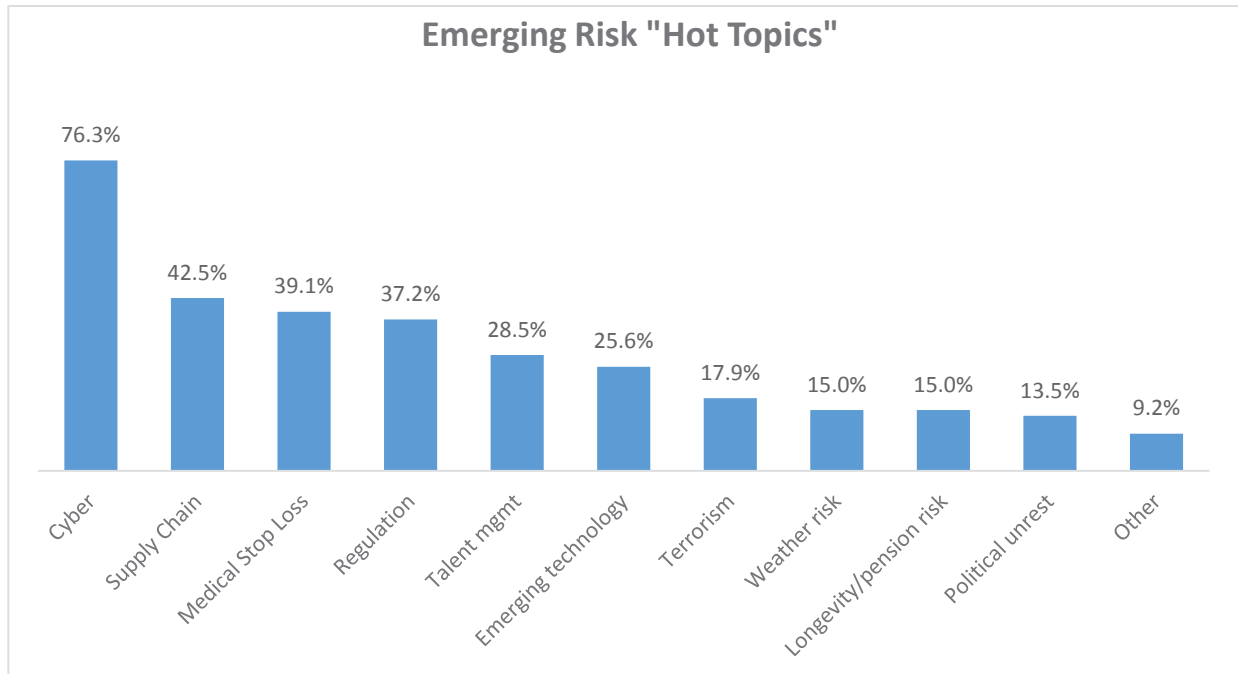
- Captive owners are planning to use captives more frequently for non-traditional insurance solutions.
- About 50% of the survey participants are considering putting one or more new coverages in their captive in the next 12-24 months, while the other 50% are either already insuring non-traditional risk in their captive or are satisfied that the traditional coverage(s) in their captive meet their current risk financing needs.
- According to the survey participants, the top five ways that their captive currently creates value are (1) plugging holes in their insurance program (73.7%); (2) recapturing premiums that would otherwise be spent in the commercial insurance market (67.4%); (3) providing unique coverage solutions (59.4%); (4) accessing reinsurance market (54.9%); and (5) funding retentions / centralizing buying (54.3%).
- To enhance their ability to maximize the value their captive can create 25.8% of the survey respondents thought they would need a consistent, supportive regulatory environment, 25.1% reported that they would need an aligned partnership with their fronting carriers, reinsurers and service providers, 23.2% felt they would need greater senior management support, 18.7% said they would need a supportive tax code and 7.1% cited other things they would need to enhance their ability to get the most value from their captive.
- By far the biggest challenge cited by the survey participants in doing more with their captive was resources (30.1%); lack of management support (21.5%); ongoing use of capital (12.0%); upfront costs of new programs (11.4%); and lack of knowledge about other, new ways to use their captive (10.8%).
- When asked how they might overcome these challenges, the participants used many different words. However, the message was clear that the keys to overcoming the challenges were twofold: (1) effective communication by and among all stakeholders as respects the value and benefit of a captive, especially in quantitative terms that senior management at the parent company can relate to, and (2) enhanced partnerships/alignments among all stakeholders regarding the vision, goals, objectives and expectations throughout the life cycle of the captive.

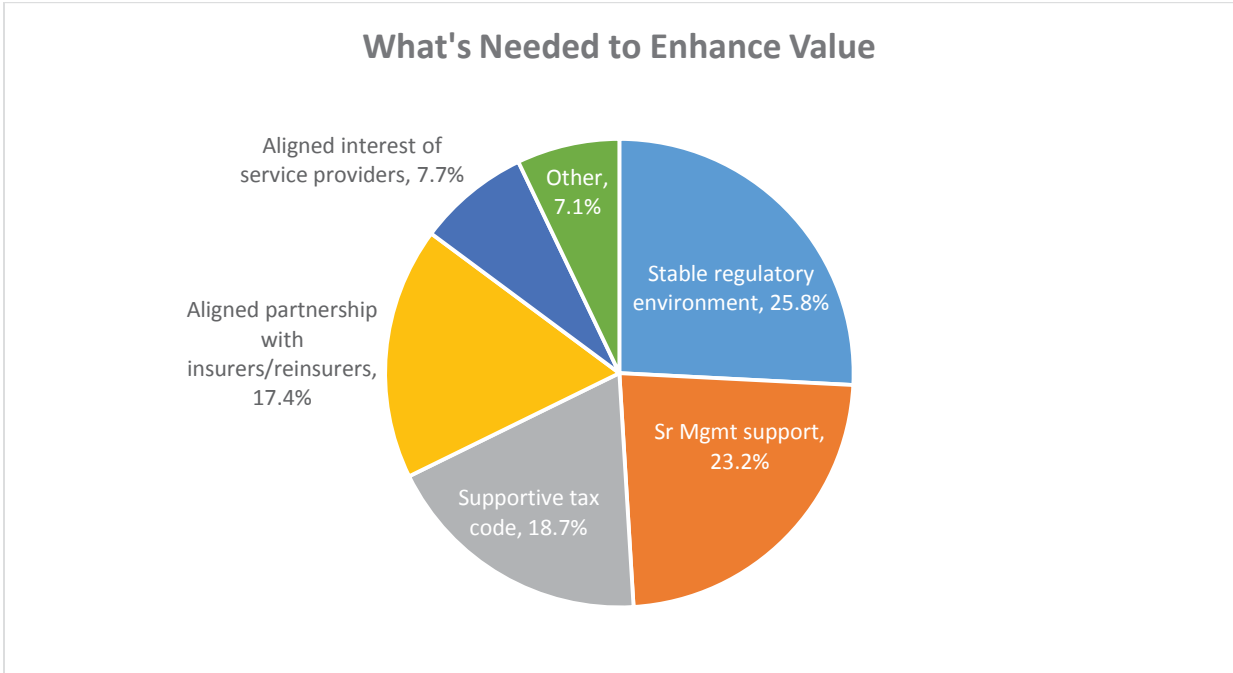
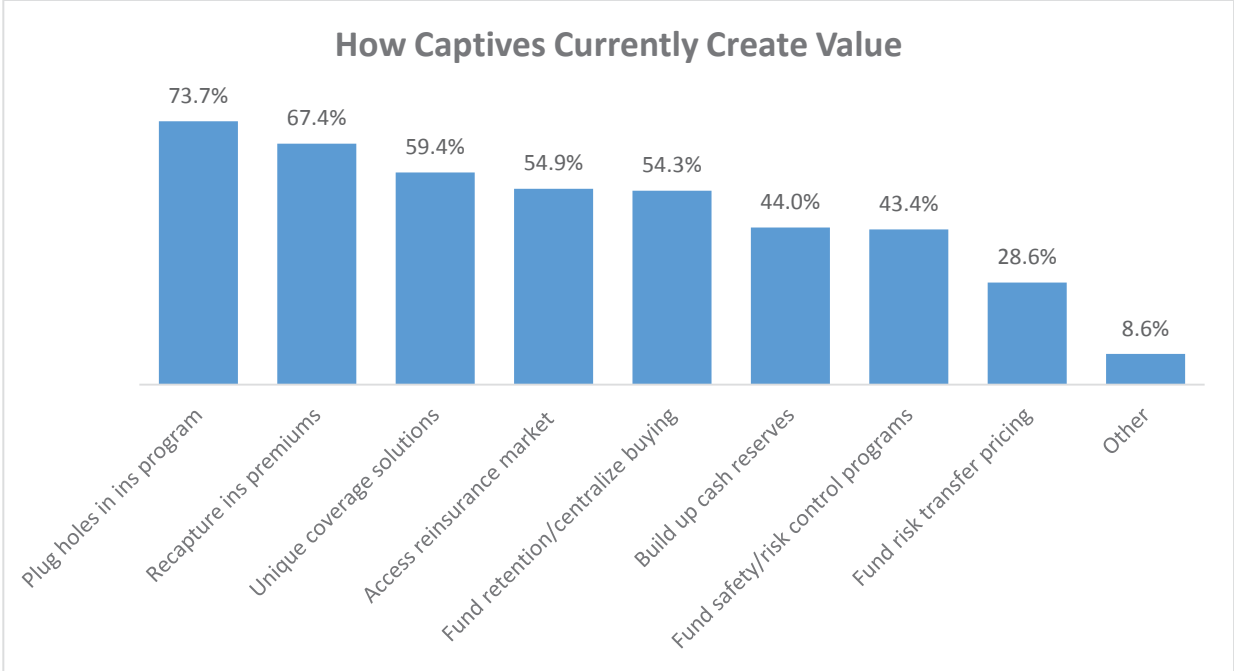
Participant Profile



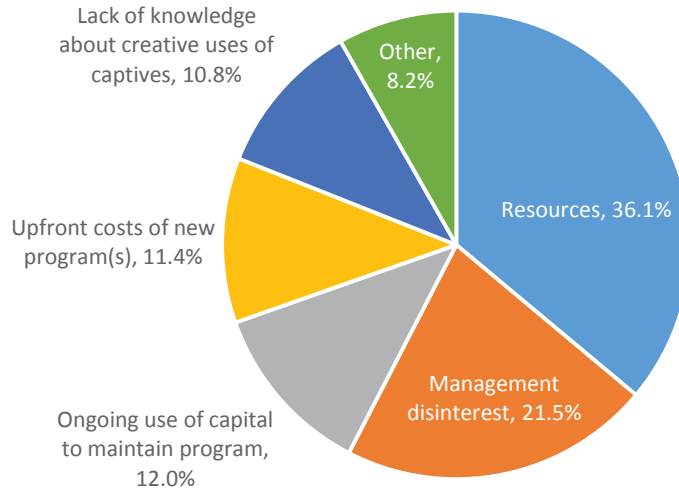


Result Highlights





Biggest Challenge to Doing More with Captive



Contacts

For more information about the CICA 15th Annual Captive Insurance Market Study, contact Dennis Harwick, President, Captive Insurance Companies Association at dharwick@cicaworld.com.

About CICA

CICA is the only global domicile-neutral captive insurance association. CICA is committed to providing the best source of unbiased information, knowledge, and leadership for captive insurance decision makers. CICA is your advocate around the world, key to the captive industry and *the* resource for captive best practices.

About Veris

Veris Consulting, Inc. was formed in 2000 and consists of technology-based survey and research services (such as CICA's market study), forensic accounting and litigation support, outsourced internal auditing and accounting, and information technology consulting. It serves a diverse clientele throughout the United States, as well as clients in Europe and the Caribbean. Services are provided from its headquarters in Reston, Virginia. Further information is available at www.verisconsulting.com.

About Participant Support

CICA acknowledges the ongoing support and participation of CICA members in the annual market study, as well as the captive domicile associations that encouraged their members to participate in the 2016 Market Study, including the Arizona Captive Insurance Association, the Bermuda Insurance Management Association, the Captive Insurance Council (DC), the Insurance Managers Association of Cayman, the

Kentucky Captive Association, the Montana Captive Insurance Association, the Texas Captive Insurance Association, and the Vermont Captive Insurance Association. CICA also acknowledges those clients of Aon and Marsh that participated via the link sent to them by their captive manager.

The survey results are only representative of this year's participants and may, or may not, reflect all constituencies within the captive insurance industry. Anyone that wishes to participate in future studies should contact Dennis Harwick, President, Captive Insurance Companies Association at dharwick@cicaworld.com.

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