

VCIA: Companies must re-evaluate captives

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Captives should re-evaluate risk appetite and exposure at least every five years, according to a panel at the Vermont Captive Insurance Conference.

The panel discussed why companies should review their captives and what they should look out for when conducting a review.

A panellist suggested that companies need to consider regulatory and risk changes, how the captive could better serve customers, and the changing economic landscape, all of which need to be regularly reviewed, at least every five years.

Companies should use a review as an opportunity to take emerging risks into consideration, including medical stop-loss, pensions and cyber.

The panel warned that companies need to think twice before including reputational risk, as it is difficult to measure and is not covered by cyber. A captive can also be used to provide tools to manage reputational risk, such as crisis management as part of an insurance product.

Reviews must also be used to recognise the unknown factors and inbuilt risks in organisational strategy, create extreme worst case scenarios with risk sensitivity, examine risk shifting and distribution, and review the need for diversification.