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## A.M. Best's Rating Methodology for Captive Insurance Companies

The Alternative Risk Transfer market continues to grow as a vital factor in the insurance sector. It already comprises an increasing portion of the global commercial lines market. As the number of participants and risk-bearing capacity of the alternative market have grown, so has the wide array of infrastructure support entities tailored to its needs. These include underwriting and claims-management services, accounting and legal firms, and brokers with units focused on alternative market management services. In addition, a number of traditional insurers and reinsurers have organized dedicated departments to cater to the needs of captive insurers. These include fronting companies, divisions offering risk management services, and administrators of group captive programs. There also appears to be a trend toward captive management services being performed by professional management firms established specifically to address the needs of the ART market.

Managers, participants and owners of captive insurers now face rapidly changing financial and business conditions and rising visibility within parent organizations. Achieving a reliable and consistent financial strength rating has become increasingly imperative as these entities react to intensified demands for accountability, transparency and proof of value added. Each of these organizations and their insureds, as well as regulatory authorities and numerous other interested parties, requires a consistent means to determine the security and operational viability of the risk-transfer vehicles. Through a diligent application of tested analytical tools and processes, Best's Ratings achieve a level of consistency that ensures credibility and comparability. With a financial strength rating, the captive carries its own recognized standing in the business world. A.M. Best has more than a 105-year history of being the premier provider of financial information and ratings for the insurance industry. Relying on this experience, the rating evaluation process has evolved into a thoroughly tested one that incorporates the in-depth analysis of company-specific quantitative and qualitative factors and industry dynamics as achieved through ongoing, interactive discussions with senior management of the rated organization.

The criteria for obtaining a rating are similar, in most respects, for all insurance entities. A rating assigned to one company means that company has a comparable financial strength to that of any other company with the same rating, regardless of whether they are publicly traded carriers, mutual insurers or captive organizations. In other respects, the rating process does recognize and incorporate the unique characteristics of each insurer, reflecting lines of business written, market position, sources of support, external obligations such as debt load, insured and member composition, management capability and operating environment. The standards enumerated in this paper are geared to the captive insurance market, covering single-parent captives, multi-owner captives and risk retention groups, as well as organizations that



exhibit similar captive-like characteristics, using the term “captive” in a generic sense for all these entities.

### Sources of Information

To ensure proper analysis and an appropriate rating assignment, A.M. Best requires that extensive baseline information be supplied, as well as participation in a formal meeting of management with the analytical team. The following is representative of the types of information typically requested.

**Parent Company Financial Statements and Supporting Documents.** For a single-parent captive, regardless of whether the parent company is publicly traded or a private concern, A.M. Best needs the financial statements covering the past several years, and any related information it deems necessary, to understand the implicit or explicit financial capacity and commitment to the captive from its immediate, and if applicable, ultimate owner(s). For a group captive, similar information may be necessary if one or two members represent a significant share of its ownership or premium volume.

**Captive’s Mission Statement/Operating Plan.** This information is vital in understanding the strategic purpose of the captive within the context of the overall organization of the parent company or its constituent members. The operating plan focuses on the near-term strategy for the captive. It is reviewed for reasonableness with respect to the captive’s long-term mission and the ability of management to carry out the plan.

**Audited Financial Statements.** Although a history of five or more years of operating experience is preferred for a more complete rating analysis, A.M. Best has evaluated and issued ratings on captive insurers with less than this level of experience, where reasonably reliable substitute information has been made available. One effective alternative for direct experience as a captive is loss and profitability experience of the insured(s) in another insurance program prior to establishment of the captive. Also considered is a set of pro forma projections of business using the captive as the insurance vehicle and based on in-depth actuarial analysis, business

modeling and quoted costs for services to be rendered to the captive. Also important is strong, committed parental or member support and a well-regarded management team.

The financial reports must be statutory or audited and in the format in which the entity normally prepares them. This can be in a modified statutory form as established by the local domicile or in a form utilizing a generally accepted accounting principles standard.

**Independent Actuarial Report and Study.** This information enables the analyst to gain better insight on the loss reserves reported by the captive and the underlying

## A.M. Best Company Methodology

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confidence levels selected by management. A.M. Best's internal actuaries will assist the analyst in reviewing the actuarial reports of any captive to gain a full appreciation of loss reserve adequacy and pricing decisions. When necessary, there will be extensive interaction with the captive's independent actuary to clarify certain points in the report.

**Questionnaires.** A.M. Best requires two rating questionnaires to be filled out. One is a background questionnaire that asks for basic data, such as management background, company history and domicile information. This is requested only one time for all initial ratings. The other, a data and information request, is more detailed and specific to the company. It is prepared annually and asks for information that typically is not available in a company's financial statements. Details are requested on such items as operations, policy coverage, loss-reserve discounting, nature and quality of investments, asset-liability matching, derivative instruments, affiliated company transactions and investments, off-balance-sheet items, catastrophe exposures (natural and

man-made) and their management, dividend policy and reinsurance programs.

**Investment Strategies.** This information is crucial to the analyst not only in understanding investment risk but also in understanding country risk and liquidity. Investments in affiliates, control and location of physical assets, and the terms and conditions of any notes with a parent or affiliate all are important considerations.

**Policies and Procedures.** A.M. Best reviews these documents to determine how the captive is structured and operated. This information outlines the number, nature, composition and responsibilities of the various committees, such as underwriting, loss control, investments, accounting, compliance and administration. Any outsourcing of corporate functions to third parties or a parent will be garnered from the review of policies and procedures. A determination as to how stringent the underwriting guidelines and loss-control procedures are, including those for third-party business, is an important part of A.M. Best's analysis.

## Captive Rating Methodology

### Introduction

Although captive insurance subsidiaries are established to serve various needs within non-insurance organizations, they all function as risk-bearing entities that operate like commercial insurers. Accordingly, A.M. Best's analysts evaluate a single-parent captive in a manner similar to that used with a commercial insurance company, but with consideration given to the financial risk of the corporate-sector parent. A.M. Best applies a risk-evaluation process to the parent and its relationship to the captive. The corporate assessment covers company and industry risks and potential support for or impact on the captive. Likewise, for a group captive, the risks assumed by the captive are evaluated in terms of the business profile of the captive participants and their propensity and ability to support the captive as needed.

The resulting Best's Rating provides an opinion on a captive's ability to meet its ongoing insurance policy and contract obligations. The rating assessment is based on a comprehensive analysis of the

organization's balance sheet strength, operating performance and business profile. The process includes a comparison on a quantitative and qualitative basis with both captive peers and commercial market peers, in order to maintain the comparability of all A.M. Best ratings.

Two important points need to be noted. On an initial rating, the captive management and owners have the option to accept or reject the rating assignment. If it is rejected, the rating will not be published. This is only true for initial ratings. With a formal update or renewal of an existing interactive rating, a rating must be published in order to ensure the efficacy of the A.M. Best rating process and the obligation to keep A.M. Best's subscribers fully informed on the financial strength of insurance companies. A rated company that withdraws from the interactive rating relationship will have one final letter rating published and then be immediately assigned an NR-4 (Company Request) designation.

The other point is that as part of the rating decision, if the rating committee identifies

issues of concern that adversely affect the rating level, they will be communicated to the captive's management. If the issues of concern can be cured within a reasonable amount of time to enhance the captive's ultimate rating, management will have the option to implement the cure before the rating is published. This applies to both initial ratings and subsequent updates to the rating.

It is important that the captive maintain an ongoing dialogue with the A.M. Best analysts, as this has proven to be an effective means to discuss challenges early on and for the captive to receive feedback on rating implications and cost-efficient means to address those issues.

A.M. Best conducts an extensive quantitative evaluation on each company assigned a rating. Its approach to captives is no exception. Analysts review all entities by looking at how they are performing currently and their historical performance. However, a rating is not an appraisal just on how well a company has performed in the past. More important, this evaluation is used as a basis to assess an entity's ability to continue to perform successfully and secure its ongoing insurance policy and contract obligations for the next three to five years. Variability in annual results and concerns with emerging issues are discussed with management to gain a better understanding of underlying trends and business risks.

The quantitative evaluation focuses on balance sheet strength and operating performance. A.M. Best analyzes operating profitability and liquidity to measure the captive's ability to underwrite effectively, generate capital growth from ongoing operations and pay claims readily.

Balance sheet strength is especially critical in determining ratings for captives, since many of these entities have operating mandates that are limited intentionally by their owners. The primary operating goal of most captives is not to produce extraordinary returns but to provide stable coverage and cost of risk for their owners at a competitive and fair price relative to the open market. However, some group captives and single-parent captives may tend

to charge relatively higher premium rates with the intent of building conservative levels of operating reserves and capital, with the long-term goal of paying significant policyholder dividends to members demonstrating favorable loss experience.

## Quantitative Evaluation

The following discussions on balance sheet strength and financial performance describe the more important quantitative factors used in the analytical process.

### Balance Sheet Strength

Balance sheet strength is the cornerstone of any viable insurance organization. A.M. Best evaluates six general areas in determining a company's financial strength and flexibility. An important tool in analyzing balance sheet strength and capital adequacy is Best's Capital Adequacy Ratio (BCAR), a proprietary model that identifies an insurer's risk-adjusted capital needs. Ultimately, it is a measure of free capital against the potential strains placed on capital from the numerous risks incurred by the operation of the company, including underwriting, loss reserving, investments, interest-rate variability, credit exposures, catastrophes and general business issues. It is important to remember that A.M. Best's BCAR model adjusts reported surplus to provide a true understanding of a company's economic capital. These adjustments may include some credit for reserve redundancies as well as for voluntary and mandatory contingency reserves. In addition, if loss-reserve discounting is employed in the financial data, offsetting adjustments to the model inputs will be made.

### Capital Structure

A.M. Best's analytical approach to rating captives is to focus first and foremost on the strategic mission of the captive. Rather than examining a captive in isolation, this approach considers the captive and its relationship to its parent company or member constituents. For a single-parent captive, the nature, physical location and control of the captive's assets are major components in the determination of the weighting given to the parent's financial strength and flexibility.

In addition, A.M. Best evaluates the corporate parent's or members' long-term commitment to the captive insurance company, either explicitly or implicitly, i.e. their

willingness and ability to provide capital when needed. For example, a single-parent captive can have a great deal of financial flexibility because of its relationship with its parent. However, if a parent is unwilling or unable to provide for its captive, or if it consistently constrains capital through stockholder dividends to the point that leverage becomes excessive, the rating assigned will reflect both the current and prospective circumstances. As quality of capital decreases and the captive's capital becomes blended with that of the parent company, the weighting of the parent company's financial risk and flexibility becomes more significant. The Best's Rating on the captive also becomes more dependent on the fortunes of the parent company. Regardless, the parent company's financial support for an insurance subsidiary is a particularly important rating factor.

Similarly, if the members of a group captive have established a mechanism to dividend substantial sums of money, ignoring the need for surplus accumulation, a secure rating is unlikely. More favorable consideration in the rating analysis will be given to those group captives with a strong focus on capital adequacy and low leverage measures, and/or those that have contract provisions to assess members via a capital call.

It is paramount that a captive display a sound level of capitalization to support the risks assumed (underwriting, investment and credit) and the volatility of that business. The quality of a captive's capital also will determine the weighting applied to the financial risk and flexibility in the assignment of an appropriate rating to the captive. High-quality capital that is generated and maintained internally by the captive – at arm's length from a parent, for instance – will result in a Best's Rating that is based more on the merits of the captive itself and less on events at the parent company.

A single-parent captive's rating – regardless of its own, internal financial strength – will be affected, positively or negatively, by the financial condition of the parent. One reason is the parent's willingness and ability to support a captive subsidiary. A parent in a strong financial position will have the wherewithal and flexibility to utilize a captive effectively and efficiently, while having the resources to support it in times of

crisis. It also will offer the captive a potentially broader range of exposures and a growing book of business. A captive therefore can receive a boost in its rating from a parent in a strong financial and operational condition. Conversely, a parent in financial difficulty or with declining business prospects will be less able to support its subsidiary, will offer lower volumes of business, and in a worst-case scenario, may need to draw down on current capital in the captive to support the parent company's creditor obligations. A.M. Best realizes that under certain conditions, a promissory note from the parent, serving as the main source of capital for the captive, results in added weight being given to the parent company's financial position and added flexibility in assigning an appropriate rating to the captive. A similar view would be taken if the captive were loaning back its assets to the parent or the parent's subsidiaries. Such affiliated investments greatly limit the captive's liquidity and economic surplus position and make its future viability intrinsically tied to the financial position of the parent company. The extent of the impact depends on the relative size of the affiliated investments in relation to the captive's total investments. A.M. Best also expects the captive to execute a formal loan agreement with the borrowing affiliate, with terms delineating how the loan amount can be recalled should the captive need the funds. The impact of the "loan back" also considers the captive's typical operating performance, normal operating cash flows, claims-payment history and the speed of the loan recall provisions. As a result, there is no standard treatment in the rating process; it varies from captive to captive.

#### *Leverage/Capitalization*

Leverage, or capitalization, measures the exposure of a captive's surplus to various operating and financial practices. An analysis of a captive's asset and underwriting leverage is very important in assessing its overall capitalization.

Net retained risk to surplus is one of the more important ratios to be evaluated by A.M. Best's analysts, as it measures the exposure of a captive's surplus to any single loss or risk. Compared with the traditional insurance market, captives often take higher net positions on the risks assumed from parents or members. This is

acceptable as long as the owners remain cognizant of the potential need for additional capital contributions to cover future liabilities and thereby maintain a consistent net retained risk to surplus ratio.

A.M. Best also carefully evaluates a captive's invested asset leverage, which measures the exposure of the company's surplus to investment, interest rate and credit risk. Investment

risk measures the volatility associated with the financial markets and its impact on asset valuations. It incorporates capital factors dependent on the investment quality of a company's assets, their concentration and the duration of fixed-income securities.

Underwriting leverage is one of A.M. Best's tests of capitalization. It is generated from several sources: current premium writings,

## Treatment of Letters of Credit for Captives

### Standard LOC Treatment

The usual treatment for a Letter of Credit (LOC) in the standard analysis performed by A.M. Best includes a possible capital credit up to 20% of surplus. How much dollar-for-dollar capital credit up to the 20% of surplus that a company can receive is established after an analysis is performed on the terms and conditions of the LOC and the credit facility agreement behind the LOC. So, even if the LOC amount is less than 20% of surplus, it may get less than full credit or possibly no credit at all. The balance of the LOC that does not receive capital credit is treated as debt.

### Captive LOC Treatment

A. M. Best notes that there are situations pertaining to captive companies that beg consideration of an alternative treatment of an LOC. In fact, some of the largest global captive domiciles have been requiring, or strongly suggesting, that LOCs be part of the surplus composition of a captive domiciled in their state/country. Also, there are some very logical business reasons to have some portion of the captive's surplus composed of LOCs.

Many captive domiciles now readily accept LOCs that are written in favor of the domicile as acceptable capital, and a few prefer the LOC as a material portion of surplus. These LOCs typically are stand-alone, evergreen, irrevocable and drawn on a major, high-quality (or highly rated) global or U.S. bank. The insurance regulators that were interviewed state that they prefer the LOC to be part of the surplus composition due to the ease with which the LOC can be drawn upon when claims need to be paid quickly and the company is being uncooperative. The LOC gives the insurance regulator control of the situation, regardless of the cooperation of management, owners, attorneys, etc.

There are business situations where the use of LOCs to substitute for some portion of capital in the form of common equity is preferable. An example would be in a pure or single-parent captive situation where the captive is advantaged by maximizing the degree

of bankruptcy remoteness. An LOC of the type mentioned above likely is outside a bankruptcy court's immediate reach. This insulation from the creditors of the parent company can be preferred over direct ownership that could be compromised in a bankruptcy proceeding so that claimants can be paid and policy obligations satisfied.

Another business situation where the use of an LOC to represent some portion of surplus is preferable is where a group captive's owner/insured population is composed of many small insureds. It is sometimes preferable to have these owner/insureds post LOCs for some portion of their surplus buy-in, so as to maximize the homogeneity of the group captive's capital footprint. The group captive owner/insureds can have greater confidence that the stated surplus has a consistent composition that is more bankruptcy remote than common equity, which could be attached by a bankruptcy judge to satisfy creditors. The chances of a material amount of the members of a heterogeneous group captive becoming compromised are small, but some of the group captives can be dedicated to a specific industry or subgroup. Take for example the residential construction group captives that currently exist. Is it preferable to have the loss reserves and unearned premium liabilities of this group captive secured by evergreen, irrevocable LOCs drawn on a highly rated U.S. bank, or by common equity whose source may be subject to involuntary dissolution?

### Summary

A. M. Best will evaluate the use of certain types of LOCs in light of the facts and circumstances of the situation presented. Certain types of LOCs in particular situations may receive up to 100% capital credit, and that capital credit may not be capped at 20% of surplus. The rating committee will make the determination of capital credit based on a thorough evaluation of the LOC instrument, the domicile treatment of the LOC, and all of the pertinent facts and circumstances of the situation. Each evaluation is on a case-by-case basis.

reinsurance recoverables and loss reserves. A conservative degree of leverage enables a captive to withstand catastrophes, unexpected losses and adverse changes in underwriting results. It also buffers the captive from fluctuating investment returns as well as changes in regulatory, economic or competitive conditions.

#### *Quality and Appropriateness of Reinsurance Program*

Reinsurance plays an essential role in the spreading of risk and can provide varying degrees of financial stability. A.M. Best will review the appropriateness and creditworthiness of a captive's reinsurance program in light of the captive's mission.

#### *Adequacy of Loss Reserves*

The monitoring of reserve practices becomes an important part of monitoring captives' solvency. A.M. Best will assess the loss-reserve adequacy to be satisfied that it is being reported accurately before having much confidence in the integrity and implications of the financial statements.

#### *Quality and Diversification of Assets*

The quality and diversification of a captive's assets contributes to its financial stability. Therefore, a review of a company's invested assets is performed to assess diversification among industries or geographic regions, with particular attention paid to large, single investments. Captives that hold illiquid, undiversified and/or speculative assets and have significant underwriting exposure are reviewed carefully in light of the greater risks to policyholders' surplus.

#### *Liquidity*

A captive's liquidity depends upon the degree to which it can satisfy its anticipated short- and long-term financial obligations to insurance policy and contract holders and creditors through holding cash and investments that are sound, diversified and liquid, or through operating cash flow. A high degree of liquidity enables a captive to meet unexpected needs for cash, without the untimely sale of investments or fixed assets that could result in substantial realized losses due to temporary market conditions.

### **Operating Performance**

A captive must demonstrate consistent, positive operating performance, as well as possess strong qualitative factors. Primarily, a captive, like all insurance companies, should manage its business risks diligently, anticipate market changes and position itself accordingly. Captives that have multiple product capabilities, diversify risk, and respond to the changing needs of their owners and insured constituencies tend to have more stable results and better business profiles than monoline captives writing in limited geographic areas. Balancing the latter comment, however, a number of single-state, single-line captives with experienced, knowledgeable and dedicated managements have delivered consistently excellent operating results.

#### *Profitability*

A.M. Best examines the components of a company's earnings to evaluate the sources of profits and the trend of various profitability measures. The areas reviewed include underwriting, investment and total operating earnings, both before and after taxes. A.M. Best realizes that most captives are not designed to operate as profit centers. However, the rating process recognizes that all companies have an implied cost of capital and a need to generate growth in retained earnings to assure future financial strength and, therefore, stability to the policyholder(s). It is expected as well that captives will demonstrate profitable operations through the ability to mitigate losses with underwriting expertise and niche focus; a heavy loss-control emphasis; significant utilization of loss-sensitive rating plans; and a competitive expense structure.

Analysts consider an individual company's performance in absolute terms, as well as relative to the established norms of companies with comparable business profiles and to the expectations of its major stakeholders. As important as the recorded financial results for the latest fiscal year are the long-term stability of earnings and the sustainability of those earnings trends prospectively, despite fluctuations in economic conditions and impacts of changes in the insurance market cycle.

## Qualitative Evaluation

The ability of a captive to maintain a position of operating efficiency and profitability is highly dependent on the more qualitative factors of management strength and business profile.

*Quality and Stability of Management.* Captives are evaluated in light of the strength, stability, risk tolerance and experience of management. The focus, the ability to hire and motivate skilled staff members, and the composition of boards of directors all bear witness to the overall operational quality of the organization. Unique to the nature of captives is that a captive is part of a much larger organization, which often

employs captive management teams separate from the ownership of those captives or the main operating units of the owners. Success often is a function of a clear and committed mandate from the owners as to the long-term viability of the captive program and a dedicated focus on the part of captive management to carry out the mission of the captives.

A crucial component of the rating process is the ongoing, interactive communication between the A.M. Best analytical team and company management. These discussions provide greater insight into the mission of the company and how its operations are geared to supporting that mission. A.M. Best looks to management to be able to demonstrate how the captive is positioned to support its written exposures efficiently, secure it against contingencies, and be able to identify and correct situations that could put strains on the organization's financial strength.

### Business Profile

*Operating Strategy and Business Plans.* These measure the focus and purpose of the captive. A.M. Best analyzes the feasibility of the plans with respect to current market conditions and the support and commitment of the sponsoring organization or members. A successful captive will be able to demonstrate continued value added for its insureds through effective risk management and loss-prevention services, stable pricing, and appropriate investment programs and generation of earnings. One well-documented advantage of having a captive company is the ability to mitigate losses through management's greater familiarity with the parent's or members' primary businesses, thereby leading to a heavy emphasis on loss control and underwriting expertise.

*Marketing Strategy and Competitive Environment.* A captive should be able to show how it is positioning itself against competition. Does it intend to follow the market cycle to retain accounts, grow its book of business or pay lucrative dividends, or will it rely on value-added services and pricing stability to secure the long-term commitment of its parent or owner/members?

*Product and Geographic Concentration.* A.M. Best will consider the captive's

## ERM for Captives

Similar to standard market companies, captives need to focus on enterprise risk management. The general operating philosophy of a captive to provide a cost-effective insurance solution for its members/owner lends itself to the principles of ERM. (For more on ERM, see A.M. Best's criteria report, Risk Management and the Rating Process for Insurance Companies.)

Group captives have issues similar to those of commercial companies. Fortunately, group captives generally are a "boat, not an ocean liner." Operating silos usually are not as stringent, which allows for tighter controls over insurance operations. However, small size can be problematic, as there generally is little management depth. Leaders of group captives and RRGs have to multitask to accomplish ERM goals.

These entities need strong support and operating synergies with their membership and/or the professional association sponsors. For instance, association standards can help to mitigate claims. Insured members often serve on membership committees, which help to maintain high professional standards. Mitigating correlation risk is difficult, as members usually have narrowly focused insurance needs. For instance, medical professional liability insurance RRGs often are limited by type of medical practice (podiatry, ophthalmology) which may result in multiple-case, practice-related claims.

Single-parent captives have their own set of issues regarding ERM. Often it depends on the parent's diversity. Multiple lines of business in the captive at multiple locations would help to mitigate the correlation risk. Others are more narrowly focused, which puts more emphasis on the corporate philosophy and demonstrated support of the parent. A well-run, single-parent captive is part of an overall risk management solution. The captive is used for certain classes of business in certain jurisdictions, augmented by commercial lines business for other niches and locales.

geographic concentration and catastrophe exposures, as well as its ability to expand by providing other coverages or products. However, the rating process also will consider the captive's operating profitability and market presence within its mandate, as well as its ability and capacity to expand to other coverages or products should the need arise, without adversely affecting its long-term financial strength.

#### *Country Risk*

The relative stability of different country factors are an important element in A.M. Best's rating process. Viewed as favorable country risk exposures are captive domiciliary operations taking place in those nations with market-driven economies, improved standards of living, broad income distribution and a high degree of integration in the global economy. This is coupled with the importance of the location of a captive's sponsoring organization and where the bulk of the insured operations are located.

#### *Ownership performance*

As single-parent captive owners are in myriad and very diverse industries, A.M. Best's analysts supplement their internal analysis with a vast amount of information that is available in the public domain.

### **Conclusion**

Efficiency and responsiveness are the character traits of those insurance institutions that will prosper in today's evolving, integrated financial services environment. The property and casualty insurance industry is expanding its scope in the international arena, enhancing its product line to include a broad range of financial services and

incorporating an increasingly vibrant and crucial alternative risk transfer market. In response, A.M. Best is committed to being a full-range financial services rating agency to address the need for accurate, relevant and time-critical rating and market information.

A.M. Best believes ratings coverage will assist market participants in making better insurance buying decisions and minimize the number of captives that become overly aggressive in expanding into new markets and potentially becoming financially unstable. Ratings also offer a means to measure performance and exposure. They provide captives with information to enhance their operations so they will be able to improve their value through more efficient utilization of limited resources and improved access to supporting fronting and reinsurance markets.

There is extensive information about ratings, rated companies and a variety of other services and publications on the A.M. Best Web site ([www.ambest.com](http://www.ambest.com)). Links to A.M. Best's Captive Center, focused entirely on captive company issues, can be found on the main Web site. In addition, rating criteria white papers and special reports are available for downloading. These cover specific topics such as "Understanding BCAR for Property/Casualty Insurers," "A.M. Best's Ratings and the Treatment of Debt," and the most recent special reports on domestic captives, pools and trusts, risk retention groups and international rated captives. It should be noted that access to some areas of the Web site may require a subscription.



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