



Cat Losses Renew Focus on Captive Insurance

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BURLINGTON, VERMONT (SEPTEMBER 18, 2017) – The recent spate of natural disasters has focused a spotlight on catastrophic losses. “Captive insurance,” says JLT Insurance Management’s Anne Marie Towle, “can play an important role in helping organizations defray some of the related financial losses.

“Companies using their captives to insure a portion of quake and wind losses in California and wind and flood losses in coastal regions are becoming more common,” says Towle, Executive Vice President and Consulting Practice Leader with JLTIM. “I’ve seen some companies with high-wind deductibles of up to 10% and others that have to pay \$1-5 million out of pocket before commercial insurance kicks in. Captive insurance is often an appropriate way for large organizations to fund these first-dollar losses.”

Towle gives an example of a company with a \$10 million cat-loss deductible. This company might use a captive, a commercial solution or a combination of the two for initial losses. Another utilization strategy is having the company buy \$100 million of catastrophic reinsurance for excess losses. In exchange for participation in a cat-loss layer, the company might take a small quota share percentage of the \$100 million of reinsurance coverage when pricing is ideal for the captive.

“Cat losses give companies an opportunity to use a captive to its fullest potential, providing them balance sheet stability,” says Towle. “A captive-centric strategy for cat losses eases the immediate impact to operations and provides the ability to smooth potential losses over time.”

Contact us to learn how we can assist you with all of your risk management and risk financing efforts.

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About JLT Insurance Management (JLTIM) USA

JLT Insurance Management (JLTIM) USA is an independent, full-service captive insurance management and captive consulting company with a multi-domicile reach. JLTIM USA is a part of Jardine Lloyd Thompson Group.

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