



Captives & the Takaful Industry

Mohamed Radhi
Chief Operating Officer
Braxtone Insurance Management

International Takaful Summit
10-11 July, 2018



Topics of Discussion

- Captive Insurance
- Benefits of Captives
- History of Captives
- Types of Captives & Captives Worldwide
- Characteristics of successful captives
- The role of a captive manager
- Takaful and Re-Takaful Captive Models
- Current Challenges



Captive Insurance

- It's an insurance company that is wholly owned and controlled by its insured.
- Its primary purpose is to insure the risks of its owner(s) and/or related or affiliated entities.
- Its insureds benefit from the captive's underwriting profits – like the Takaful concept.



Benefits of Captives

Lower insurance costs

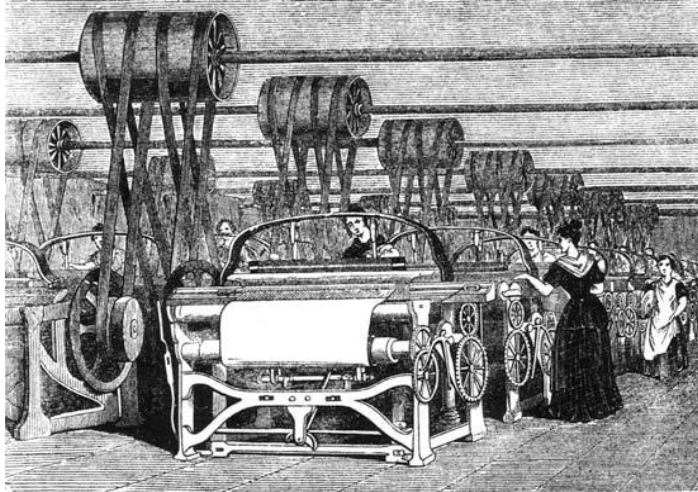
Improved cash flow

Improved claims handling and reporting

Control over claims handling

Investment income

History of Captives



The first captive dates back to the 1800s, when New England Textile manufacturers created a group captive.



The first pure captive, may have been the Mahoning Insurance Company, established by the Youngstown Sheet & Tube Company in 1957.



History of Captives

- Captive insurance was established as an alternative risk transfer vehicle due to failure of traditional insurance providers to meet specific needs of certain clients.
- Entities that had difficulty finding the needed coverage at affordable premiums went on to designing their own solutions through this tool.



Modern Captives Pioneer



- The Term “Captive Insurer” was coined by Fredric Reiss (1924 – 1993)
- Starting in 1958, he developed a firm called American Risk Management.
- He established the captive of Youngstown Sheet & Tube company.
- In 1962 he founded International Risk Management Ltd. in Bermuda



Most Widely Used Types

Single Parent (Pure) Captive

- Wholly owned by one parent company
- Formed primarily to insure or reinsure the risks of the corporate parent or related parties

Association Captive

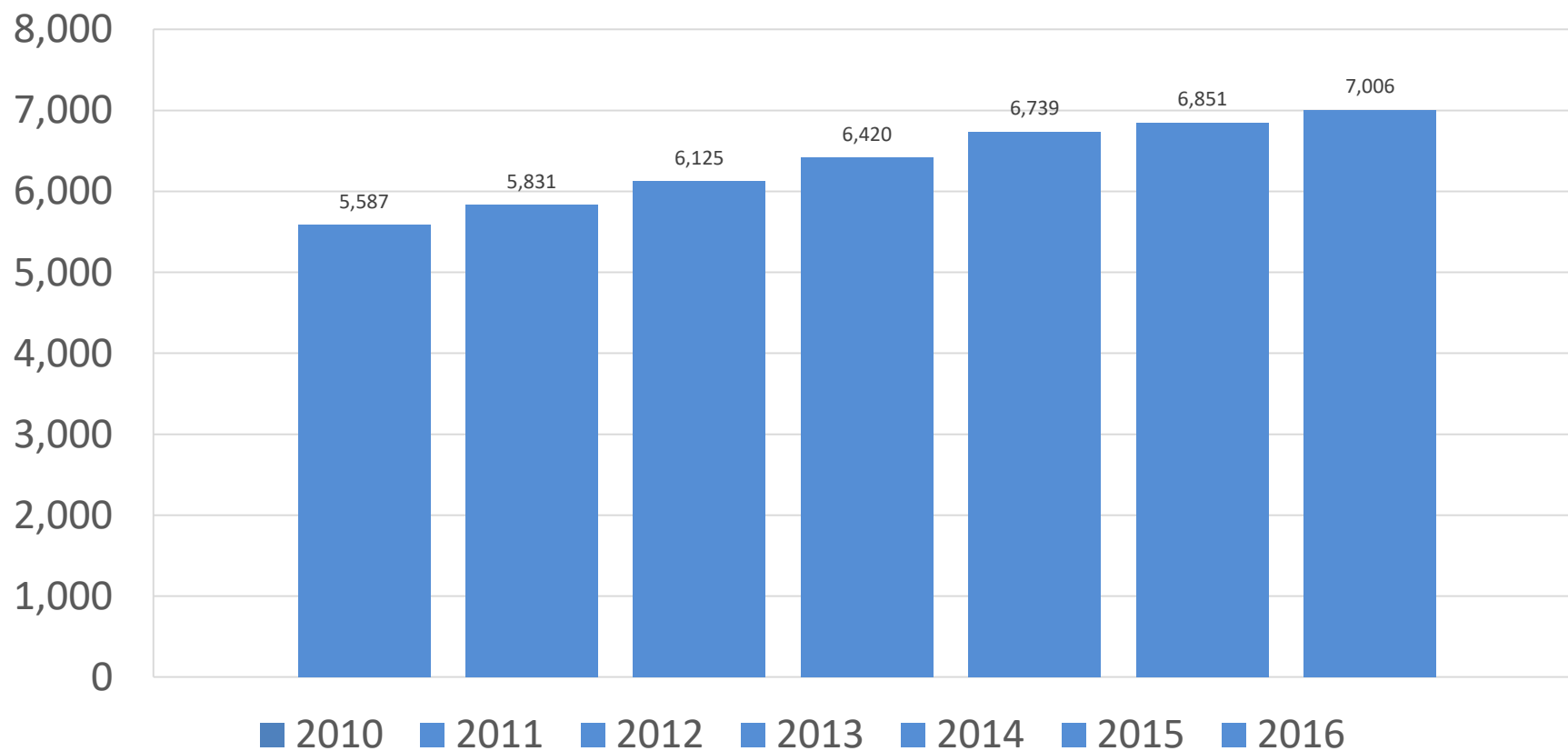
- Owned by two or more companies, usually a trade association or homogenous companies
- Formed to insure or reinsure the risks of the group

Rent-a-Captive (Cell Captive)

- Organized to insure or reinsure the risks of unrelated shareholders;
- The insureds are "renting" capacity of the insurer capitalized by outside sponsors

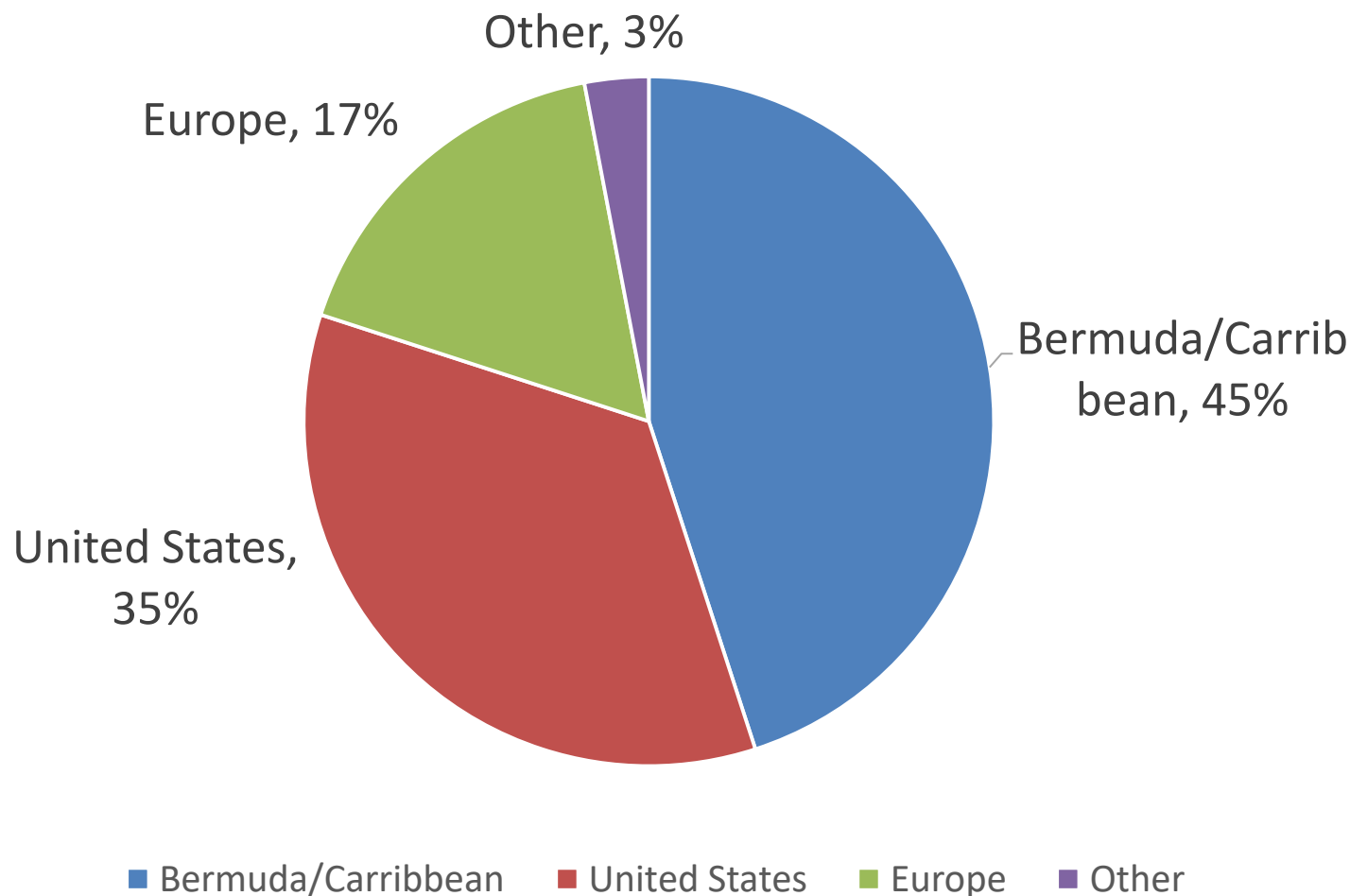


Captives Worldwide



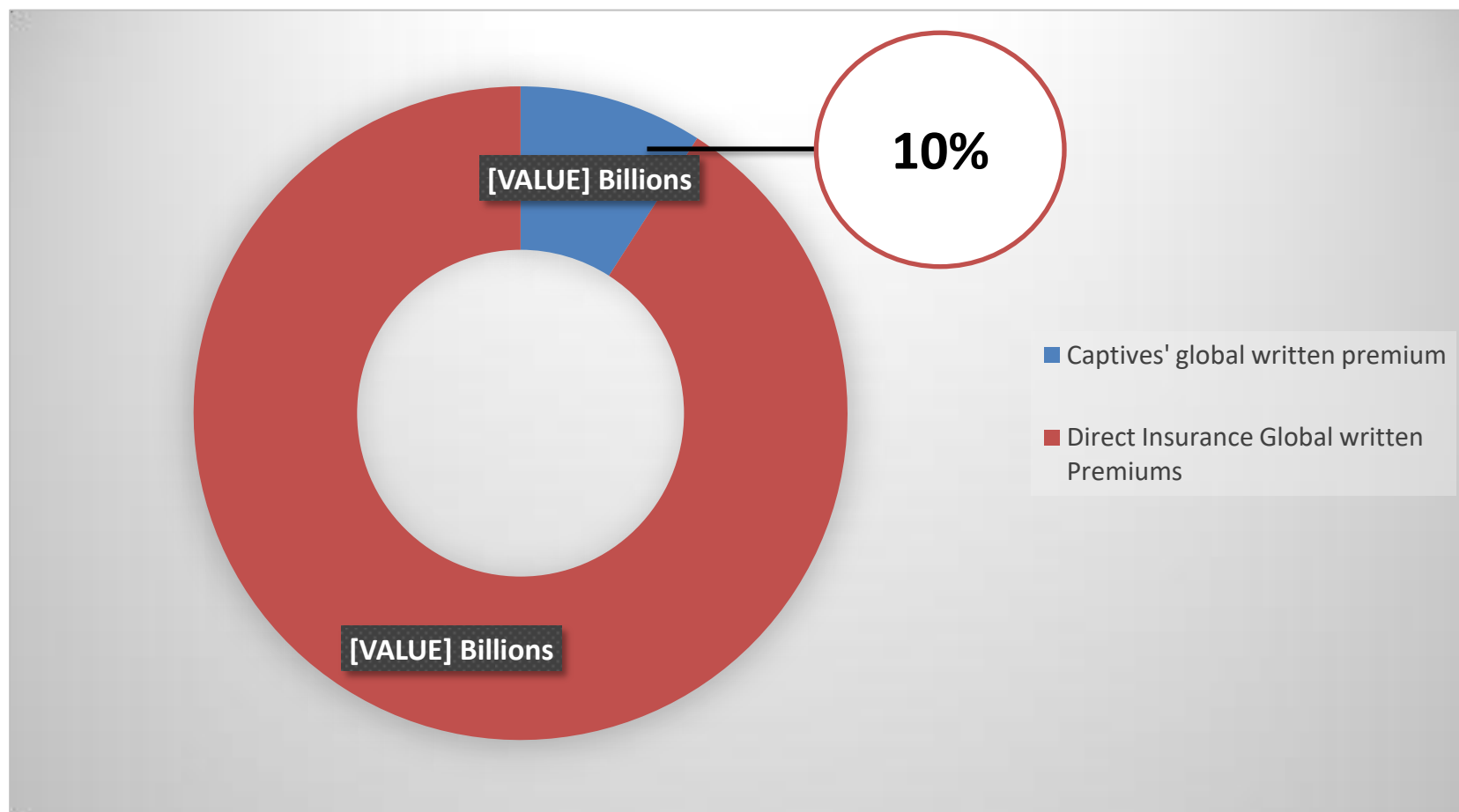


Global Distribution of Captives





Size of the Global Captive Market





Top 5 Industries with the highest Captives Utilization (2016)

1. Financial Institutions
2. Health Care
3. Manufacturing
4. Retail/Wholesale
5. Construction

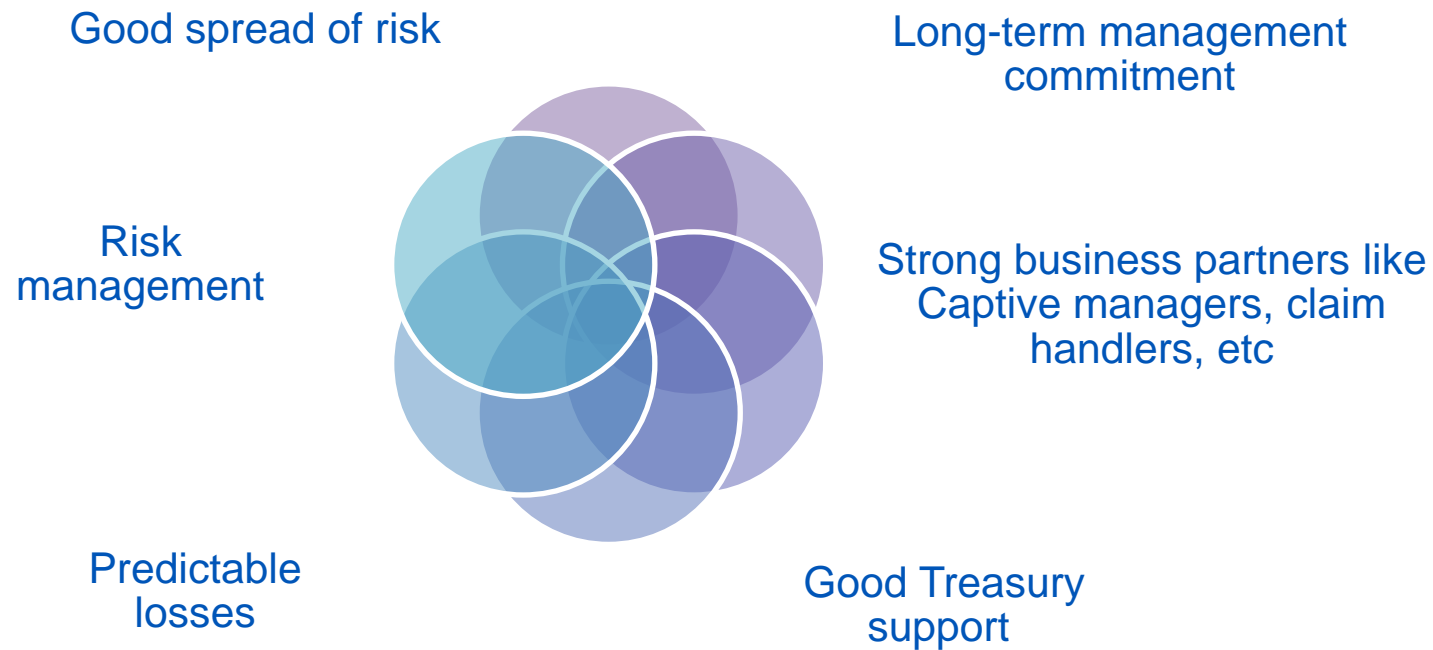


Utilization of Captives

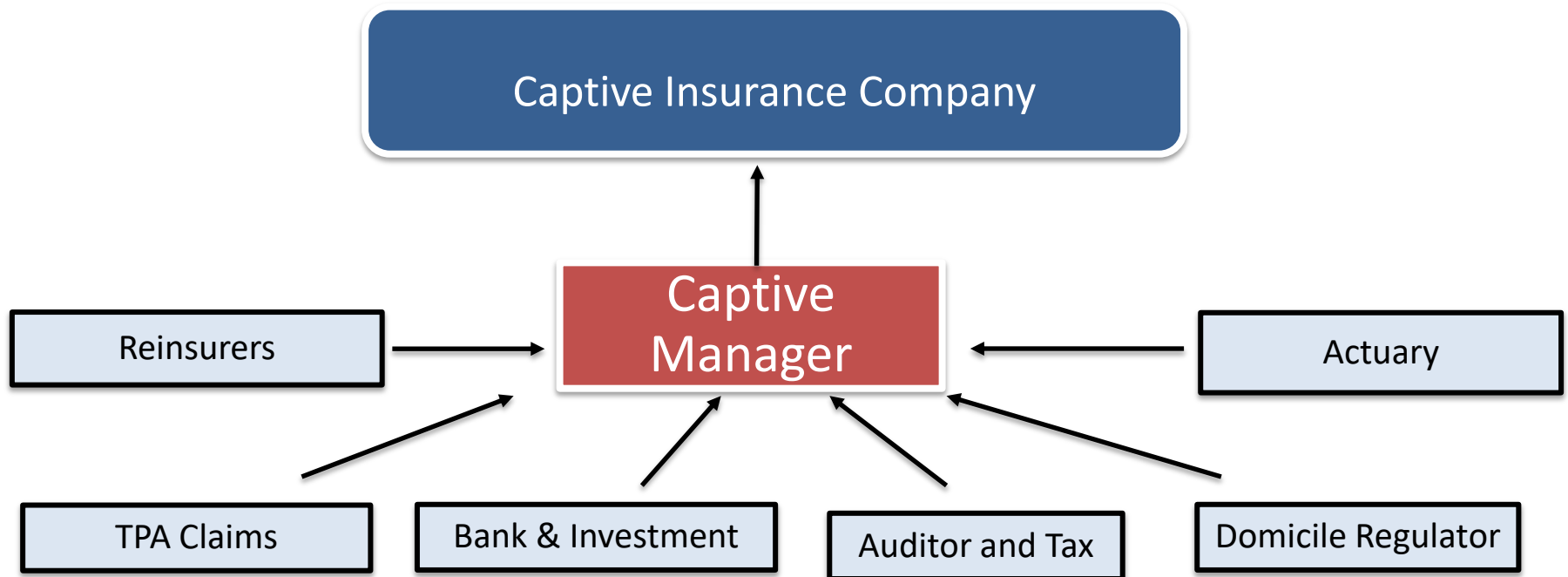
- Over 65% of the US Fortune 500 companies have captives subsidiaries as it gives them greater flexibility and control over their risk-financing needs.
- There are no restrictions on the types of businesses that can utilize a captive, however, should have a minimum annual premium threshold of more than \$1m and a robust balance sheet.



Characteristics of successful captives

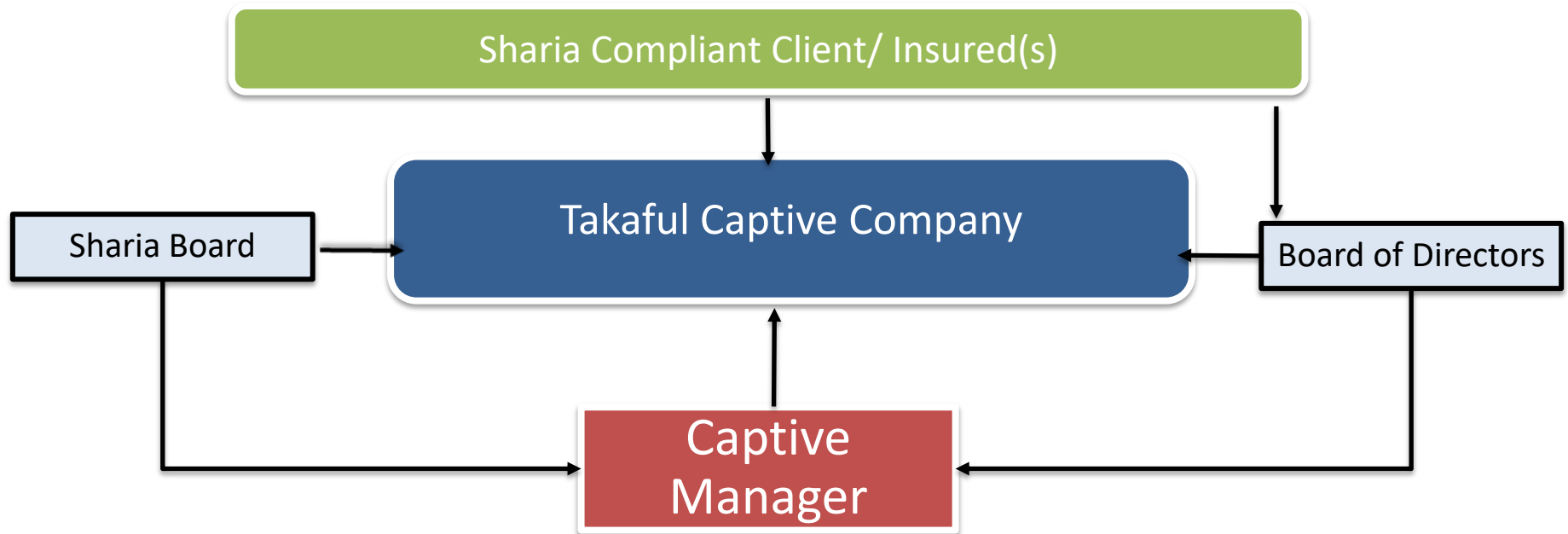


The role of a Captive Manager



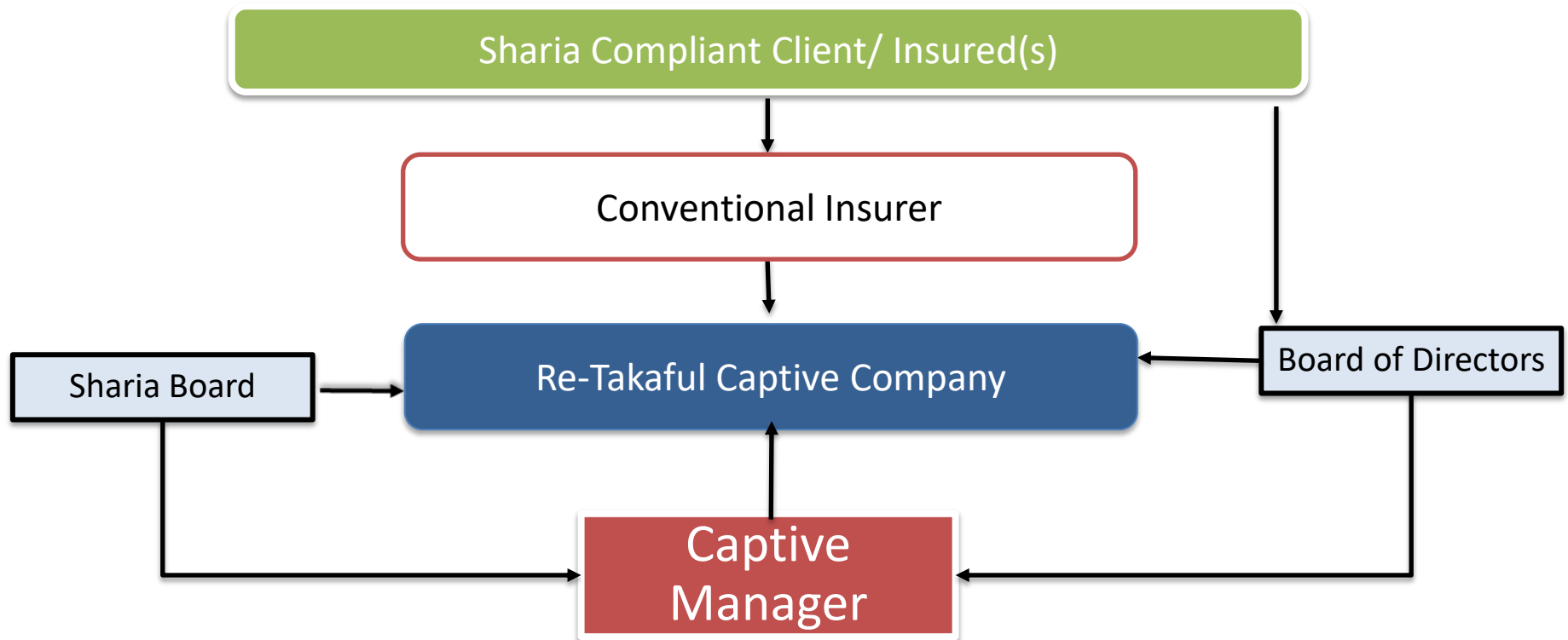


Takaful Captive Model





Re-Takaful Captive Model



THANK YOU



www.braxtone.com

BRAXTONE