



# REMAINING A VIBRANT DOMICILE

Mike Meehan of Milliman reflects on the captive marketplace in Cayman in recent times

**Captive Review (CR):** What is the latest in Cayman's captive industry and the wider market?

**Mike Meehan (MM):** In general, my impression of Cayman is that it continues to be a vibrant captive domicile. Recently, the Cayman market has performed similarly to a number of other captive domiciles whereby the number of formations has essentially been offset by closures and consolidations resulting in little net growth in terms of number of captives. I don't believe this reflects negatively on the domicile, but, rather, this is simply the current nature of a fluctuating market.

In general, Cayman is doing well, as is the captive industry overall. I've seen as much activity in the captive space this year as I have seen in a number of years. I would say that there are two components driving this degree of activity. First, captives remain an attractive choice as organisations consider alternative ways to finance their risk. In addition to new formations, I have also been seeing a fair amount of activity with existing captives looking to expand the coverages insured by their captive, specifically medical stop loss and property.

**CR:** How have formation levels been looking in 2019?

**MM:** In terms of formations, typically what we see as we enter the fourth quarter is, as companies receive their renewal notices, they begin planning for the upcoming year. As part of this process, they will often begin investigating the viability of captive formation and as a result, captive feasibility studies tend to be a significant area of focus for us around this time of year. I would say that

## Mike Meehan



**Mike Meehan** is a consultant with Milliman, Inc., and has over 25 years of experience working with captive insurance companies and other alternative risk financing programmes. Meehan is an active participant in the captive industry, serving on the Boards of Directors and committees of a number of captive domicile associations. He is also a frequent speaker and author on captives and alternative risk financing topics. Meehan has been named in Captive Review's Power 50 annually since 2016.

2019 has been pretty similar to prior years, though I would say that interest in captive formations seems to have started a little earlier this year than in prior years.

For the past few years we've been hearing about the inevitable hardening of the market. Now, speculation of a hardening market seems to be coming to fruition, and companies are seeing significant rate increases, particularly with their property coverage renewals. I would assume this is likely due to the number of catastrophic losses the industry has experienced over the past few years, specifically from the volume and impact of named storms as well as wildfires, among others. The market for commercial liability also seems to be hardening, likely due to poor underwriting results. This is another line of business where we have been seeing some interest in captives. As organisations take stock of their overall cost of risk, and how to finance that risk, evaluating the feasibility of a captive is oftentimes a natural step in that process.

**CR:** Where is a lot of business coming from and how does that compare to previous years?

**MM:** From a feasibility analysis standpoint, recently we have been working with some well-known companies as well as some up and coming businesses who could very well be part of the next wave of captive owners. As I mentioned earlier, that is pretty typical this time of year as organisations plan for 2020 and beyond.

In addition to some of the more traditional actuarial services we provide, I would say that we have seen increased interest with respect to some of the technology-based services that we offer.

As technology has advanced and evolved, so too has the appetite of our captive clients to embrace it. As captive owners have become more sophisticated, they have recognised the benefits of utilising these newer technologies and products to help maximise the value of their captive.

Captive owners are asking questions such as "Are my claims being handled efficiently?" and "Are expense ratios in line with where they should be?" Cutting-edge technology-based solutions offer an ideal way to help captive owners answer these questions.

New products allow captive owners the opportunity to review claims with greater scrutiny, and potentially identify ways to mitigate claims costs. As predictive analytics and similar technologies continue to develop and evolve, identifying ways to better use the data at hand, allowing us to make better decisions, will continue to be important, now and in the future. 🍷