BEST'S REVIEW
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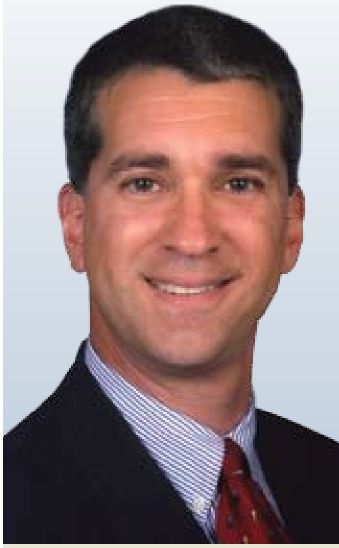
Special Advertising Section

By-the-Numbers Help In Choosing a Domicile

By analyzing all the options, Milliman paves way to helping clients develop a successful captive program.

Milliman



Joel Chansky, Principal with the Boston office of Milliman

"When Milliman provides analyses for captive owners, either as part of a feasibility study or a reserve study or a financial projection, the basic underlying actuarial principles are the same, regardless of the domicile."

Different domiciles have different considerations, but Joel Chansky of Milliman says that while each may have a particular requirement—like discounting of loss reserves, unique wording in actuarial opinions or the inclusion of some kind of a stress test—actuarially speaking, the variations are basically part of the same theme.

BEST'S REVIEW: What are some domicile considerations one can expect to face?

CHANSKY: Domicile considerations are complex, in part because there's so many to choose from. In many cases it starts with a basic question: Is it better to be offshore or onshore? Often, the answer is tax-driven, but it also may be influenced by a particular domicile catering to a particular type of captive. After that, it comes down to regulatory support and expertise, the need for local service providers, expenses, including premium taxes, and geography. When Milliman provides analyses for captive owners, either as part of a feasibility study or a reserve study or a financial projection, the basic underlying actuarial principles are the same, regardless of the domicile.

BR: What kind of exposure data information do you expect your client to provide?

CHANSKY: We expect our clients to provide us with historical claim information, aggregated by policy year and also on a claim-by-claim basis for large losses. We also expect some kind of measure of the size and breadth of the client: payroll, sales, property values, the number of vehicles insured. As actuaries we like to have as much data as possible, so 20 to 30 years is not uncommon to see in our reports.

BR: Are companies getting more creative?

CHANSKY: Companies are taking a hard look at all areas of their business where in the past they may have focused on a more common line such as workers' compensation, general liability and auto liability. Employee benefits like group life and long-term disability are getting more and more attention, as is health insurance. Property insurance is also finding its way into more captives.

BR: Are companies keeping less risk due to traditional market prices?

CHANSKY: Actually, I've been seeing the opposite. The captives we work with typically either have been maintaining the same sort of limits that they've had or they've been retaining losses at higher levels.

BR: What impact is turnover at the regulatory level in onshore domiciles having?

CHANSKY: I'm not aware of any impact. The changing of the guard at the regulatory level is just one piece of the overall puzzle. Ultimately these situations won't impact overall formations.

BR: Have you been seeing a spike in workers' compensation claims?

CHANSKY: Work-force reductions do tend to affect workers' compensation claim counts, but not in a way that many might think. Claim frequency actually tends to decrease in a down economy. When the economy is humming, companies are hiring more people, often with limited experience. These people are more likely to be injured on the job, and more likely to be first to go when the economy contracts. BR

■ For the complete audio interview, visit *www.bestreview.com/captives09.html*.