

EMBARGOED UNTIL 11:00 A.M. TUESDAY, MARCH 13, 2012

CICA Releases Results of 2012 Market Study (formerly called the Fronting Survey)

Scottsdale, Arizona, March 13, 2012 – A summary of the results of the annual survey conducted by the Captive Insurance Companies Association (CICA) was discussed today at CICA’s 40th Annual International Conference in Scottsdale, Arizona. The 2012 CICA survey, previously known as the “Fronting Survey”, was renamed the “Market Study” because it has evolved from just a fronting survey to address a number of market topics, including reinsurance and employee benefits.

Survey Methodology: The survey was drafted and approved by a CICA committee and was conducted by the independent consulting firm of Veris Consulting, LLC, of Reston, VA. Participants were solicited through communications from CICA and through the collaborative efforts of a number of captive domicile trade associations. All participants were guaranteed anonymity and the results were compiled by Veris Consulting without identifying any of the participants.

Overview: A majority of respondents represented single parent captives (57%), followed by risk retention groups (21%), agency captives (9%), association captives (7%) and segregated cell captives (6%). 79% of respondents reported being domiciled in a US jurisdiction, with 21% domiciled off-shore. 48% of respondents have been in existence for 10 or more years, 30% in existence for 6-10 years, 18% in existence for 1-5 years, and 4% in existence for less than one year.

Disclaimer: *This summary, of necessity, covers only a small portion of the total survey results. Full survey results will be made available only to CICA members on the CICA website (www.CICAworld.com) as a benefit of membership. These results are based entirely on the information provided by respondents to the survey, who may or may not reflect a statistically accurate sample of the captive industry. Survey findings are also subject to interpretation and these results should not be used to predict future events or influence underwriting or marketing decisions.*

Market Survey Objectives

- Track the use of fronting and the purchase of reinsurance by captive owners.
- Identify the current fronting companies and reinsurers serving the captive insurance industry.
- Determine the overall value of fronting and reinsurance to captive owners.
- Understand the challenges faced by captive owners.

Key Findings

- Utilization of captives for employee benefits has significantly increased over prior surveys where minimal usage had always been reported. Slightly more than 80% of this year’s survey participants reported placing only employee benefits, or some employee benefits in addition to their property casualty risks, into their captives. This is a clear indication of not only expanded utilization of captives, but also the benefit of captives as a risk management and risk financing tool for a myriad of corporate risks.
- Captive insurance has permeated, to some degree, all industries. All major divisions in the U.S. Department of Labor’s Standard Industrial Classification (SIC) table were represented by this year’s survey participants. More than two-thirds of the survey participants’ captives serve four major industries – manufacturing, healthcare, financial services and all other (non-healthcare) services.

- For the second straight year, less than 50% of the survey participants reported use fronting as part of their captive program. Of those survey participants that utilize fronting, there is generally a lower level of satisfaction with the services received from their fronting companies than the level of importance these services represent to their captive programs. There is a need for improved communications and service on the part of fronting carriers in order to better meet their customer's expectations.
- Despite the disconnect between the level of services desired and the level of satisfaction with the services actually received from fronting companies, the survey participants still perceive their fronting purchase as an overall "good buy" for their captive program.
- More than 50% of the survey participants are capitalizing on a major reason touted for setting up a captive – access to the reinsurance market. With respect to reinsurance, survey participants also perceive this purchase as a good investment for their captives, albeit slightly less so than fronting.
- Policyholder retention / growth of captive, management at parent company / justifying benefits of the captive, and regulatory issues were reported as the top three challenges by the survey participants.

Summary: A summary of the 2012 CICA Market Study can be found on the CICA website at <http://www.cicaworld.com/Resources/Publications/CaptiveMarketStudy.aspx>.

Full Report: CICA members can access the full, compiled results, including open-ended responses and a breakout for single parent captives on the "Members Only" section of the CICA website: www.CICAworld.com. The full report will be available for purchase by non-members for \$50.

Acknowledgment: CICA would like to thank A.M. Best Company and Great American Insurance for their generous financial contributions which provided significant underwriting for the out-of-pocket costs of conducting this year's market study.

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