

ASIAN ANCHORS: LEADING THE WAY IN CAPTIVE INNOVATION

19 SEPTEMBER 2024

SIME DARBY CONVENTION CENTRE, MALAYSIA

#ACC2024 #LabuanIBFC



THE ASIAN
CAPTIVE
CONFERENCE
2024

Captive Insurance in the Era of OECD BEPS 2.0: Challenges and Opportunities

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Partner International Tax Services
Deloitte Hong Kong





BEPS 2.0 – Captive insurance

Sep 2024

What is BEPS 2.0?

What is BEPS 2.0?



Minimum effective tax rate of 15%

Take Labuan as an example

Tax paid: 3

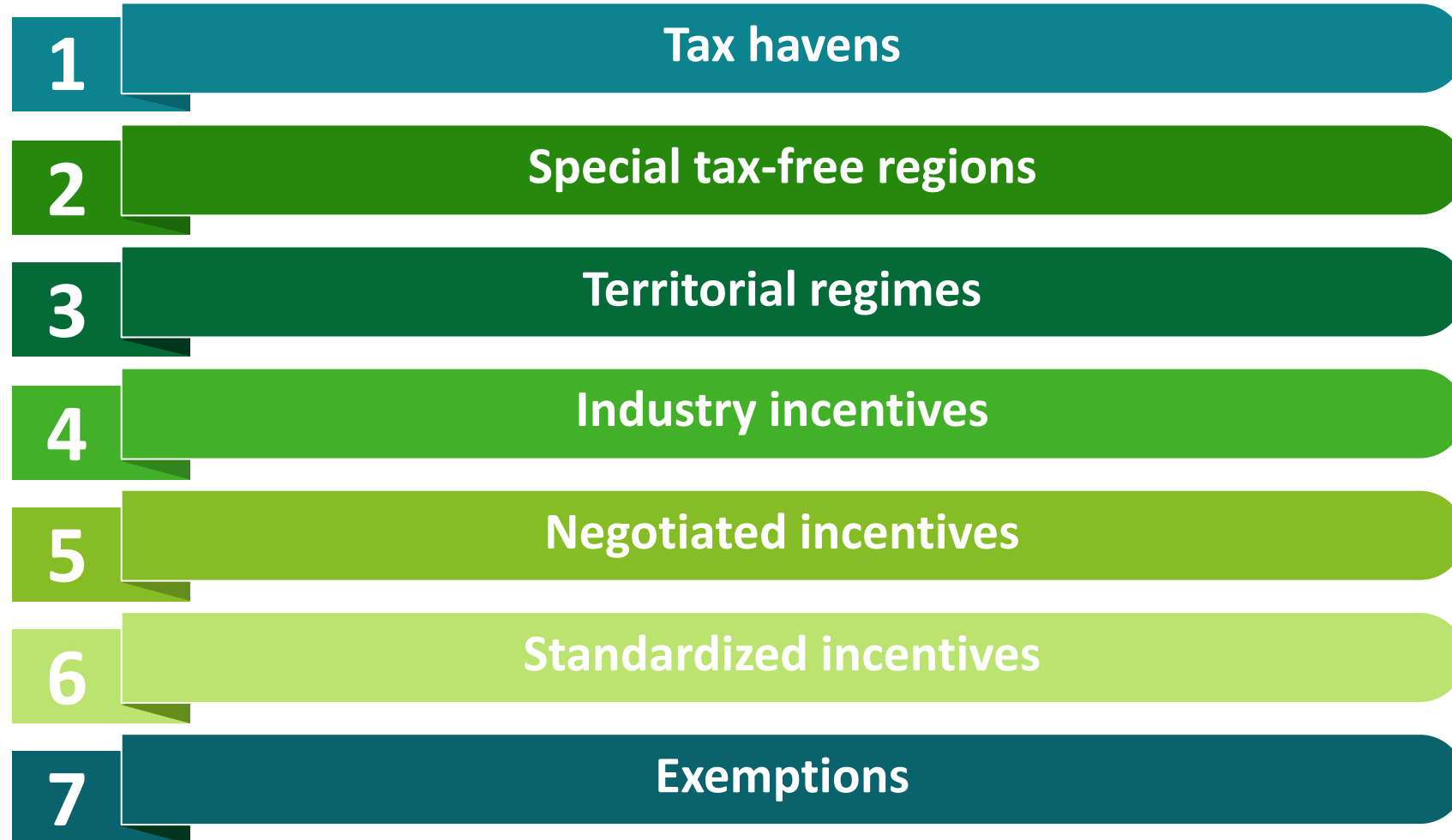
GloBE income: 100

=

ETR: 3% < 15%

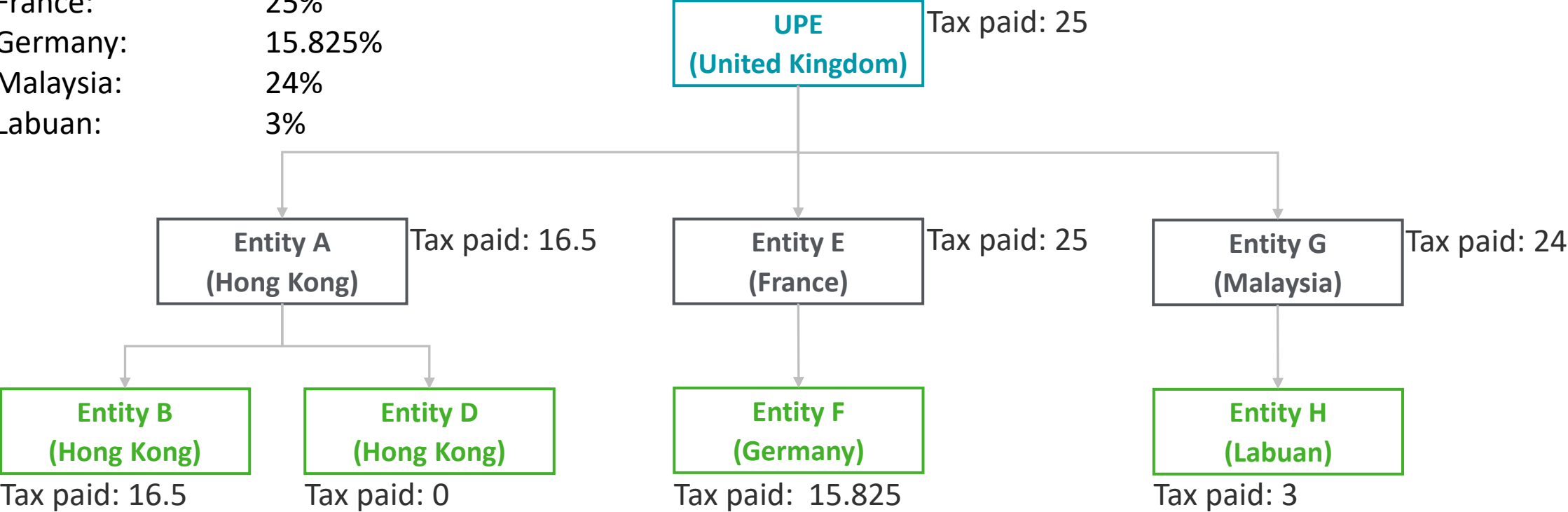
Top-up tax of 12%

Minimum effective tax rate of 15%



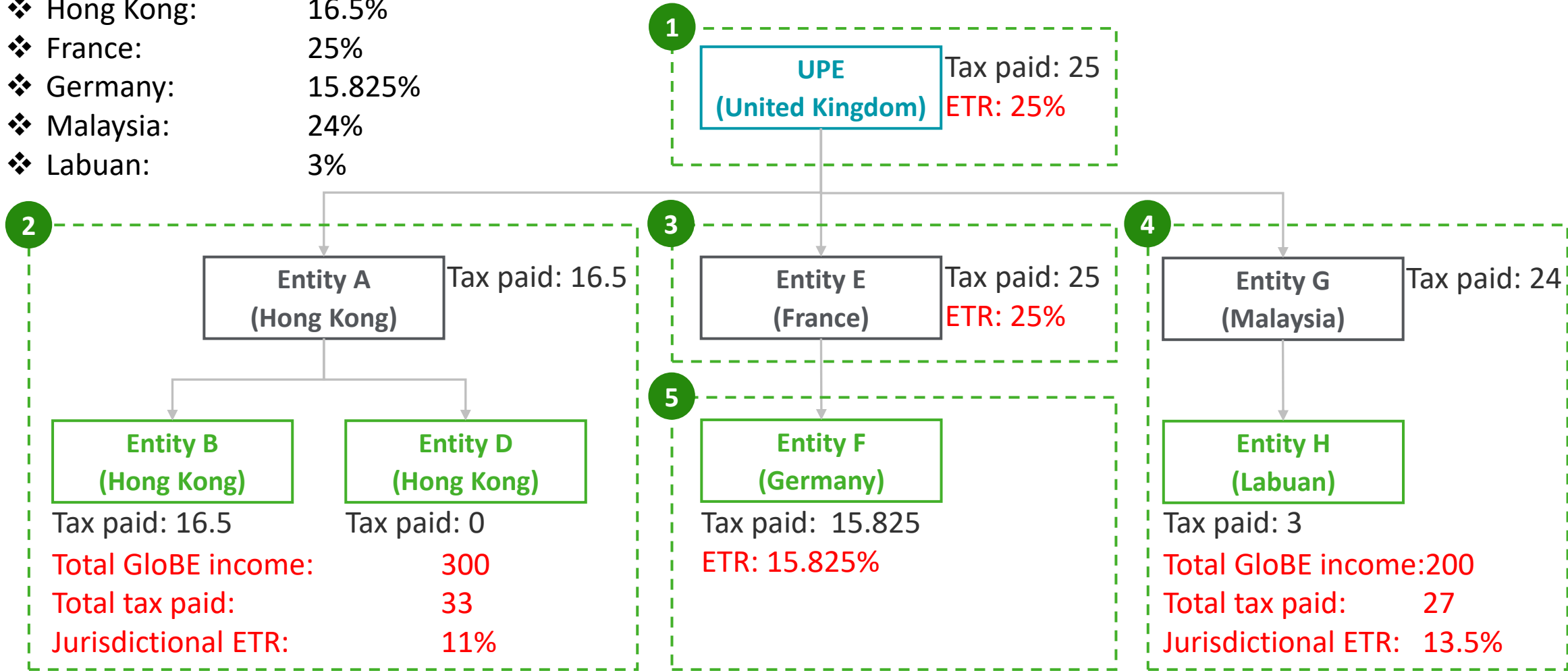
Blending tax rate

- Each of the entities below generates GloBE income of **100**
- CIT rate:
 - ❖ United Kingdom: 25%
 - ❖ Hong Kong: 16.5%
 - ❖ France: 25%
 - ❖ Germany: 15.825%
 - ❖ Malaysia: 24%
 - ❖ Labuan: 3%

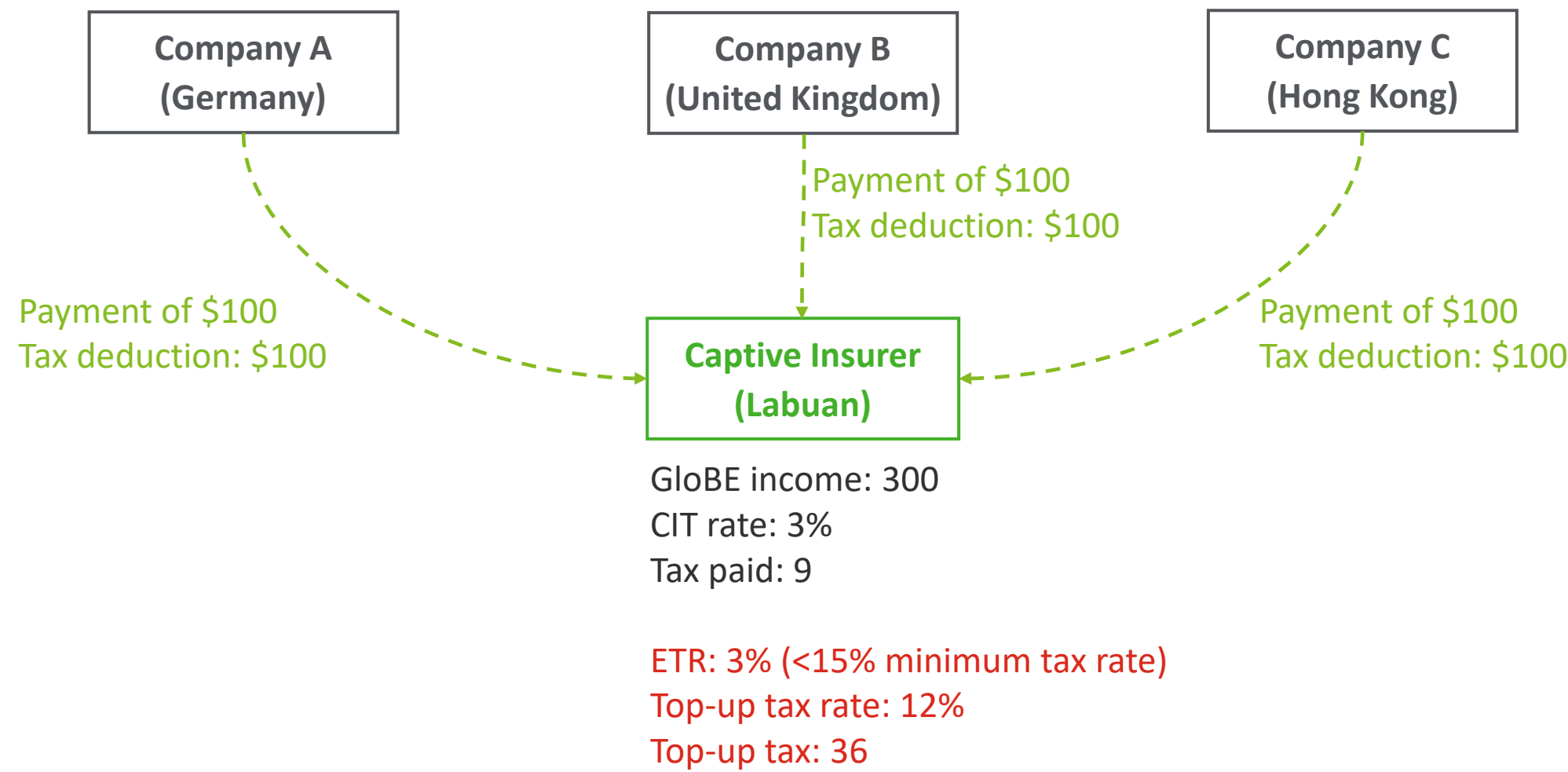


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Example – Captive insurer in tax haven / captive insurer in Labuan



What does Pillar 2 mean for you?

Determining impact on captives



Increased tax administration



Global issue which should be understood globally



Consider availability of mitigating measures



Captive Insurance

Lawrence Bird


Captive Consulting Leader
Marsh Advisory Asia, Singapore



Captive Insurance

Lawrence Bird
Captive Consulting Leader
Marsh Advisory, Asia
19 September 2024

Captive Overview



A captive insurance company is a legal entity formed to insure the risks of a corporate parent company and affiliated entities

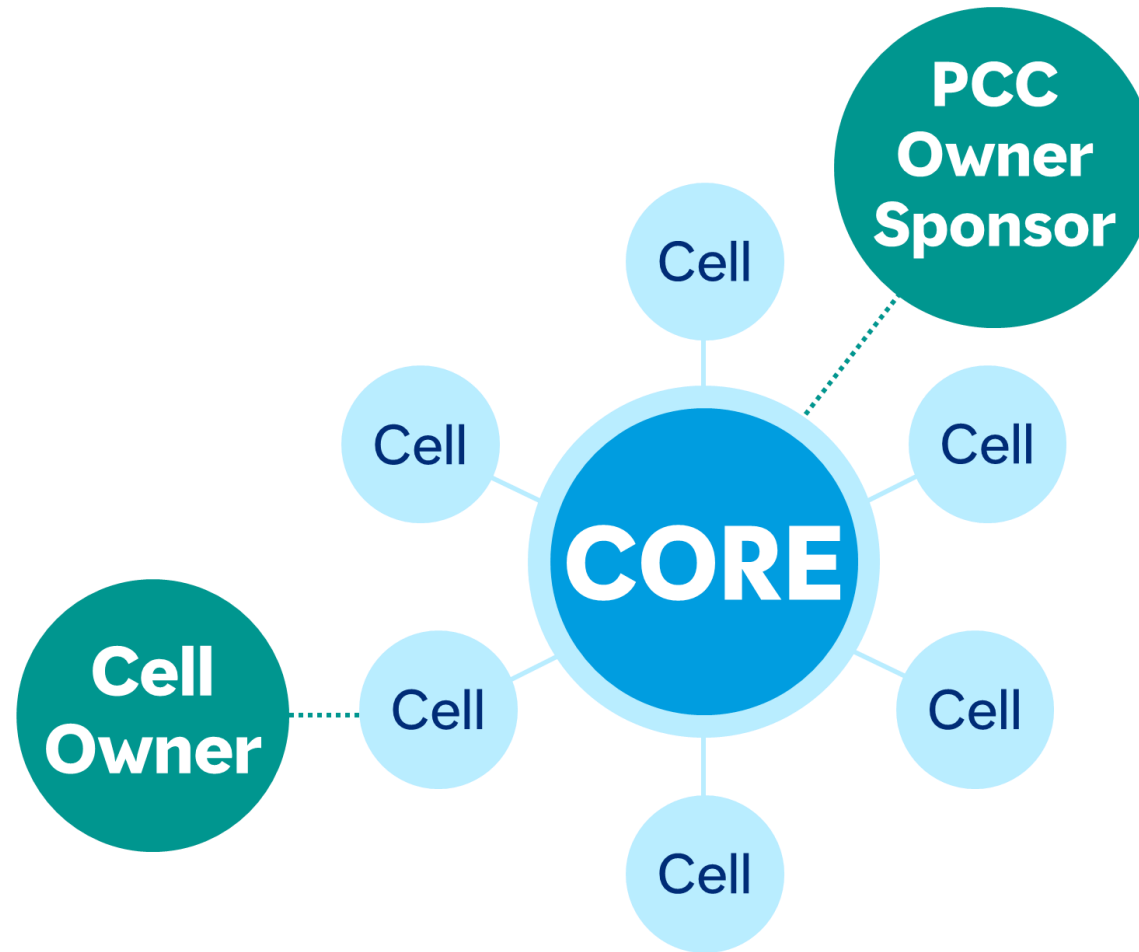
Why are Captives formed?

- Manage down the total cost of risk over time
- Formalized risk financing mechanism
- Capture profitable premium from the external insurance market and related investment income
- Risk before insurance approach
- Access to alternative (re)insurance capacity
- Flexible coverage

Alternatives

- Risk retention on parent's balance sheet/deductibles
- Cell in Protected Cell Company
- Group captive

Protected Cell Companies



When Should A Captive Be Considered?



Insurance placement challenges

- Challenges with premium rates
- Level of overall external market premium
- High or increasing retention levels
- Capacity challenges
- Coverage challenges

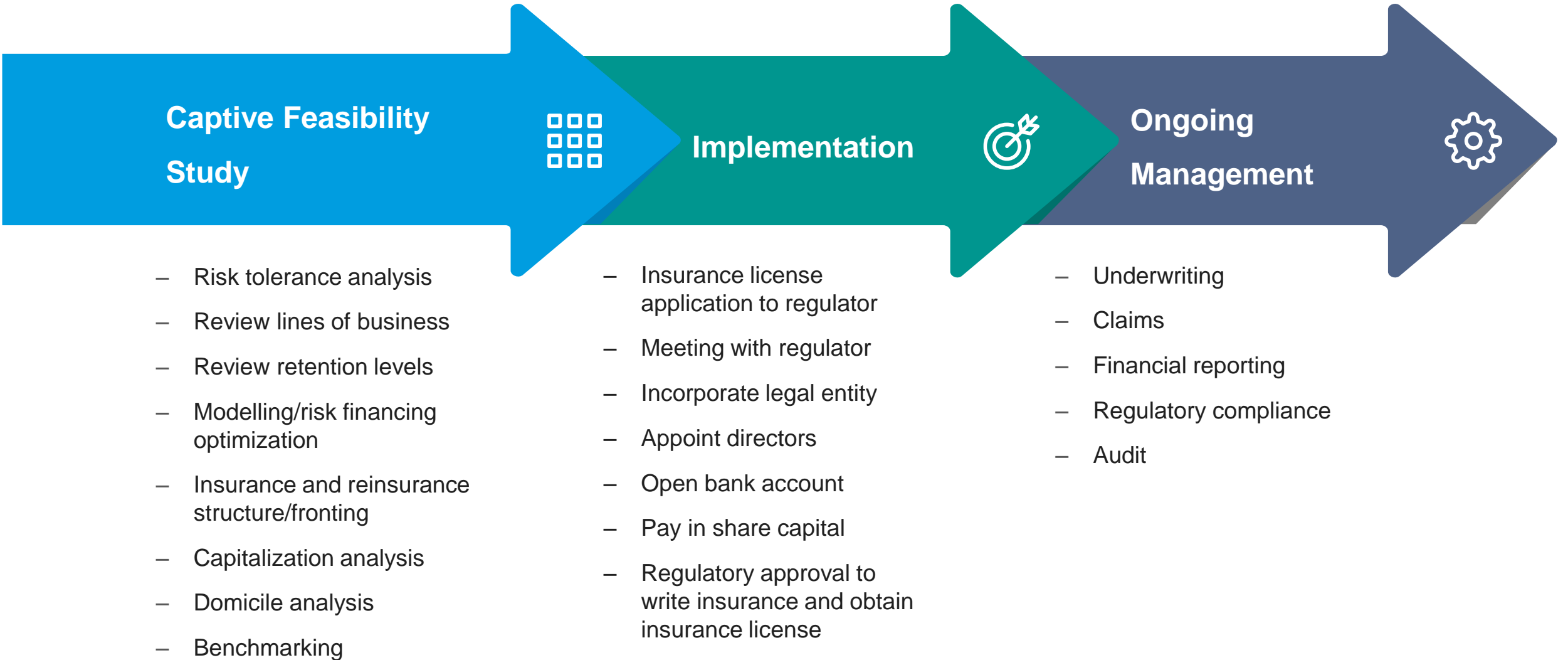
Other reasons

- Regulatory challenges
- Emerging risks
- Unpredictable future of the insurance market
- Strong risk management
- Good and/or appropriate loss ratio

Clients across Asia have encountered a hard insurance market since 2018 with rates increasing significantly over the last 5+ years. Although rates have eased significantly, the market remains unpredictable.

Captive Implementation

6 months to 1 year to set up with ongoing management thereafter



Challenges

- Capitalization
- Retained risk and losses greater or earlier than anticipated
- Operating costs
- Administrative challenges
- Possible fronting costs and collateral

A comprehensive, well designed captive feasibility study will consider these factors and provide a guide to the overall feasibility of operating and maintaining a captive



Traditional P&C Coverages Lead, with Non-Traditional Coverages Growing Fast

42%

Property & Casualty

+29% Property

+14% Casualty

20%

Employee Benefits

+37%

Medical Stop Loss

13%

Financial Lines & Other

+17% Cyber Liability

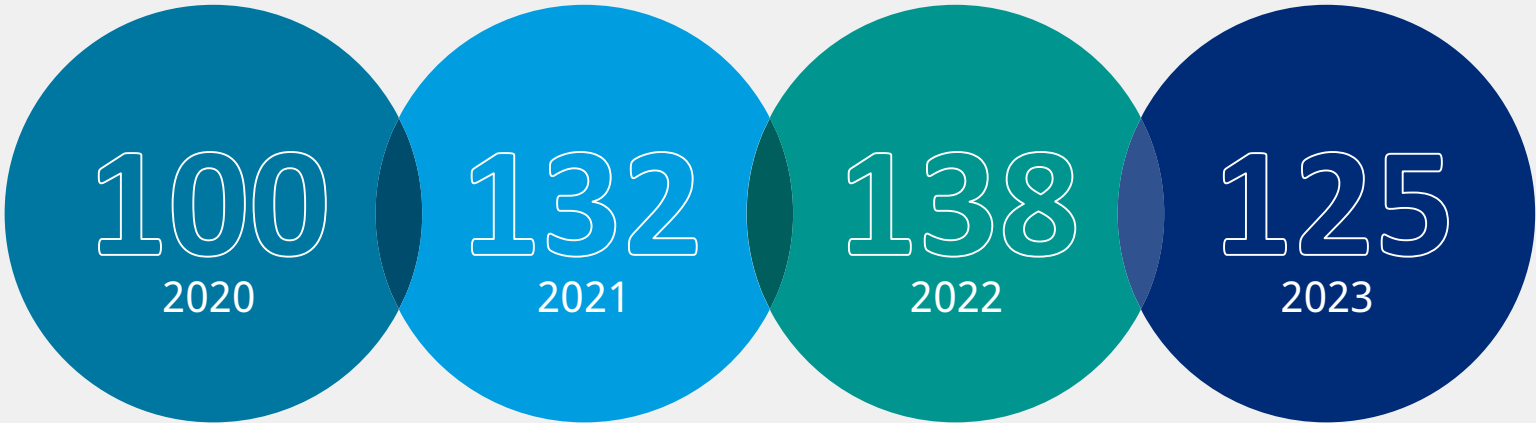
+49% D&O

Statistics (Marsh Data)


Continued Growth:

~500

New Captives in Past 4 Years



Marsh Captive Solutions

\$73B+ 
Gross Premium
\$11B: ceded to reinsurers

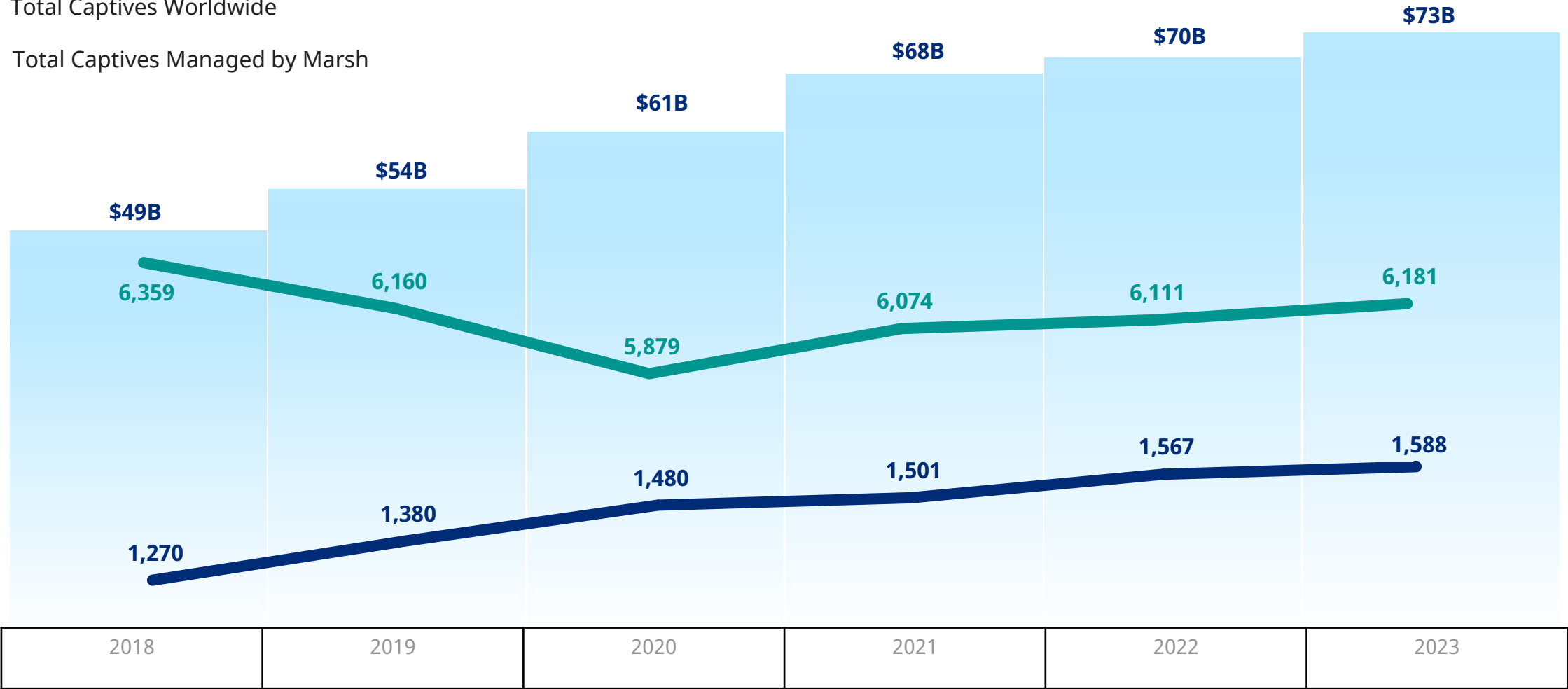
\$120B+ 
Surplus

1,900+ 
Entities

56 
Domiciles

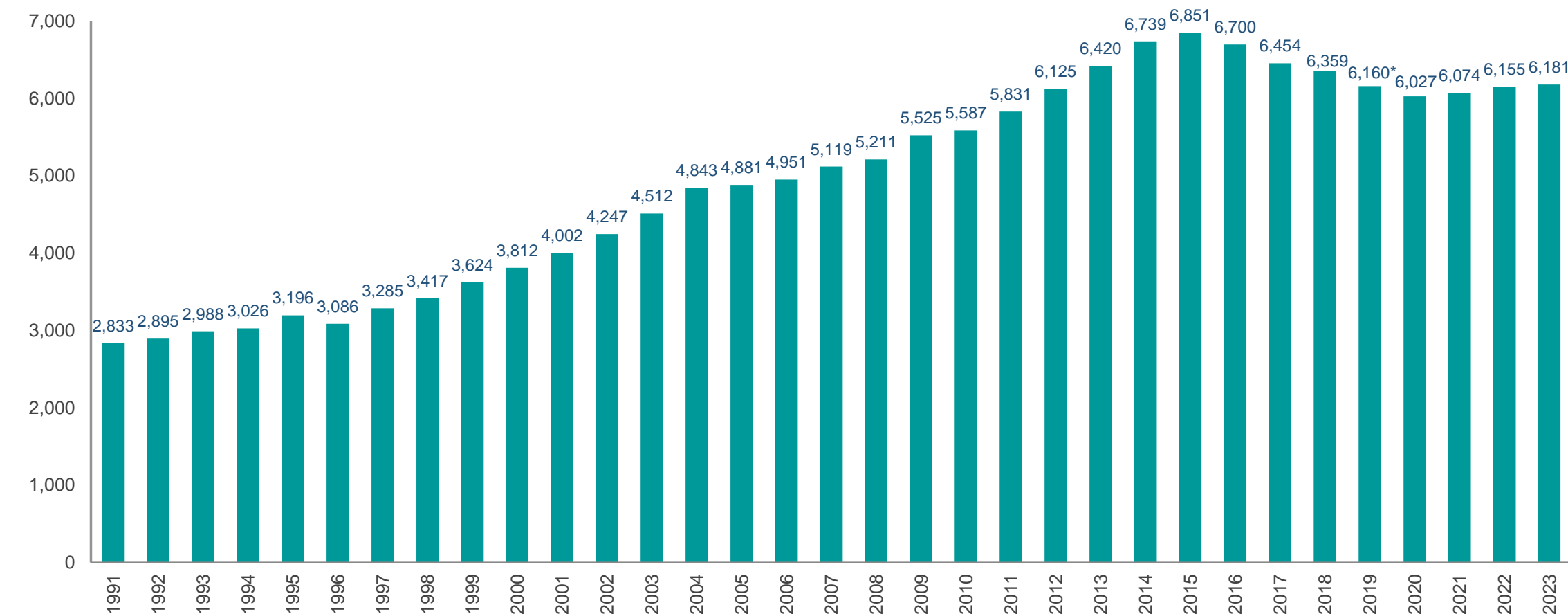
Statistics (Marsh Data)

- Total Captive Premium Managed by Marsh
- Total Captives Worldwide
- Total Captives Managed by Marsh



Number of captives worldwide

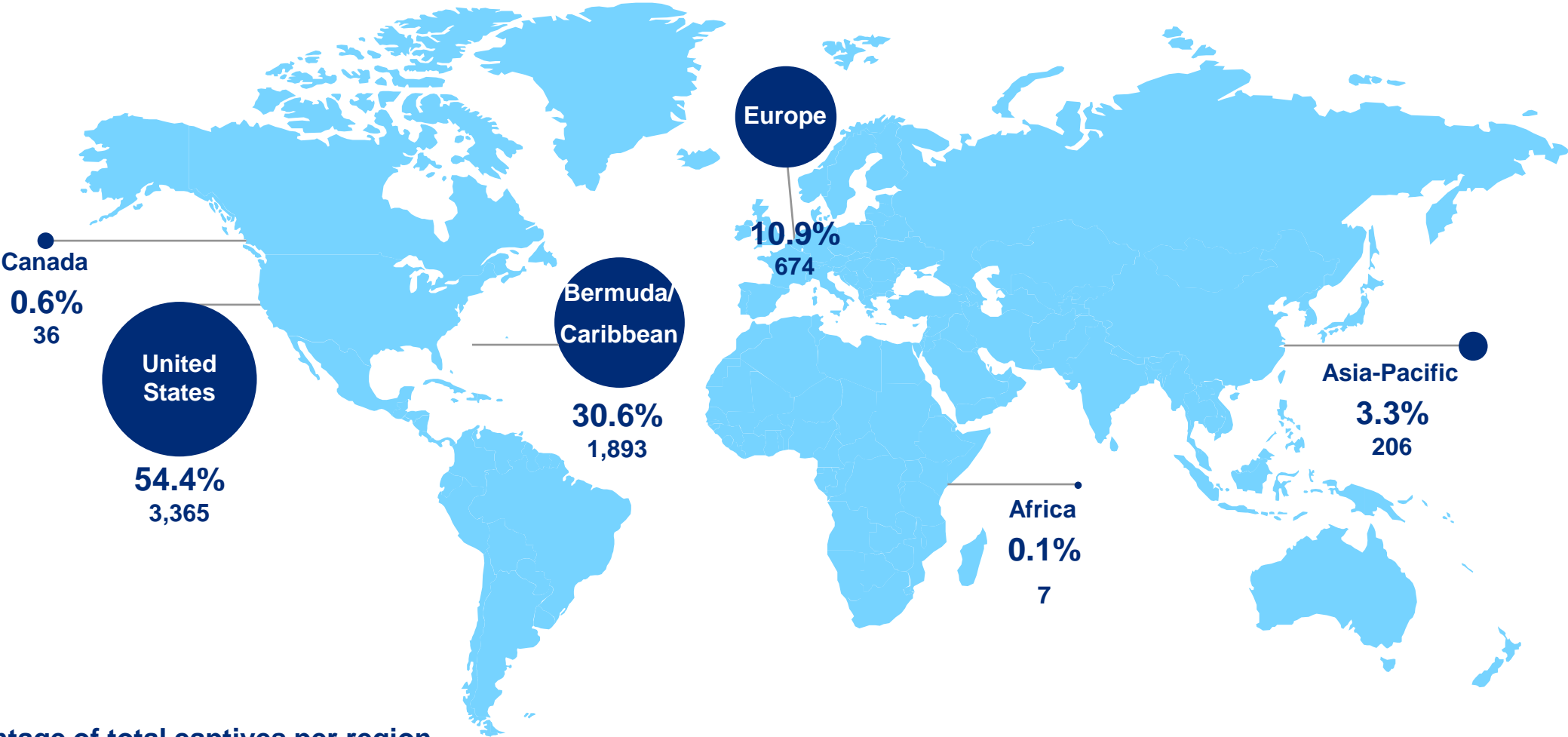
Year End 2023



Source: Business Insurance, 2024 Captive Managers & Domiciles, Rankings + Directory: 7; 2023 data restated April 9, 2024. 2022 data restated August 15, 2023
*2019 is restated. (1994 to present), Source: Insurance Information Institute (1991-1993)

Global captive footprint

Total captive market: 6,181

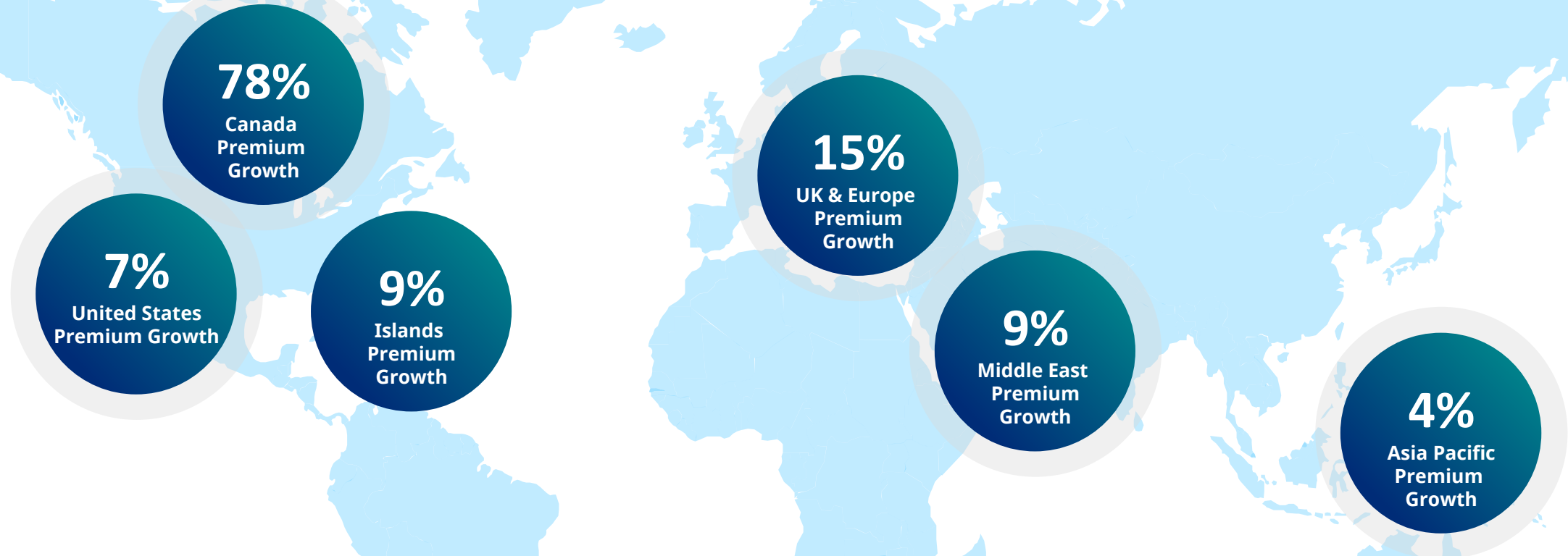


Percentage of total captives per region

Source: Business Insurance, 2024 Captive Managers & Domiciles, Rankings + Directory: 2

Domicile Trends

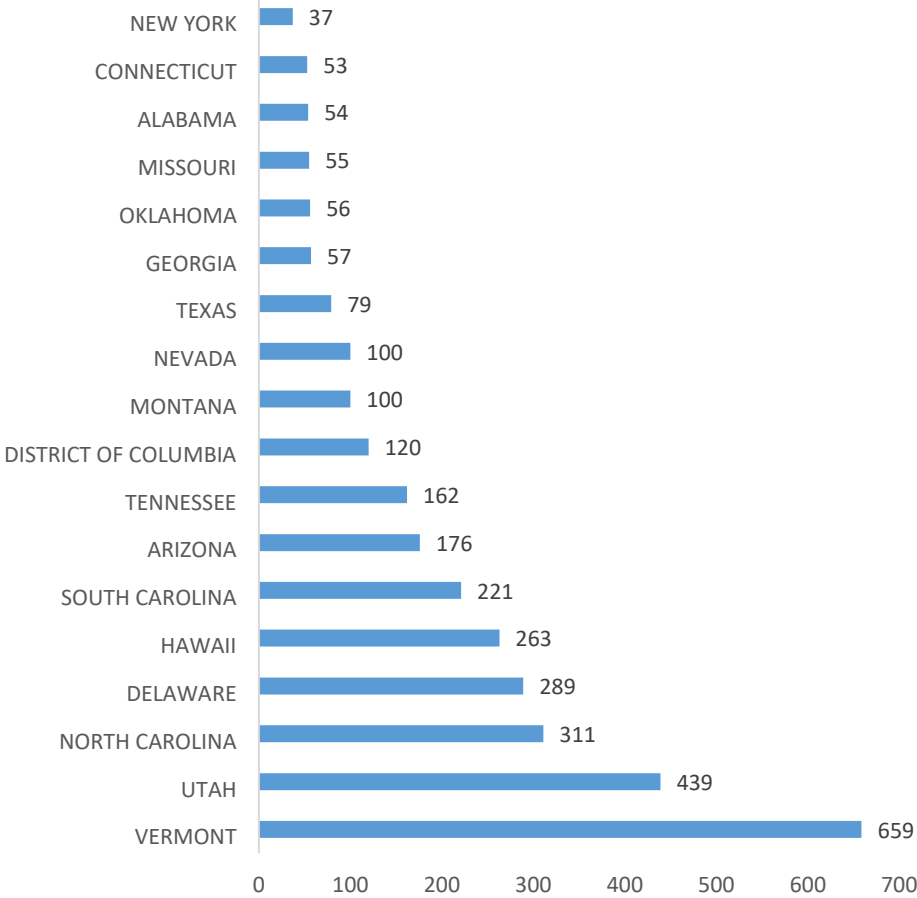
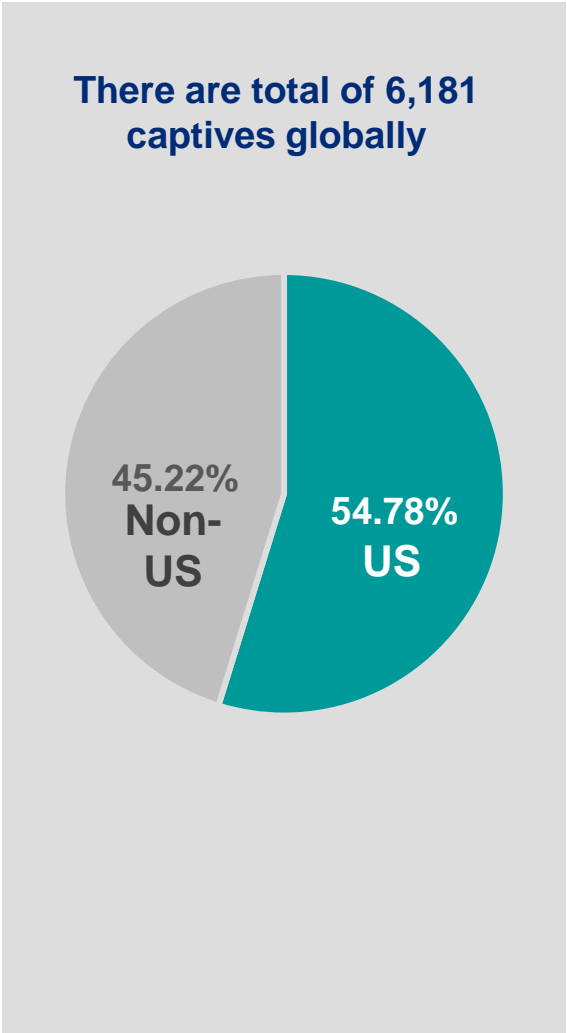
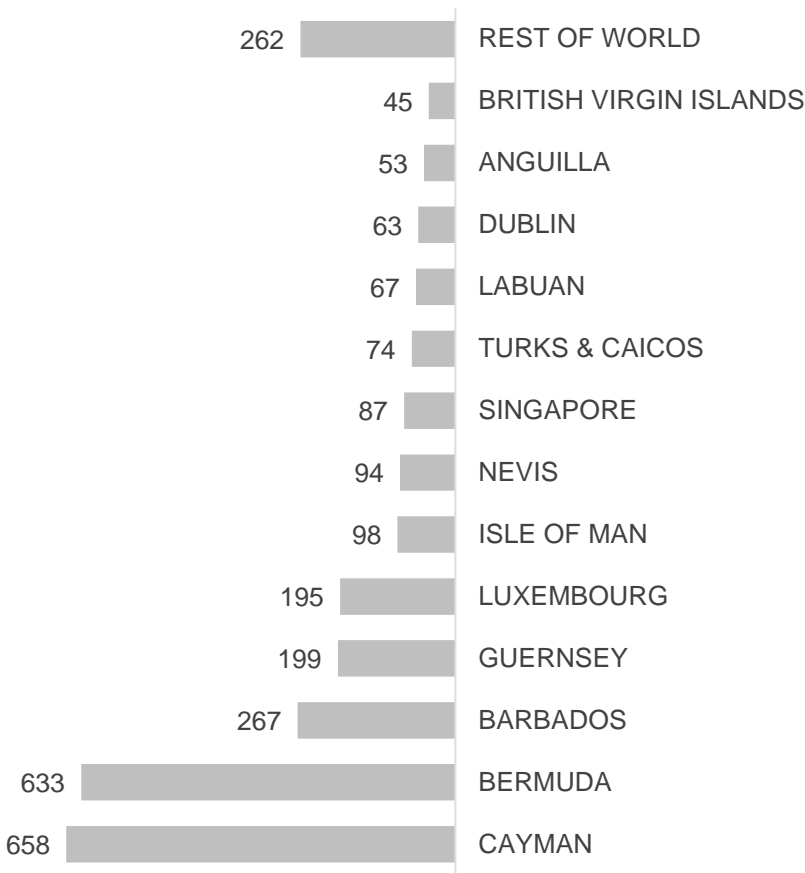
Total Captive Premium Growth Managed by Marsh as at 2023



Premiums paid by Asia captive parents increased 58% from 2020 to 2022

Global captives by domicile

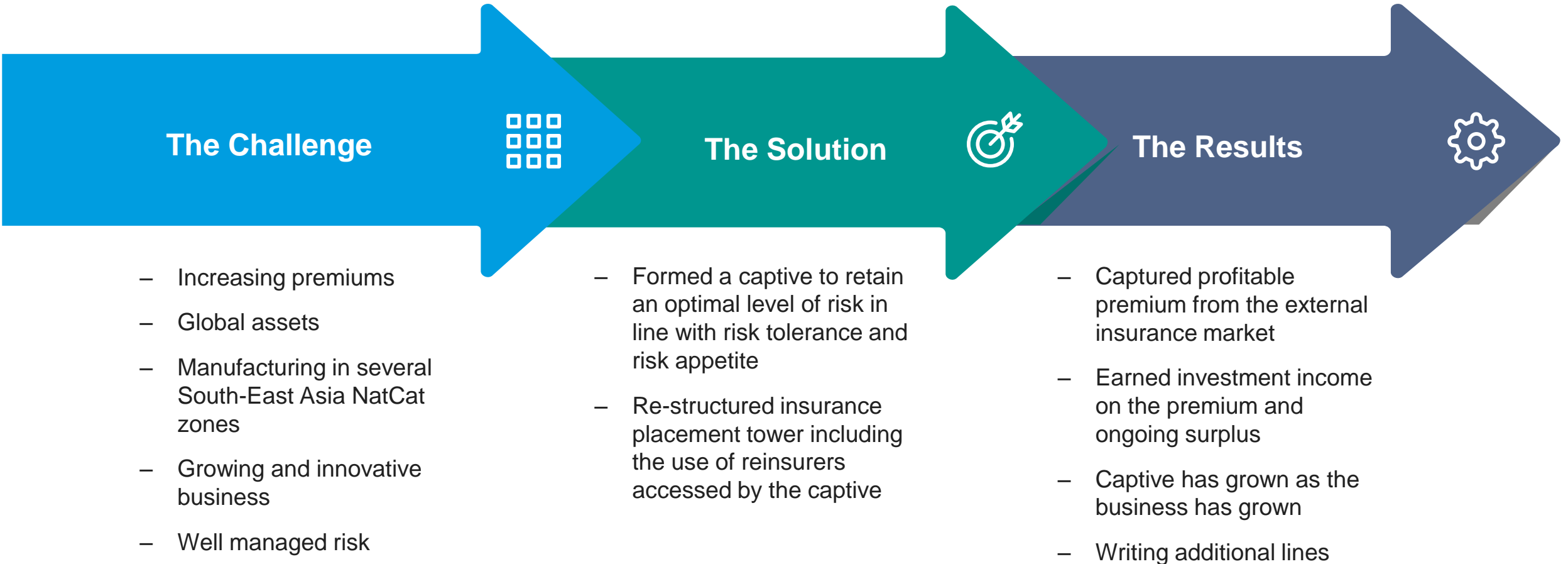
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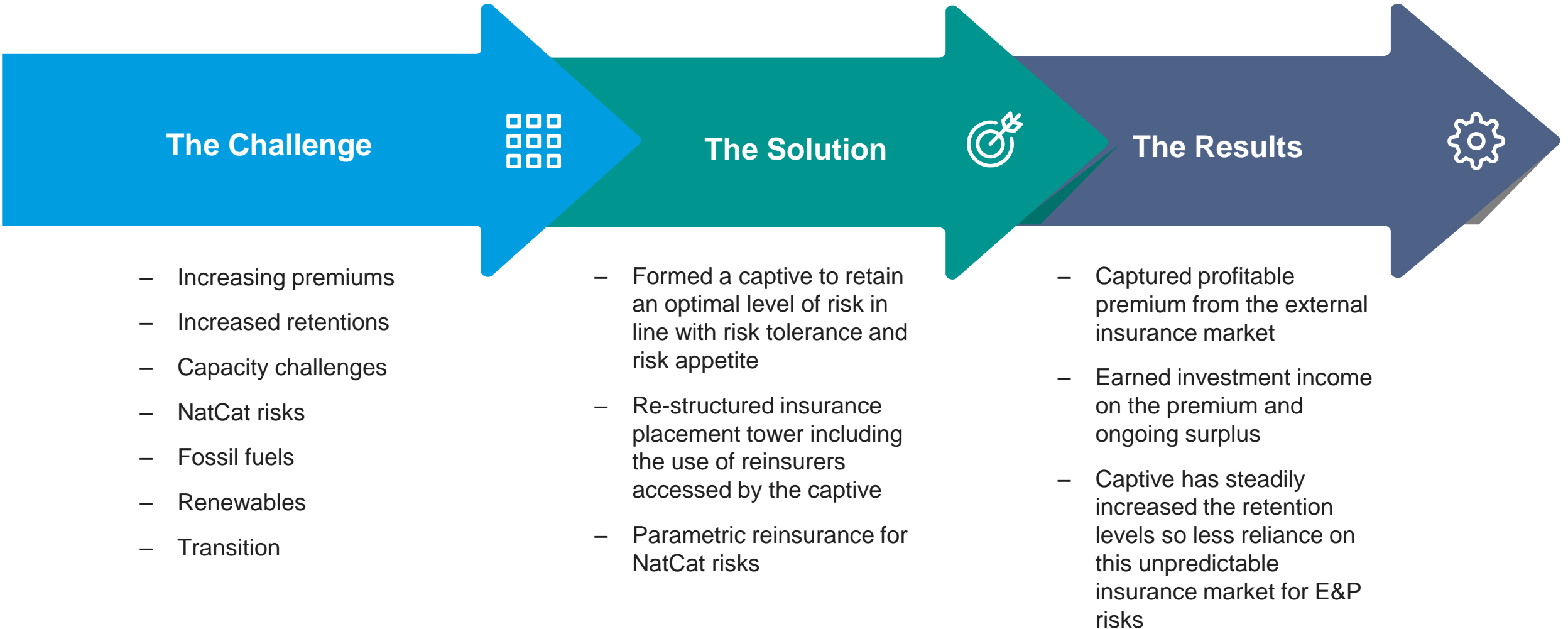
Case Study 1

Asia Tech Company



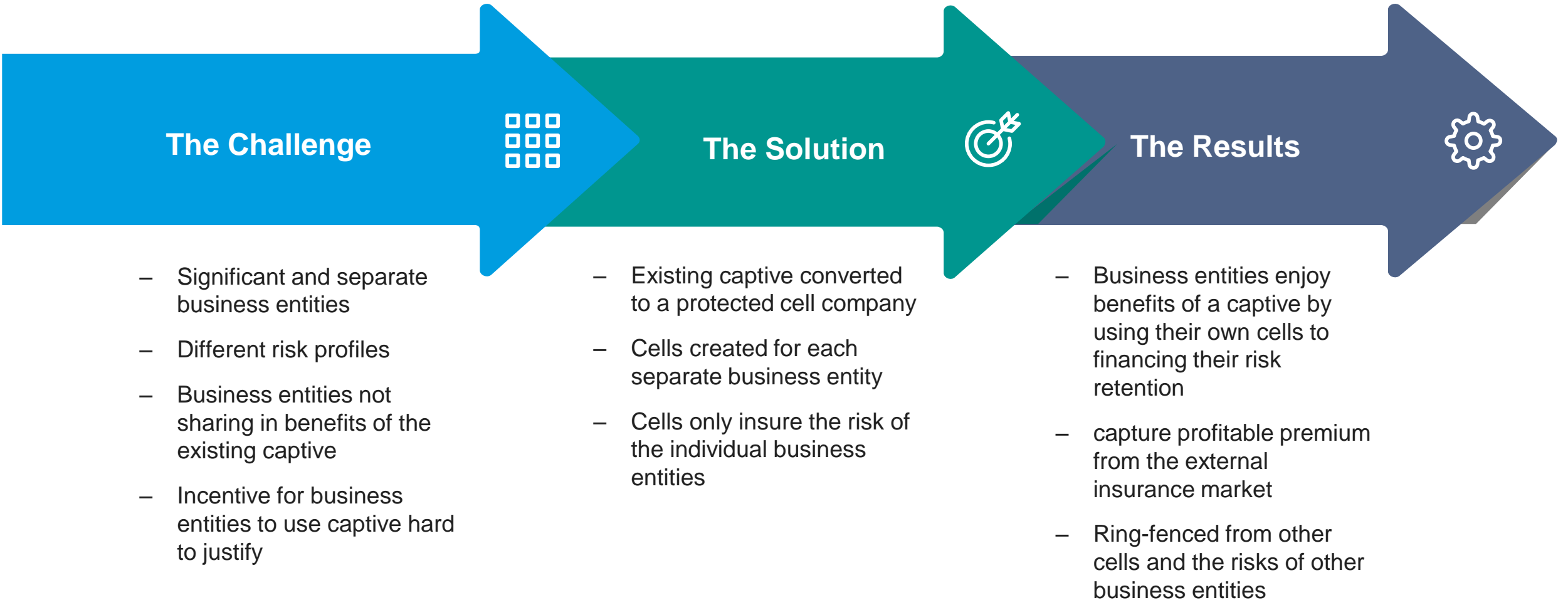
Case Study 2

Asia Energy & Power Company



Case Study 3

Asia Conglomerate





A business of Marsh McLennan

Advanced Captive

Jonathan Culver

Partner International Tax Services
Deloitte Hong Kong



To request for the Advanced Captive presentation slides, kindly email us at events@libfc.com.

Maximising Technology, Digitalisation, Parametric and AI in Captive Companies

Dr. Ryan Roshan

Head of Agriculture Technology & Sustainability,
Lexasure Financial Group



Parametric

Explainer for Captive



SPECIALLY FOR

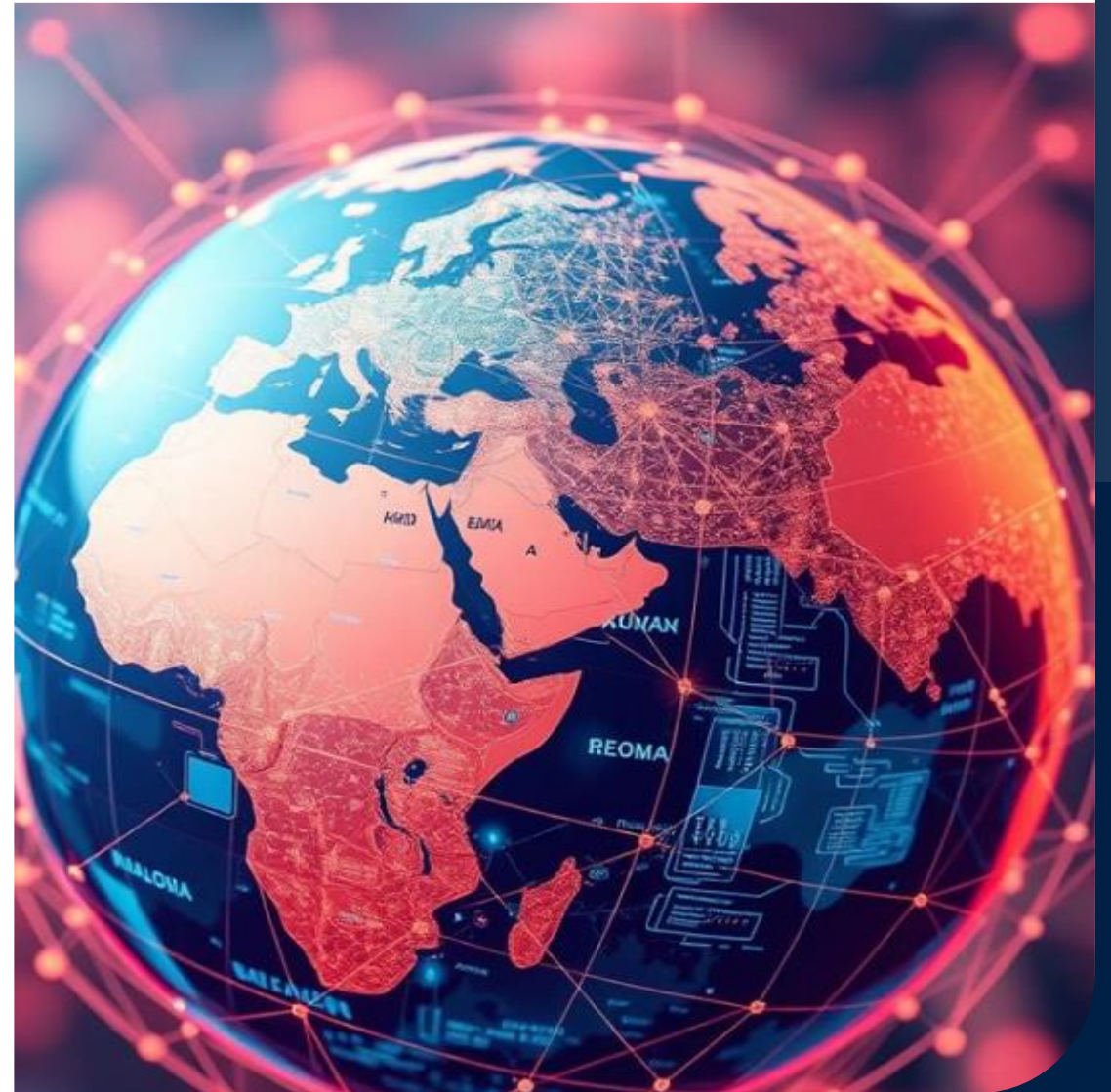
ASEAN CAPTIVE CONFERENCE



Introduction

Parametric Insurance: A Safety Net for Climate Change

Providing the best of parametric insurance solutions, offering a unique and innovative approach to managing climate-related risks.



Parametric Approach

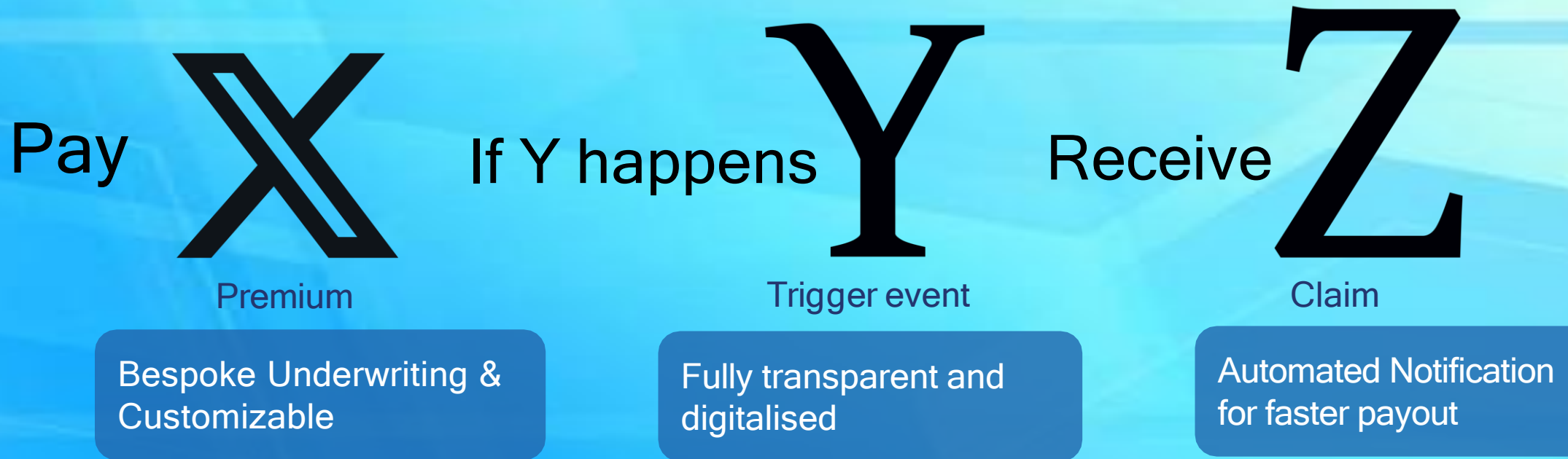
1. Clear Trigger Events

2. Automated Processing

3. Transparent Pricing

Parametric insurance is a new type of coverage that simplifies the claims process and provides faster payouts

Simple Rule



The payment is not based on the amount of loss; it is predetermined and solely linked to the trigger event.

Uniqueness of our Offering

Reduce OpEx through full automation possibilities by utilizing our parametric services

OpEx Reduction through Automation



Parametric insurance makes it possible to reduce premiums for specific customer needs!

Close protection gaps with affordable products



Bringing insurance to customers who do not yet have access through embedded distribution and affordable prices

Access new customer segments



Avoid the core disruption of insurance and its exclusions in the event of a claim!

Transparent and attractive products

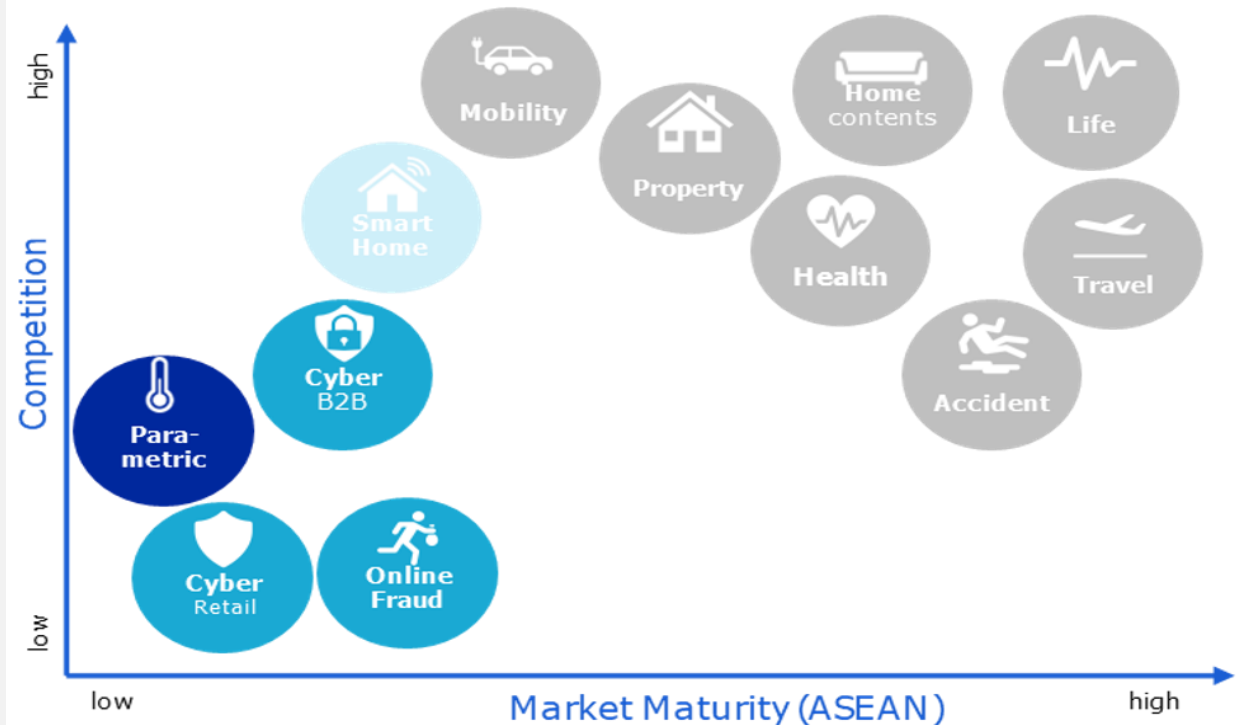


Right Positioning

We focus on products where competition is low, or product maturity has not been reached...

Our chosen product criteria based on:

1. High Affinity
2. Market Maturity
3. International Scale
4. Low Competition



Transform
To A
NeoInsurer

A unique opportunity to make a first step into NeoInsurance and an Ecosystem driven approach for internal transformation.

Capability Parametric



FLOURISH 2.0

ENTERPRISE SOLUTION FOR PARAMETRIC BASED PRODUCTS

Actual Use Case

A.

Indonesia Parametric Product Customization for Paddy & Oil Palm since 2023. Product creation with Government Agency & Private Crop Funders



B.

Trigger Technology used in Tourism Sector in Singapore and new product creation in Indonesia to serve as affinity hospitality product



Other Capabilities



Personal cyber incidents e.g. hacked devices or accounts

Cyber Protection linked to connectivity



Products aren't delivered, are defective or don't match the description

Delivery Protection



Guarantees the refund of purchased items, even if the retailer does not accept it

Refund Protection



Cover purchased items for theft and accidental damage

Purchase Protection



From medical expenses to flight and baggage delay

Travel Insurance linked to roaming



Guarantee repairs or replacement in case of breakdown of devices

Extended Warranty



Reimbursement of missed concerts due to unforeseen reasons

Ticket Cancellations



Financial protection in case of incapacity to work

Income Protection linked to bills or top-ups

Tech enablers



Location-based



On-demand



Parametric claims payment



Additional Services

In A Captive

**CORPORATION
(RISK OWNER)**

Own Cell

Cell
Captive
Insurer

Issue Policy for the
Corporation

Parametric Insurance Policy



Acurra PCC Limited

Operates

Agriculture
Business

Event

Heavy Rainfall

Effects

Data
Sources?

Payout
Structure?

Trigger
Event?

Submit
claims
in
digital
platform

Claims
payment

INSURETECH PLATFORM



Acurra PCC Limited

Thank You.