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View on the Creek

EIS had a big summer fielding new inquiries from EIM Members looking to explore the advantages offered by a captive insurance facility for retaining or reinsuring risk across various lines of business. MBP 46 was formed in July and brings the total number of active cells to 26.

Be sure to review this edition's Captive Optima section, where we examine the role of Big Data in the captive insurance industry and highlight the benefits of EIS for data analysis.

PAC Conference Registration is Open

Our conference will commence on **Monday, October 27**. The general session will take place on Tuesday morning. If you have not scheduled your MBP PAC meeting with EIS/ECM staff, please contact Megan Ogden at **mogden@eimltd.com**. The conference is open to all EIM members exploring captive options. We look forward to seeing you in Charleston! If you have any questions, please do not hesitate to reach out to your Account Manager, Megan Ogden or Taniyka Ragland.

We will make appropriate arrangements for PAC members that are unable to travel by scheduling a virtual PAC meeting via Teams.

Anniversary

Please join us in congratulating **Tameeka Heyward** on her **4th anniversary** with Energy Captive Management. Tameeka is a valuable asset to the ECM / EIS team. EIS and ECM are poised for the growth that will come to meet the market challenges and new risk financing strategies of EIM Members.

Captive Optima
Can Big Data benefit the captive insurance industry?

The simple answer – absolutely! There has been tremendous press coverage of "Big Data" and its implications for insurance companies, including captive insurance companies. With no physical products to manufacture and sell, data is arguably an insurance company's most important asset. Financial data, actuarial data, claims data and risk data form the basis for virtually every important decision an insurer makes for their program. Big Data can have a positive impact on all insurance processes from underwriting, pricing, and reinsurance to risk assessments and other strategic marketing decisions. Artificial Intelligence is a new tool that is starting to play a huge role in the way we analyze data.

The 5 V's of Big Data

Volume – *The huge amount of data collected and reprocessed*

Variety – *The diversity of data types and data sources*

Velocity – *The speed data is collected and reprocessed*

Veracity – *The authenticity and credibility of data*

Value – *The ability to analyze, transform and utilize data*

New advanced tools enable Big Data to handle capabilities and techniques such as predictive analytics and increased utilization of data. Predictive scoring, pricing and risk selection tools are now top priorities for data and analytics investing. Other important areas include real-time underwriting performance monitoring and management, as well as spending on third-party data sources.

For captive insurance purposes, Big Data is most beneficial in the areas of Risk Assessment, Cost Reduction, and Claims Handling.

- **Risk Assessment** – Big Data technology can increase the efficiency of the whole process of risk assessment. Before arriving at a final decision, a company can utilize Big Data and use predictive modeling to unearth potential issues and, then based on historical and industry data, put them into a suitable risk class and use the data to assess additional potential options for the captive.

- **Cost Reduction** – Big Data technology can be leveraged to automate manual processes, making them more efficient and reducing the costs spent on handling claims and administration. This will allow the captive to write lower premiums and save the insured money.

- **Claims Handling** – Big Data technology can assist in both claims management and litigation expense management. Using past liability data and integrating data analytics into the claims process, the captive can help determine liability at an earlier stage in the process. Defense costs represent a significant proportion of the overall cost of claims, and Big Data technology can review and monitor legal firms, assess the degree of complexity based on prior claims, and potentially assist with settlement for certain claims.

Many insurance companies don't use a lot of data to price their products. They rely on demographic information that is 20 years old, or older. They often struggle to price policies correct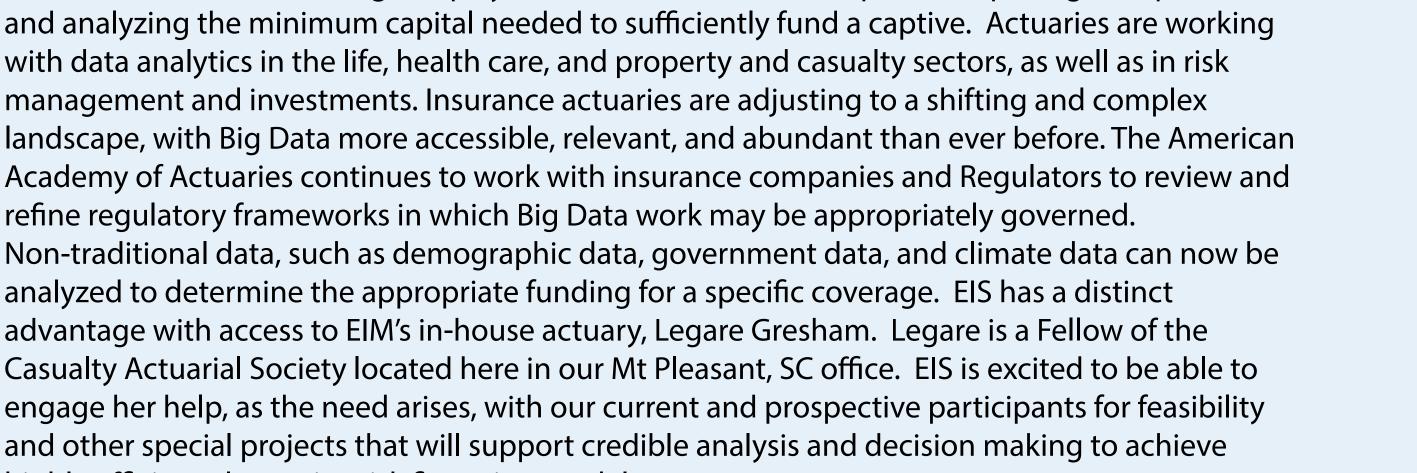ly and may miss out on huge financial opportunities. This ch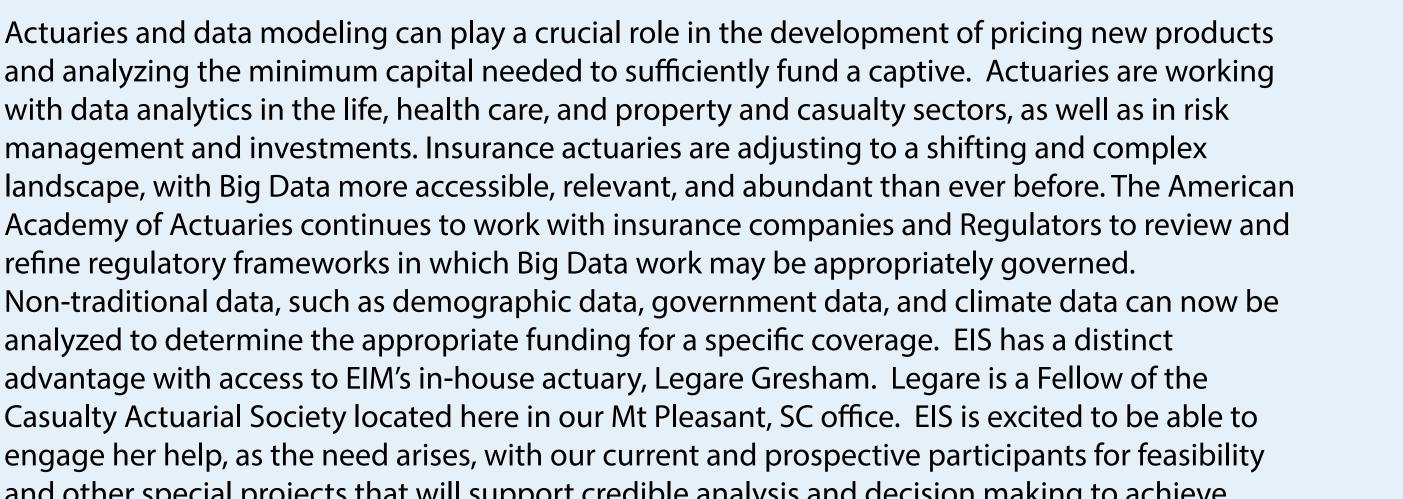allenge is often present in the captive insurance industry when funding and capital requirements are evaluated. The most traditional and immediate way that Big Data is impacting the captive insurance industry is by enabling new methods to price products and simplify underwriting.

Actuaries and data modeling can play a crucial role in the development of pricing new products and analyzing the minimum capital needed to sufficiently fund a captive. Actuaries are working with data analytics in the life, health care, and property and casualty sectors, as well as in risk management and investments. Insurance actuaries are adjusting to a shifting and complex landscape, with Big Data more accessible, relevant, and abundant than ever before. The American Academy of Actuaries continues to work with insurance companies and Regulators to review and refine regulatory frameworks in which Big Data work may be appropriately governed. Non-traditional data, such as demographic data, government data, and climate data can now be analyzed to determine the appropriate funding for a specific coverage. EIS has a distinct advantage with access to EIM's in-house actuary, Legare Gresham. Legare is a Fellow of the Casualty Actuarial Society located here in our Mt Pleasant, SC office. EIS is excited to be able to engage her help, as the need arises, with our current and prospective participants for feasibility and other special projects that will support credible analysis and decision making to achieve highly efficient alternative risk financing models.

As Big Data unfolds and we enter a new era of Artificial Intelligence, now is the perfect time for companies to review their insurance programs and explore additional risk financing options. EIS and ECM are able to assist with feasibility studies and through current member experience to explore expanded uses of your current EIS cell or determine if a cell within EIS is a good option for your company. There can be significant cost savings available through exploration and discussions with EIS.

EIS Financials

Key Financial Data	
EIS General Account – Aggregated	
Shareholder Equity	$5.2 M
EIS General Account – Aggregated	
Gross Premium Earned	$285.5 M
Ceded Premium Earned	$178.8 M
Net Loss and Loss Expense	$81.9 M
Assets	$1,515.5 M
Liabilities	$1,221.9 M
Surplus	$293.6 M
EIS General Account – Aggregated	
MBP Count	26
Policy Count - In Force	103
EIM Member Participant Count	25