EPIC Insurance Brokers & Consultants

By Design or by Default: A U.S. Captive Question for European Headquarters

A U.S. captive can **complement** a mature European risk financing platform rather than displace it, when the decision follows risk intelligence instead of preceding it.

A captive is not the destination.
It is the operating system.

Ask about volatility, not savings

A captive formalizes risk already retained through deductibles, retentions, exclusions and collateral, and can preserve underwriting profit where experience is favorable.

The U.S. develops differently

Not simply larger. Claim value is shaped by litigation strategy, funding structures, venue and the timing of key decisions, turning one event into a dispute about conduct and documentation.

Understand exposure before structure

U.S. growth arrives as revenue, headcount, contracts and vendors, and only later as claims volatility. The first gap is information and expertise, not structure.

Complement, don't replace

A second captive adds a board, regulator, audit and cost, and may narrow diversification. Scale, distinct risks or collateral needs must justify it.

EXHIBIT 1 THE CAPTIVE LENS CHANGES THE QUESTION

TRADITIONAL QUESTION	MORE USEFUL CAPTIVE QUESTION	WHY IT MATTERS
How much premium can we save?	**How much volatility are we already retaining?**	Savings alone can obscure risk retained through deductibles, SIRs, exclusions and collateral.
Europe or the United States?	**Which risks benefit from which structure?**	Domicile should follow portfolio economics, program mechanics and governance.
Do we need another captive?	**Does selected U.S. risk justify a separate platform?**	A second vehicle should solve an identifiable financing or governance need.

EXHIBIT 2 FROM EXPOSURE TO EVIDENCE, THE SEQUENCE THAT PRECEDES THE CAPTIVE DECISION

Growing U.S. exposure
Visibility into operations, contracts, liability exposure and claims volatility
Has the profile changed faster than our understanding of it?

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U.S. risk intelligence
Claims professionals, actuaries, defense counsel and captive specialists
Can we interpret how these risks actually develop?

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Underwriting & claims governance
Loss driver analysis, litigation trend awareness, reserving discipline and large loss oversight
Are we managing severity, or only recording it?

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Risk financing evaluation
Assessment of scale, volatility, correlation and strategic importance
U.S. captive, segregated portfolio or European captive?

EXHIBIT 3 WHEN A U.S. CAPTIVE MAY COMPLEMENT THE EXISTING PLATFORM

EXISTING EUROPEAN CAPTIVE	POTENTIAL U.S. CAPTIVE ROLE	STRATEGIC TEST
Provides diversification and group level capital efficiency	Contains selected U.S. originating exposures	**Are these risks sufficiently distinct and scalable to merit segmentation?**
Retains international programs and established governance	Supports U.S. fronting, collateral or coverage design needs	**Can those objectives be achieved as effectively within the existing captive?**
Remains the core global risk financing vehicle	Creates capacity for future U.S. lines, growth and volatility	**Does the flexibility justify capital, governance and operating cost?**

THE CORE POINT

The question is not whether U.S. risks belong in Europe or the United States as a matter of principle, but whether a separate U.S. captive would give better control, capacity and resilience **without sacrificing the visibility and diversification that may already exist in a single global captive.** Best reached through operational risk analysis, not in reaction to a large loss.

Every multinational operating in the United States already retains U.S. risk.
A captive only decides whether the group carries it by design or by default.

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Tandis Nili, Managing Principal | **Haendel Conil,** Senior Vice President