

# 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.



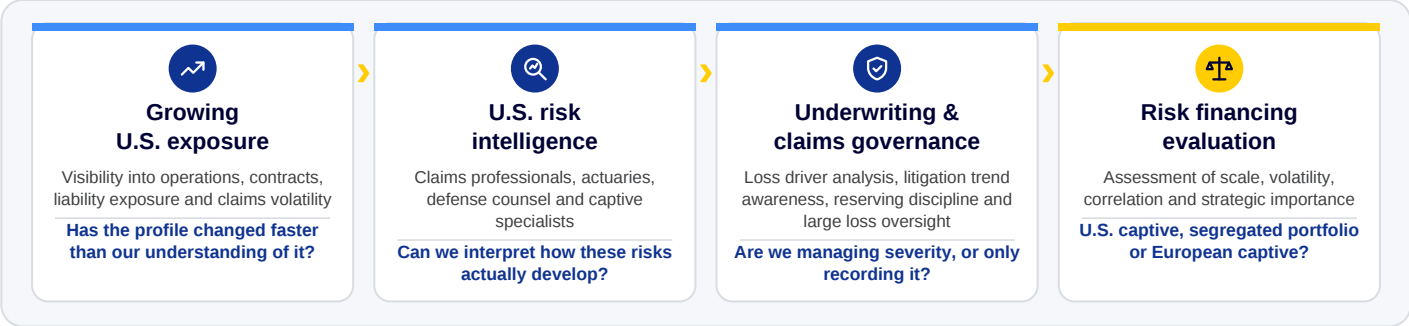
### Complement, don't replace

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



## 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.**