

DRAFT- Cayman Captive Forum 2011

Panel introductions

8 minutes

Session objectives

2 minutes

Introduction: Most captive executives come from a risk management background or have expertise residing somewhere on the liability side of an insurer's balance sheet. In fact, this is also true of many of their vendors and advisors. It comes as no surprise that the asset side, that is investments, doesn't seem to get equal weighting for Captive management's attention. Insurers have a "balance" sheet and therefore I would maintain prudent management of the captive requires balanced vigilance for both liabilities and assets. Usually as captives grow, management realizes the importance of optimizing the performance of their assets. In fact, many of the largest investment managers in the world are part of, or are somehow grew out of, insurance companies.

So with the thought of providing more focused attention to assets/investments, we will cover critical topics such as investment plan design/redesign, plan implementation and plan monitoring and evaluation. Our format will be Q&A, with each manager being able to respond to questions that I pose on these important topics. Of course, your participation with questions or comments during our session is invited.

Investment plan design- 10 minutes

Documentation

They say that without a goal, any road will get you there!

- How should a captive document their investment objectives and risk tolerances?
- What situations do you see that require refinement or revision of investment plan documentation?

Strategic asset allocation

Strategic asset allocation is responsible for more than 90% of long term investment results. Strategic asset classes are most often thought of as the large, low correlation buckets such as cash, bonds, stocks and alternatives.

- What are the key considerations for determining the appropriate strategic asset allocation for a captive's particular lifecycle stage?
- How can one determine the optimal allocation? Asset-only vs. asset/liability models.

Investment plan implementation- 15 Minutes

Manager search

It is often frustrating to witness the manager selection process in the captive industry. Very little quantitative or qualitative analysis is undertaken in most searches. While I have some very strong feelings on the appropriate criterion, since I do this for a living, let's ask the managers...



- What are the DO'S and DON'TS for captives when selecting a manager?
- What are the most important qualifications for managers?

Portfolio management

Insurance asset management differs significantly from investment management.

- What qualities make a good Insurance Asset Manager?
- What role does asset/liability management play?
- What are your thoughts on active vs. passive management?
- What investment strategies can managers pursue to enhance client returns?

Investment plan monitoring-10 minutes

Many captives implement a “boilerplate” investment plan, pick a manager that they’re comfortable with or came recommended and then forget about investments until something goes wrong. This is in fact the recipe for something to go wrong!

- What guidance can you provide to captive owners and captive managers with regard to assessing the appropriateness of the insurer’s investment plan?
- What should captives expect from their investment manager(s) in terms of performance, pricing/fees and service? And, how should these factors be evaluated? So first, what is your suggested criterion for measuring:
 - Performance
 - Pricing/fees
 - Service
- What factors should trigger an evaluation by the captive? And, for our captive managers in the audience, how might they recognize a client’s sub-optimal program?

Additional time:

What’s ahead for the bond market? How should captives prepare?

What role should equities play in a captive portfolio?

If and when to invest in alternatives.....

