

# INVESTMENT SOLUTIONS FOR YOUR HEALTHCARE CAPTIVE

## Understanding Captives

Captive insurance companies are established and wholly owned by a company to act as a direct insurer or reinsurer for its parent company or its affiliates. Typically, captives are created to allow for more cost-efficient risk financing solutions that provide greater flexibility and control, as well as direct access to the reinsurance market.

Organizations typically engage third-party providers to assist in the creation and management of a captive. These tailored services start with a captive manager that coordinates and conducts the feasibility study of the cost benefits of creating a captive, oversees the formation, and engages with service provider partners and regulators; an auditor or accountant; an actuary that analyzes premiums and reserves; and an investment advisor.

The investment advisor for a captive develops a strategy that conforms with the Investment Policy Statement (IPS), and manages the portfolio to meet liquidity needs, specifically managing asset duration with consideration of the captive's liabilities and capital markets risk-reward relationships. The unique nature of a captive insurance company lends itself to a conservative investment approach in the early life cycle of the captive. As the captive matures and claims emergence stabilizes, the investment advisor may have the opportunity to broaden and diversify the portfolio to generate additional income, grow surplus and improve risk management capacity through the captive for the organization.

## Meeting your Captive's Needs

Every captive has unique needs. From asset liability management of risk programs to operating and claims-paying needs; and capacity for investment risk, your captive is unlike any other. An effective investment program should support your individual

liability and liquidity needs, identify capacity to grow surplus, and create a roadmap for asset allocation and strategy development.

## Supporting Long-Term Investment Goals

A balance of reserve matching and growth assets in an investment strategy can support your long-term goals. The reserve matching assets typically align to a custom fixed income portfolio with a profile that aims to generate sufficient liquidity and expected claims-paying needs. The growth assets are usually comprised of a diversified pool of equities and alternative investments with the goal of growing surplus that can support potential excess liquidity needs, allow for greater captive utilization through increased retentions or new risk lines, and potential future dividends of excess capital to the parent.

## Working with PNC IAM

When you work with PNC Institutional Asset Management (PNC IAM), you receive an optimal investment solution based on your captive's unique needs. Your specific goals will remain a focus as a team of healthcare investment professionals leverage Enterprise Financial Modeling as the foundation in building your investment solution. With decades of experience, you can rest assured the dedicated individuals on your healthcare team have a deep understanding of changing regulatory environments and actively participate in the captive industry to keep abreast of the dynamic needs and evolving trends in risk management. When events occur that may impact regulation or utilization of your captive, you can remain confident that that your insurance team will help you navigate these changes.

Learn more about PNC IAM's wide range of investment and analytical services and how we blend knowledge of the markets with insurance expertise to align our recommendations with your organization's goals and objectives.

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## LET'S TALK

Our solutions can be tailored to meet your unique needs.

For more information, contact Todd McCullough, Managing Director of PNC Healthcare Asset Management, at [todd.mccullough@pnc.com](mailto:todd.mccullough@pnc.com).

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