SPOTLIGHT ON

CAPTIVES 2026

CREATING VALUE, BUILDING RESILIENCE

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Spotlight on Captives 2026: Creating value, building resilience

The risk landscape has entered a new era. Volatility is no longer episodic; it is a defining feature of the business environment. Climate change, cyber threats, geopolitical uncertainty, evolving workforce expectations, commercial property pressures and rapid digital transformation are converging to challenge traditional approaches to risk.

For leading organisations, this creates both urgency and opportunity. The question is no longer whether risk can be transferred, but how it can be understood, financed and managed as a strategic lever for resilience and growth.

Captives are central to that shift. Their value extends well beyond pricing or capacity. A well-organised captive gives organisations greater control over risk, deeper access to data, more flexibility in programme design and the ability to deploy capital with purpose. Even in a more competitive insurance market, these advantages remain highly relevant.

This Spotlight report explores how captives are evolving in response to the issues that matter most to businesses today – from climate adaptation and cyber resilience to employee benefits, affinity business, digital agility and commercial property. Across each topic, one message is clear: captives are becoming platforms for insight, discipline and long-term value creation.

At Zurich, we believe strong captive strategies are built on partnership, technical excellence and a clear understanding of each client's business priorities. When these elements come together, captives can help organisations navigate uncertainty with confidence and position themselves for sustainable growth.

By Adriana Scherzinger
Group head of captives,
Commercial Insurance
Zurich Insurance Company

IN THIS REPORT

COVER ILLUSTRATION: U3D/SHUTTERSTOCK

COMMERCIAL RISK PROJECT TEAM

Tony Dowding, editor, *Global Risk Manager*
tdowding@commercialriskonline.com

Andrew Ryan, head of production
aryan@commercialriskonline.com

Annabel White, head of events, operations
awhite@commercialriskonline.com

Stewart Brown, managing director
sbrown@commercialriskonline.com

ADDRESS

Commercial Risk, Unit 5
Parsonage Farm Business Centre
Ticehurst, East Sussex, TN5 7DL, UK

MEMBER: Beacon International Group, Ltd.

The global risk landscape

Captive growth continues in uncertain and volatile world

The global risk landscape in 2026 is defined by uncertainty and volatility. Whether it be political confrontation, war, extreme weather, or concerns over cyber and new technologies, the risk environment is becoming increasingly complex and unsettled.

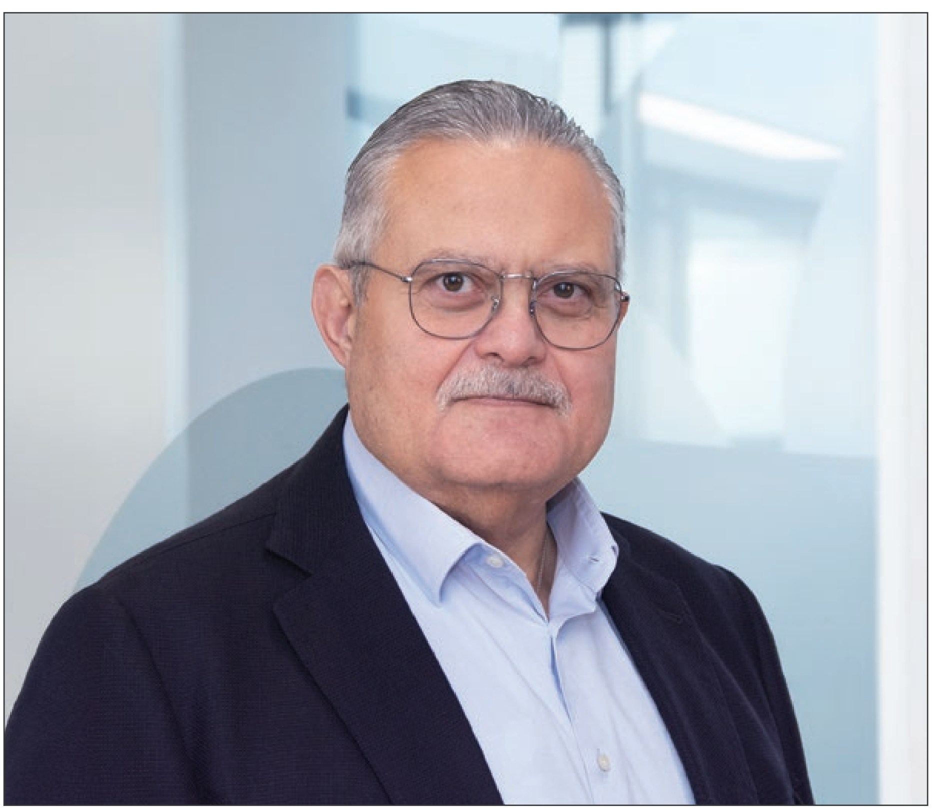
The World Economic Forum's latest *Global Risks Report* sees geoeconomic confrontation emerge as the top global risk, followed by interstate conflict, extreme weather, societal polarisation, and misinformation and disinformation.

Geoeconomic confrontation also climbed eight positions to number one in the medium-term two-year outlook, with misinformation and disinformation second, societal polarisation third, extreme weather fourth and interstate conflict fifth.

Looking at the longer-term ten-year horizon, environmental risks head the list, followed by biodiversity loss, ecosystem collapse, misinformation and disinformation and adverse outcomes of AI technologies.

The survey, which was carried out before the Iran conflict, revealed "deep concern" about the risk outlook, with half of the global risk experts polled anticipating a turbulent or stormy world over the next two years – up 14 percentage points from last year – and a further 40% expect it to be unsettled at the very least.

When it comes to the outlook for the next ten years, 57% expect a turbulent or stormy world, 32% expect things to be unsettled, 10% predict stability and 1% anticipate calm. Some 68% of respondents expect a "multipolar or fragmented order" over the next decade, up four points from last year.



Interconnected

"The current global risk landscape is defined by interconnectedness, volatility and compounding effects, rather than isolated or linear risk events," says Luciano Cirinà, CEO Commercial Insurance International, Zurich Insurance Company. "Risks today transcend borders just as seamlessly as global business operations do, with supply chains, digital networks, regulation, geopolitics and climate exposure all tightly interwoven. When disruptions occur, their consequences tend to cascade rapidly across geographies and sectors, amplifying both operational and financial impacts."

He notes that globalisation has revealed structural fragilities: while it has delivered efficiency and scale, it has also created hidden dependencies. As a result, resilience, diversification and transparency across value chains have become a strategic focus rather than optional enhancements.

Laurent Nihoul, now CEO of Ferma, and previous chair of its captive committee, and group head of insurance at ArcelorMittal, says that risks that were usually considered separate (geopolitical tensions, economic disruption, climate events, cyber threats) are now overlapping and reinforcing one another.

"For organisations, this means that risk management is no longer just about insurable events or looking at risks in isolation

"The current global risk landscape is defined by interconnectedness, volatility and compounding effects, rather than isolated or linear risk events"

Luciano Cirinà, CEO Commercial Insurance International, Zurich Insurance Company

– cyber risk is a BI risk, climate change is a physical and BI risk, geopolitical tensions trigger supply chain disruption or inflation, etc. It is about navigating systemic uncertainty," says Nihoul.

Areas of concern

Organisations face a number of risks that are causing concern and where the traditional insurance market struggles to provide the necessary covers at an affordable cost.

Climate risk

For risk managers, climate risk has emerged as one of the most pressing concerns. Climate impacts affect not only physical assets, but also business interruption, supply chain reliability, workforce health and long-term asset viability. Lack of risk data makes it harder to assess exposures properly and improving the quality, consistency and usability of underlying risk data has therefore become a critical priority.

Supply chain

Supply chain fragility is another major area of concern. Production and distribution can be disrupted far beyond the initial point of impact because of geopolitical developments, natural catastrophes, port closures or cyberattacks.

Cyber risk

Cyber risk and tech-driven exposures continue to be a challenge, from a sharp rise in ransomware incidents to the growing use of AI. The big concern for risk managers is how to address large scale or correlated losses that exceed the capacity of traditional risk transfer mechanisms.

Liability risk

The effect of social inflation, litigation funding and regulatory complexity on liability risk, particularly in the US, is a significant concern for many multinationals, placing greater emphasis on prevention, claims defensibility and risk engineering support.

Building resilience

The interconnected nature of risk means that data is crucial. As Richard Waterer, global risk consulting leader at Aon, explains: "While these risks cannot be fully controlled, they can be better understood and monitored using new data, analytics and scenario-based insights rather than relying solely on historical experience. As traditional risk models and insurance solutions become less effective for some exposures, companies will need to think more creatively about how they deploy capital and build resilience."

Resilience is the key word in response to this changing and uncertain risk landscape. Organisations are increasingly focused on building resilience rather than simply looking to finance losses or prevent risks. Resilience is about preparing, responding, minimising and recovering quickly.

The concept of resilience has matured and broadened and is now shifting from being a primarily operational discipline into a strategic capability linked to competitiveness, long-term sustainability and thriving organisations, according to Airmic and Business Continuity Institute's *Putting Organizational Resilience Into Practice* report.

"Resilience is increasingly understood as the capacity not only to withstand disruption but to thrive as an organisation," the report states. "Resilience enables organisations to benefit competitively from crisis situations and also creates a general strategic and operational environment for organisational success. Resilience is an enabler of opportunity – not simply a way of controlling and responding to incidents and crises."

The focus, therefore, is increasingly on anticipating risk, strengthening resilience and ensuring that critical exposures remain insurable over the long term.

"As traditional risk models and insurance solutions become less effective for some exposures, companies will need to think more creatively about how they deploy capital and build resilience"

Richard Waterer, global risk consulting leader at Aon

Insurance market conditions

Despite the uncertain and volatile risk environment, current insurance market conditions remain largely competitive, with sufficient capacity and declining rates across most lines and regions. However, some insurable risks such as cyber, supply chain disruptions, political violence and extreme weather events, continue to face significant challenges in the market.

The first quarter of 2026 saw insurance rates in Europe decrease by an average of 5% according to Marsh, easing the pace from a 6% decrease recorded in Q4 2025. Marsh's *Global Insurance Market Index* showed property insurance rates down 9%,

Paris's La Defense financial centre: France continues to attract interest while the UK is close to launching its own captive rules

while casualty insurance rates in Europe recorded a 1% decrease in Q1. However, globally, casualty rates rose 3%, including an 18% increase in US umbrella/excess casualty.

Aon's Q1 *2026 Global Insurance Market Insights* report also highlighted buyer-friendly insurance market conditions, but the broker said that beneath the surface, the situation varied "significantly" depending on risk, industry and geography, with geopolitical issues seeing carriers "actively recalibrating".

Aon added that "the current market should therefore be treated as a finite window to secure durable programme improvements, not simply short-term premium relief". Aon said: "Rate reductions have slowed or flattened across several lines and markets, most notably, in directors and officers (D&O), but also in cyber".

Lloyd's warned over rate adequacy earlier this year and said it would be looking closely at how syndicates are assessing rate adequacy, underlining the fragile nature of the current insurance market.

Structural protection gaps

The traditional market is not homogenous: it has many parts that are currently competitive, but also areas that are difficult for insureds. Structural protection gaps persist where losses are difficult to define, attribute or quantify, particularly high-severity, cross-border risks that are difficult to model. Coverage may be limited, constrained by sub limits or simply not available, and there may be exclusions or narrow triggers.

The conventional market is providing adequate capacity for well-understood, well-modelled risks, according to Peter Carter, head of climate practice and head of captive & insurance management solutions at WTW. However, he says that conventional insurance alone is not meeting client needs for volatility, systemic risk or strategic resilience, pointing to climate volatility and secondary perils, cyber systemic loss, supply-chain interruption and ESG/reputational shock events.

Cirinà agrees: "Is the conventional market delivering the required solutions? For well-defined risks with clear loss mechanics, largely yes. But for non-physical, systemic and attribution sensitive exposures, traditional insurance alone is often insufficient. These risks challenge the core principles of insurability – clarity of trigger, loss measurability and aggregation control. As a result, solutions are increasingly hybrid rather than purely market based. Organisations are combining selective risk transfer with captives, parametric elements, tighter wordings and a stronger focus on prevention and data quality."

Captive landscape

The utilisation of captives is continuing to grow, as evidenced by the growth in premiums written by captives, the number of new captive formations, and the emergence of more domiciles: France continues to attract interest while the UK is close to launching its own captive rules.

Kanika Thukral, associate director at AM Best, says that geopolitical tensions over recent years have weighed on domicile selection, with several corporations choosing to establish captives in their home countries or regions. Thukral points to a handful of captives of Italian corporations that redomiciled from foreign countries to Italy in 2023 and 2024, as well as the success of French regulations and the upcoming UK captive regime.

CAPTIVE LOCATIONS (2026)

US	55.4% (3,627)
North American Offshore	29.7% (1,946)
Europe	10.6% (692)
Asia Pacific	3.2% (207)
Canada	0.9% (57)
Africa	0.3% (20)

Source: Business Insurance survey

In terms of captive numbers, 2025 saw the growth of the last few years continuing. There were 6,549 captives in 2025 (not including microcaptives, series captives or individual cells of cell members in protected cell companies) in 80 domiciles tracked by *Business Insurance*, a 3.8% increase over 2024 (6,307).

DOMICILE RANKING

Rank	Domicile	2025	2024
1	Vermont	707	683
2	Bermuda	699 i	631 i
3	Cayman Islands	693	670
4	Utah	605	464 ii
5	Barbados	274	273
6	Delaware	274	285
7	Hawaii	269	272
8	North Carolina	263	293
9	South Carolina	233	231
10	Luxembourg	204	197

(i From website, ii Restated)
Source: Business Insurance survey

European growth

In Europe, captive use continues to grow, despite market conditions generally improving for buyers. The CEO of German risk management association GVNW, Stefan

Rosenowski, told *Commercial Risk* recently that its members are increasingly turning to captives to improve their risk management and transfer options, with interest set to remain high even as the market softens.

According to Rosenowski, there are two reasons for this. The first is the deliberate reduction of dependency. "Even though we are currently in a soft market phase for large corporates, many companies have not forgotten the behaviour of market participants during the last hard market. A captive creates strategic optionality and restores control," he said.

The second reason is that captives are increasingly recognised as a strategic management instrument. "They enable higher, intentional risk retention, allow capital to be retained within the group, and can be used as an internal financing tool. In this sense, captives are no longer a purely technical insurance construct but an integral element of corporate risk and capital management," said Rosenowski.

TOP EUROPEAN CAPTIVE DOMICILES

Ranked by number of captive licences at year-end 2025

Rank	Domicile	2025	2024
1	Luxembourg	204	197
2	Guernsey	196 i	197 i
3	Isle of Man	89	95
4	Dublin	59	61
5	Sweden	32	30

(i From website)
Source: Business Insurance survey

The UK is also seeing growth in terms of business written and expansion of covers by UK-parented captives. According to the 2026 captives survey of Airmic members, *Captives: A resilient strategy for the future*, Airmic members spend more than £5.5bn in annual premium through their captives and hold more than £25bn in assets under management in captives.

The survey reveals that more than three-quarters of respondents make good use of their captive but plan to use it for further covers or services – such as for incubating emerging risks, gathering data and setting up risk management bursaries. A quarter have a 'captive first' policy and currently maximise its utilisation for covers or services.

The new UK captive regime is expected to launch in summer 2027. The UK government has said it will move forward with plans to allow protected cell companies (PCCs) to be used within its forthcoming captive insurance regime following a consultation, though time constraints mean that PCCs won't be included when the captive regime is launched.

In France, a government report earlier this year said the French Treasury estimates that there were seven captives in operation in early 2022, but the number reached 24 by the end 2025. It also notes that French companies own more than 100 captives domiciled in other EU countries.

The authors of the report found that the volume of premium placed by French companies via their locally domiciled captives has reached €200m, with captives ranging in size from €1m in revenue to €100m.

Italian risk management association Anra has created a captive working group to help spark further debate at national level, where there is hope that the regulator might bring in new rules to ignite captive growth in Italy and support work at European level through Ferma.

Captive performance

According to AM Best, one of the reasons for the continuing interest in the captive solution is that, in general, captives perform better than the traditional insurance market. Fred Eslami, associate director at AM Best, says: "In recent years, typical natural cat situations, Covid, and a number of major regional conflicts have provided situations in which captives have proven their resiliency and continued success. Single-parent captives, in particular, have consistently outperformed their commercial market peers as far as profitability is concerned."

While captive numbers have increased in the last few years, it is also clear that organisations are making greater use of their existing captives. They are also writing a broader range of covers than ever before, from stalwarts such as property and general liability, to cyber, marine, terrorism and credit/trade credit.

The Airmic survey of its members found captives are shifting from short-term tactical vehicles to long-term value creators.

The survey shows that 42% of respondents having increased their use of captives as a direct result of commercial market conditions. Airmic adds that more respondents than in last year's survey are increasing their use of captives for reasons other than commercial market conditions. It notes: "The possibilities of what to do with a captive are broader than ever before: 'Captive First' strategies, third-party business, mixing life and non-life and sophisticated reinsurance structures open up more options for corporate risk managers."

RISKS CURRENTLY UNDERWRITTEN OR PLANNED TO BE UNDERWRITTEN VIA A CAPTIVE OR CELL IN PCC (GLOBALLY)

Property (property damage/BI)	56.1%
General/third-party liability	48.5%
Auto liability	32.5%
Employers' liability/workers' comp	30.8%
Health/medical	26.2%
Product liability & completed operations	25.7%
D&O liability	24.7%
Cyber liability/network liability	23.6%
Marine	23.6%
Catastrophe	23.0%
Professional indemnity/E&O liability	22.8%
Life	16.2%
Crime/fidelity	15.6%
Employee benefits (excl. health/medical and life)	15.6%
Employment practices liability	15.0%
Environmental/pollution	15.0%
Terrorism	13.3%
Credit/trade credit	12.4%
Other	11.6%
Product recall/tampering	10.8%

Source: Aon's 2025 Global Risk Management Survey

Captive value in a competitive market

Central role for captive despite market conditions

The captive market has expanded considerably in recent years in response to the recent hard market conditions. Captives have proved their worth, providing stable capacity, offering protection against volatile rate increases, and coverage for risks outside of insurers' appetite. But as the market turns more competitive and insurers become more accommodating, how do captives maintain their relevance and value?

In periods of increased market competition, premiums and terms tend to become more favourable, and for many risk managers this brings a sigh of relief. For captive owners, however, it presents a unique challenge: the very reason for the captive's existence – capacity and cost savings – can come under pressure from attractive fronting quotes and favourable commercial terms.

In an environment of market moderation but persistent structural risk such as climate volatility, cyber aggregation and geopolitical fragmentation, the strategic rationale for captives is evolving rather than diminishing.

It is important to stress that the benefits of a captive extend beyond pricing and capacity. Matt Moore, head of group captives at Zurich US, says that pricing and capacity may get clients into a captive but they are not what keeps high-quality members committed over time.

"The real, defensible value of captives sits in capabilities that traditional insurance struggles to deliver consistently. Captives increasingly function as a risk-management engine rather than an expense-line item," he says.

Captive growth

The current market is not seeing a decline in premiums being written by captives or the number of captives being formed, suggesting that the value of a captive is not simply about market conditions.

"The real, defensible value of captives sits in capabilities that traditional insurance struggles to deliver consistently. Captives increasingly function as a risk management engine rather than an expense line item"

Matt Moore, head of group captives at Zurich US

Marsh's *Captive Solutions 2026 Benchmarking Report* reveals that new Marsh-managed captive formations grew by over 25% in 2025, from 92 to 118. And Marsh-managed captives wrote $79.1bn in gross written premium in 2025, compared to $77bn in 2024, and among Fortune 500 organisations that use captives, the GWP growth was particularly strong at 9%.

The largest premium concentrations remain within ten core sectors (financial institutions; healthcare; retail/wholesale; automotive; communications, media, and technology; energy; manufacturing; aviation, aerospace, and space; food and beverage; and transportation).

But Marsh points out that industry adoption is broadening. Its figures show rapid premium gains in sectors not in the top ten, such as chemicals (127% GWP growth in 2025) and education (98% growth), demonstrating that captives are being used across various industries.

Will Thomas-Ferrand, global leader of Marsh Captive Solutions, notes that there could be a view that a softer market leads to potentially less captive use. "But our data is telling us the opposite. With falling insurance prices, you would expect to see the amount of premium going through captives to be reduced, even if it was the same risk. Our data shows premiums have actually increased," he says.

MOST POPULAR RISKS WRITTEN BY NEW MARSH-MANAGED CAPTIVES IN 2025
1. Property
2. Liability: Excess and auto
3. Workers' compensation
4. Cyber liability
5. Errors and omissions
6. Employment practices liability

Source: Captive Solutions 2026 Benchmarking Report

Relevance

Companies are continuing to turn to their captives despite the competitive market. And this is because of their strategic value, rather than simply being about pricing.

Risk managers and captive owners are positive about their vehicles' ongoing value to the parent and the importance of a captive in their risk management programmes.

Ferma

Laurent Nihoul, CEO of Ferma and previous chair of its captive committee, and former general manager corporate risk & insurance at ArcelorMittal, believes captives can deliver value across all market cycles, and the strongest captive owners should look at the current favourable market conditions to optimise retentions, rebuild lost capacity, and renegotiate better terms.

"Ultimately, I would say captives are not dependent on market conditions for their relevance. Their value is structural: they provide a consistent and adaptable framework for managing volatility, optimising cost of risk, and supporting informed risk financing decisions in both hard and soft markets," says Nihoul.

GNVW

Holger Kraus, member of the GVNW executive board and chair of the GVNW captive committee, and head of insurance at Siemens, says the volatility of the market pricing is of limited effect. "A captive on the one hand is a risk-pooling platform across different legal entities, which allows it to cater for differing risk-bearing capacities on operating entity and group level. On the other hand, captives are able to strategically tailor the risk retention to a corporate's needs, reflecting economic, accounting and cashflow aspects."

AstraZeneca

Kevin Steed, senior director, group insurance at AstraZeneca and Airmic member, says that if a captive is well structured and a strategic component of the corporate risk management philosophy, then short-term market cycles and their perceived competitiveness shouldn't really be a concern for the sophisticated risk manager. He says what should be the focus is the continual drive for the captive to create wider enterprise value.

Petit Forestier Group

Speaking as part of *Commercial Risk's* 2026 Risk Frontiers Europe survey of leading risk managers, Camel Sekkai, group insurance director at the Petit Forestier Group, notes that captives enable buyers to deal better with exclusions, which he says are becoming more common despite the recent competitive insurance market.

"When a company makes use of a captive, it shows the market that it has analysed the risk and is sure about it. That enables the company to find transfer solutions that it would not have been able to find otherwise," he said.

Underwriting cycle

Another key element in terms of captive value relates to one of the fundamentals of the insurance market: the underwriting cycle. Not all markets, regions and lines of business follow the same cycle, but it is important to remember that the market can harden suddenly and with little warning, as happened at the start of the decade. Having a captive in place and ready to step in when markets become difficult can make the transition to a hardening market a much smoother process.

Thomas-Ferrand points out that in an emerging risk environment there will always be pockets of risk that go up and pockets that go down. "We don't know where those pockets will be in the future, but the agility of a captive that has been set up to be strategic means it can be used where it is needed, allowing organisations to react quickly to anything that does happen in the future," he says.

Maintaining value

Maintaining the value of a captive is about evolving the strategy from simple cost avoidance to strategic optimisation:

- **Captives** must redefine their value proposition by rebranding their purpose, with a focus on value creation and achieving positive underwriting profits while responding to claim incidences.
- **Captives** should expand their scope and fill any coverage gaps. A competitive market rarely applies to all lines of

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>
> **Joshua Nyaberi, head of captive fronting, Continental Europe at Commercial Insurance, Zurich Insurance Company**

business equally. While mainstream risks of property and general liability may get cheaper, some emerging risks remain hard to place.

• **Captives** must maintain disciplined underwriting. Slashing captive premiums to match commercial quotes is a dangerous trap. A captive is ultimately responsible for its own losses and captive owners must fundamentally underwrite to their own loss experience.

Captives that survive the cycles are not those that win on price but that prove their worth through discipline, profitability and adaptability, says Joshua Nyaberi, head of captive fronting, Continental Europe at Commercial Insurance, Zurich Insurance Company.

“Captives are uniquely agile vehicles for covering risks that may be unaffordable or simply unavailable in the commercial market,” he says. “By expanding the captive’s scope to cover cyber aggregates, supply chain disruption, contingent business interruption or ESG-related liabilities, the captive can transform from a simple funding mechanism into a strategic enterprise risk management tool. This cements the captive’s place as an essential component of corporate resilience.”

He adds: “By leveraging the opportunity to demonstrate the captive’s resilience and flexibility – rather than just its price competitiveness – owners could ensure their vehicle emerges stronger and more valuable when the market conditions inevitably become more challenging again.”

In a competitive insurance market, a captive’s value is less about short-term cost savings and more about long-term strategy, cost stability, and access to coverage options.

“Captives that actively monitor and amend their underwriting appetite, analyse risk and claim data, and continue striving for loss control excellence are likely to remain relevant,” says Erin Brosnihan, president at Cayman Islands-based captive manager Kensington Management Group. “Even in competitive insurance markets, captives provide expense stability, shelter from volatility, and predictable premium funding – benefits that the commercial market cannot guarantee across cycles.”

Expanding the role

It is not just about maintaining value: there is a case for expanding the role of the captive in a competitive market in some areas. Emerging risks are an obvious target for captives, given the reticence of the traditional market in some cases.

Marsh’s *Captive Solutions 2026 Benchmarking Report* notes that trade credit, cyber liability, errors and omissions, political risk, intellectual property, and environmental coverages saw notable premium increases.

Robert Geraghty, managing director, international sales and consulting leader, captive solutions at Marsh, says: “In such a turbulent and challenging world, the difficult risks that emerge like cyber, intellectual property, political risk and supply chain – these were some of the most added lines of business to our captives that had built up surplus and have the confidence to be able to take some of those risks.”

He gives the example of trade credit – not an emerging risk but a newer risk in terms of captive involvement. Marsh has seen a huge increase in captives taking on trade credit risk this year because it is seen as a very good risk with a low loss ratio. “Although it is cheap in the market, if the loss ratios are still very low, organisations are asking: why are we not retaining it more? Also, the captive brings more potential control around the trade credit programme itself,” says Geraghty.

Moore believes there is a strong case for expanding the role of captives in a competitive market. “In fact, competitive conditions can increase the strategic value of captives, provided that expansion is intentional, disciplined and tied to areas where captives could create structural advantage, not short-term arbitrage. Traditional insurance optimises price on an annual cycle, but captives can optimise performance continuously,” he says.

The most compelling areas to expand a captive's role into are those where the commercial market is structurally less efficient, less consistent or less willing, according to Ian-Edward Stafrace, chief strategy officer at Atlas Insurance PCC.

He says these areas can include:

- Employee benefits
- Supply chain
- Non-damage business interruption
- Climate
- Energy
- New technology risks
- Parametric structures
- Customer-related or partner-related programmes.

However, he adds: "The key is not to write everything in the captive but to use it where it improves the total cost of risk, creates an informational advantage, or solves a structural market inefficiency."

Reinsurance access

One important element to remember about a competitive market is that it creates more opportunities for captives to access reinsurance markets. Captives are attractive to reinsurers because they usually have better data and better control of their risks.

AM Best notes that in the current market conditions, it would expect to see captives gradually reduce their retentions in favour of increased reinsurance purchasing. Kanika Thukral, associate director at AM Best, said: "We expect that captives, particularly those with a favourable claims history, are likely to negotiate better terms and conditions for their reinsurance programme during 2026 renewals, which in recent years have often been restrictive with higher attachment points and incorporated exclusions, particularly for certain liability and natural catastrophe-exposed risks."

According to Marsh's *Captive Solutions 2026 Benchmarking Report*, Marsh-managed captives ceded $11.5bn to the reinsurance market in 2025.

In a competitive market, there is more capacity, more attractive pricing and more flexible options, particularly in areas like facultative and structured reinsurance, says Peter Chesman, partner, specialty broker at McGill and Partners. "Captives are in a good position to tap into that and secure very competitive terms, sometimes even locking those in over a longer period or across a broader portfolio," he says.

"But the key point is that this shouldn't lead to constantly changing your underlying strategy. Rather than reducing retentions on the direct programme just because pricing is cheap, a more effective approach is to keep that core structure stable and then use the reinsurance market tactically within it. That way, you avoid the 'yo-yo' effect of moving retentions up and down with the cycle, which can be inefficient and difficult to unwind when the market turns," says Chesman.

Geraghty says that while standard reinsurance went down slightly, Marsh has seen more interest and more implementation of structured reinsurance from captives. "We are seeing more customised and more long-term solutions for complex, difficult to place risks over a longer-term agreement – say, three to five years. Especially for bigger entities who want to have the larger risks and want that customised solution offering multi-line multi-year deals," he says.

Board support

However, despite the ability of captives to maintain value and relevance, there is still the issue of persuading their parents and the board that there should be continued investment in the captive solution when the market is buyer friendly.

"Executive sponsors (CFOs, treasurers) and boards do not invest in captives simply for technical insurance optimisation." says Peter Carter, head of climate practice and head of captive & insurance management solutions at WTW. "They invest for earnings volatility reduction, capital efficiency, balance sheet protection and strategic optionality."

The case should be made in the language of the c-suite: capital efficiency, volatility control, resilience and business facilitation – and a captive should not be presented only as a premium-saving tool, says Laurent Nihoul.

"In this context, captive owners should focus on aspects such as how the captive can help reduce the total cost of risk over a multi-year horizon, as well as helping secure investments and projects through bespoke insurance solutions," he says. "It is also important to promote the critical functions of the captive as a business facilitator by developing insurance solutions that are targeted at improving sales performance, customer satisfaction or at minimising operational disruptions beyond the pure 'financial indemnity lens'."

In the past, risk managers used to have to sell the benefits of a captive to the c-suite, but this is changing, says Marsh's Thomas-Ferrand. "Now, they are being challenged by the c-suite: how can we use it more? So in some ways, the sell is much easier because the c-suite is already on board, where there is a mature captive that has proven its value through some tough markets in the past," he says.

He adds: "The c-suite is acknowledging that it may currently be a slightly more competitive market, but it wants all the stepping stones in place right now so that when things are tougher again, the captive can be fully utilised in the future."

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Climate risk and the impact of extreme weather events

Risk, resilience and the role of (re)insurance

Climate risk continues to be a major concern for companies, with extreme weather causing disruption and losses across the world, and in Europe particularly, flood, heatwaves and drought have become regular occurrences.

In 2025, insured losses reached $127bn, 27% above the long-term average, according to Aon's *2026 Climate and Catastrophe Insight*. This is the sixth consecutive year of $100bn+ insured losses.

Last year was the third warmest on record, just behind 2023 and 2024, according to Copernicus. The past 11 years, 2015-2025, were the 11 warmest years on record, according to the World Meteorological Organization, which says the Earth's climate is more out of balance than at any time in observed history.

The WMO states: "The Earth's energy balance measures the rate at which energy enters and leaves the Earth system. Under a stable climate, incoming energy from the sun is about the same as the amount of outgoing energy. However, increasing concentrations of heat-trapping greenhouse gases – carbon dioxide, methane and nitrous oxide – to their highest level in at least 800,000 years have upset this equilibrium."

Climate change is seeing a significant increase in so-called secondary perils, which accounted for 92% of insured losses globally in 2025 (albeit reflecting the absence of a major hurricane landfall in the US), according to Swiss Re Institute's *sigma No 1/2026 – Natural catastrophes in 2025: The persistent risk of wildfire and storm risk*. The report says insured losses are rising by 5-7% annually on average in real terms. Swiss Re says the long-term trend implies a 2026 insured loss of $148bn and could reach $186bn by 2030.

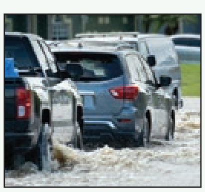
Extreme weather

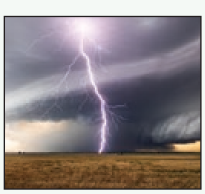
This year's *World Economic Forum Global Risks Report*, which presents the findings of this year's Global Risks Perception Survey, shows extreme weather fourth in the ranking of global risks in the medium-term two-year outlook, and top in the longer-term ten-year horizon.

The impacts of extreme weather events may be influenced not only by the intensity and frequency of such weather patterns, but also by vulnerabilities across an organisation's entire value chain and ecosystem and by the overlap of these risks.

Extreme weather risks may be amplified by a combination of outdated, poorly maintained infrastructure, urbanisation (stretching the capacity of infrastructure beyond design limits), or poorly understood/quantified (and managed) risks, especially with respect to interconnectivity with the wider community.

Risto Schmid, head of Climate Resilience at Zurich Switzerland, says: "In short, today's risk landscape has become much more diverse and complex, not only due to more frequent and severe weather events, but also due to the heightened dependence of the corporate value chain on elements outside its direct influence (infrastructure, regulations, access to resources)."

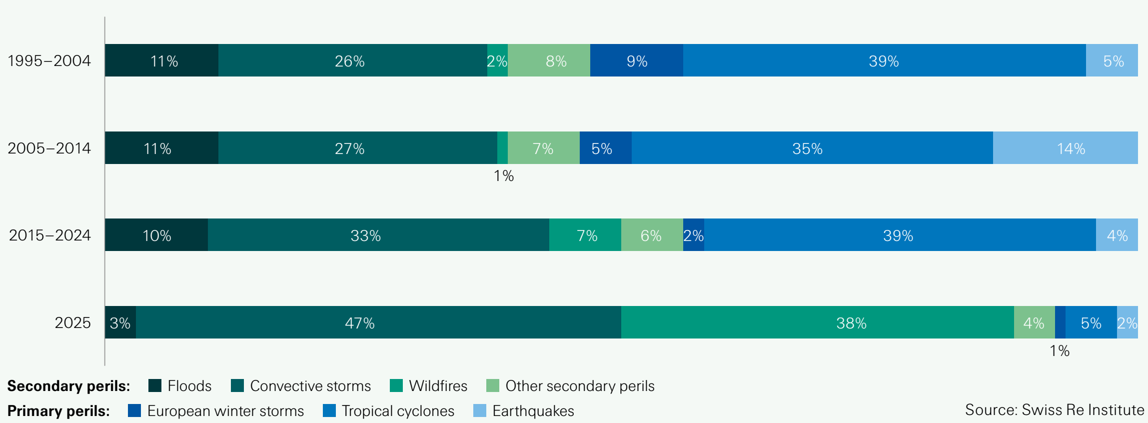




Significant insured losses despite no peak peril event in 2025

Secondary perils dominated insured losses in 2025, reflecting the absence of a major hurricane landfall in the US. Wildfires set a new loss record and SCS stayed elevated, together lifting the secondary peril loss share to an all-time high of 92%.

Global insured losses from natural catastrophes by peril in 2025 and previous year averages, %



Source: Swiss Re Institute

Resilience and adaptation

The impact of extreme weather events on businesses is driving the need to build resilience. But as Schmid explains, the first step in developing a strong and enduring resilience plan is to understand and quantify the risks.

He notes that hazards are not automatically risks, and organisations need to first understand pain points in their value chains, the vulnerabilities of these, and then consider the hazard levels that can potentially impact these pain points. He adds that hazard alone does not reflect risk quality or loss potential.

"In many cases, especially in large organisations, there is often misalignment on the basic definition of risk, as there are different 'pain points' across various functions/units," he says. "There are also variances in risk assessment methodology and data sources that are used. These factors can often lead to different conclusions and views of risk and how it's ultimately assessed. While high-quality data and insights are essential across hazards, operations and asset-level vulnerabilities, these factors are also critical in ensuring confidence in the necessary investments to develop a resilience plan."

Resilience and adaptation measures are key in the management of climate risks, according to Schmid, as well as the quantification of the impact, not only in terms of asset-level damage, but also in terms of impact to the balance sheet.

Sensitisation and awareness of the risks

Every function across an organisation plays a role in resilience – and this can only happen if all stakeholders understand the risks and potential impacts on the business and their workforce. The consistent definition of risks, the assessment methodology that is used, along with the data, are not to be underestimated. These could contribute to greater alignment and ownership of the risks.

Risk quantification

Putting a number or value on a risk (or opportunity) may help to better assess the cost of inaction, along with the benefits of any adaptation measures proposed. In essence, it's showing the business case for investment, which helps drive funding into critical programmes.

Tailored solutions

While climate mitigation measures can generally be prescribed centrally (a top-down approach), adaptation solutions need to be tailored to the specific risks at an asset level. For example, the flood protection technology must be selected based on local conditions, including, but not limited to, the type of flooding, duration of warning time, resources available onsite, etc.

Data at centre of resilience

Data sits at the heart of effective resilience planning, and by analysing past loss data, companies gain valuable insights into their most vulnerable areas.

But to go beyond hindsight, it is crucial to incorporate forward-looking projections or scenarios – factoring in anticipated changes in climate patterns and regulatory environments – to adapt strategies in real time, says Justine Kelly, head of sustainability, commercial insurance and group underwriting, Zurich Insurance Company. This approach enables organisations to prioritise resources and focus their efforts where it matters most.

She stresses that while climate risk poses significant challenges, it also presents valuable opportunities for corporates. "By applying robust investment discipline and focusing on assets and infrastructure built to last, firms can reduce downtime, protect cashflows and avoid costly retrofits later," says Kelly. "Done well, operational resilience can enhance earnings stability, lower financing and insurance friction, and signal disciplined management of foreseeable risks."

Role of the captive

Traditional insurance, of course, remains a valuable tool for managing climate risk. The captive's role is not to replace insurance but to provide a platform to develop hybrid risk-financing solutions. As Peter Carter, head of climate practice and head of captive & insurance management solutions at WTW points out, financing increasingly volatile and correlated climate loss requires insurance, parametric solutions and capex to ensure a sustainable long-term solution.

Captives can offer greater flexibility and customisation to tailor a company's coverage to address specific critical exposures material to their business, especially where these may be difficult or uneconomic to transfer to the traditional insurance market.

"Done well, operational resilience may enhance earnings stability, lower financing and insurance friction, and signal disciplined management of foreseeable risks"

Justine Kelly, head of sustainability, commercial insurance and group underwriting, Zurich Insurance Company

Kelly says that ultimately, the effectiveness of a captive in providing tailored natural catastrophe coverage is determined by a company's individual circumstances, including their risk landscape, financial capacity and long-term resilience strategy:

- Large corporates with complex operations and supporting scale are often well positioned to leverage captives for bespoke protection complemented by traditional insurance, designing coverage that closely matches their unique exposures and risk appetite.
- For smaller organisations or those with more limited risk profiles, traditional insurance solutions may remain more practical due to the resources and capital required to operate a captive.

Key areas

The captive can have an important role to play in managing climate risk in three key areas: tailoring coverage, centralising the loss data, and financing resilience and adaptation measures.

Flooding in Budapest, Hungary: **European utilities or manufacturing groups with plants in flood-prone regions can align retentions with site-specific resilience measures**

CREDIT: CIVIC LENS/SHUTTERSTOCK

Tailored coverage

Captive insurance structures can offer corporates a platform to tailor coverage to their specific risk profile and operational needs, and that directly addresses certain critical climate risk exposures material to their specific business. "The insights gained through this approach allow companies to implement targeted resilience measures and allocate resources efficiently and respond to emerging challenges with agility," says Kelly. "Ultimately, captives can empower businesses to drive innovation in risk management and strengthen their long-term resilience," she says.

Carl Leeman, chief risk officer at Katoen Natie, says that captives can not only provide coverage for risks that are not fully available in the traditional market, but can also co-insure some risks and "complete gaps in coverage and/or put co-insurers at ease when they see that the company has some skin in the game through the captive (e.g. windstorm in US)".

He adds that captives should also be seen as labs for coverages that are not yet available on the market, and this can allow fronting insurers to 'test' certain coverages in a secure environment due to limited exposure.

Data central

According to Risto Schmid, a captive is uniquely placed because it understands the business-related risks and has the data to properly assess the risk. Indeed, the captive can be a central point for loss data and analysis, collecting and collating climate losses by asset, geography and peril, and using the data to pinpoint critical areas, gaps in coverage, and significant exposures. It can also identify where adaptation measures can be most usefully deployed and have the greatest impact.

Schmid adds that a captive's view of risk is different from the typical insurance buyer. "Captives not only play a role in short-term damage avoidance but also a strategic role in terms of risk evolution."

Funding resilience

Retaining the risk in a captive means that premiums can be used to build up surplus that can then be redeployed toward adaptation and resilience. As WTW's Carter explains: "The feedback loop is loss – adaptation – reduced loss – capital relief. This leads to smoother and more controlled risk financing through the longer term than what is available from the commercial market on an annual renewal basis."

Adaptation measures can include physical asset adaptation, operational and business continuity adaptation, and supply chain and ecosystem adaptation to address volatility in costs arising from the transition.

Mike Matthews, commercial director, EMEA & APAC for Artex, says captives allow organisations to reflect where their assets really sit and how they're protected. "For instance, European utilities or manufacturing groups with plants in flood-prone regions can align retentions with site-specific resilience measures, rather than paying for generic market solutions. In the context of increasing flood, wind and heat exposure across EMEA, that leads to more sensible retentions and fewer surprises when losses occur."

Parametrics and ART

When it comes to dealing with climate risk, organisations are turning to a range of tools and solutions to complement traditional insurance covers, ranging from alternative risk transfer mechanisms, such as cat bonds, to parametric solutions. Artex, for example, notes growing interest in parametrics across EMEA from sectors like renewables, agriculture, construction and infrastructure, where speed of payout and certainty matter as much as indemnity.

Matthews says captives are very well-suited to sit behind parametric and alternative risk transfer solutions, providing the funding mechanism and governance to make them work. He says the interest in parametrics is not yet widespread, but it is moving from being an 'interesting concept' to something organisations are actively testing and deploying for their climate related risks.

Elizabeth Steinman, managing director, risk finance and captive consulting for the Americas at Aon, says: "Captive insurance companies are increasingly being used as structuring vehicles to aggregate climate-related risks and access reinsurance, ART and parametric solutions in a coordinated way. For organisations with sufficient scale and risk-financing sophistication, the captive can be one of the most effective tools to design and fund bespoke climate coverages."

Captives can be leveraged as strategic finance vehicles to:

- **Pre-fund resilience projects**, such as flood defences or wildfire mitigation measures;
- **Accumulate surplus capital** that can be used for long-term sustainability investments, contingent on relevant local insurance and captive regulations;
- **Enable self-insurance** for supply chain disruptions or critical infrastructure resilience;
- **Support the implementation of monitoring and early warning systems**, equipping corporates to detect risks sooner and respond more effectively.

Source: Zurich Insurance Company Ltd

Captives and cyber risk: A centralising role

Captives becoming a stabiliser for cyber programmes

Concern over cyber risk continues to grow, driven by ransomware attacks, new regulations and the rise of AI. Digital risks continuously evolve and threaten assets, workforce and supply chains. Many multinational companies have made progress in building cyber resilience in recent years, but data breaches continue to increase, with supply chains particularly a concern.

Cyber remains the number one current and future risk and is forecast to retain the number one position through to 2028, according to Aon's *2025 Global Risk Management Survey*, based on responses from nearly 3,000 risk and business leaders in 63 countries.

The Aon survey says the EMEA region faces a surge in ransomware, nation-state attacks and supply chain vulnerabilities, and is particularly exposed due to its diverse regulatory landscape, varying levels of cyber maturity and the increasing digitalisation of critical infrastructure. And geopolitical tensions are amplifying cyber risks, with nation-state actors using proxy groups to target organisations and disrupt business.

The statistics seem to back up this concern. Tech firm Verizon's latest *Data Breach Investigations Report* found there were 22,000 confirmed data breaches, involving organisations in 145 countries. It showed that exploitation of vulnerabilities has surpassed stolen credentials to become the number one breach entry point.

Ransomware grew again, accounting for 48% of all breaches in 2025, up from 44% in the previous year. However, more businesses (69%) are refusing to pay: ransom payments continued to decline among Verizon's dataset. The median amount of ransom paid also continues a downward trend to $139,875 in 2025 from $150,000 in the previous year.

The Verizon report also noted that supply chains are getting riskier, as third-party involvement in breaches is up 60% from last year's dataset. Breaches involving a third party now account for 48% of the total. It said that as companies rely more heavily on external vendors, threat actors are exploiting those vulnerabilities, focusing on the weakest link in a network.

Threat landscape

Cyber risk is, for the first time, the top concern among UK business leaders, according to Marsh Risk's *UK Business Risk Report*. It is cited as the leading concern for 46% of business leaders, up three percentage points from 2024, and up from 20% in 2023. The principal immediate threats identified in the report are ransomware, supply chain and internal IT disruption.

And while AI is set to bring many benefits to organisations, not least in cyber security, it is also transforming the threat landscape, playing an increasingly significant role in attacks. AI seems to be allowing for more sophisticated attacks and increasing the speed and scale of cyber incidents.

Andreas Schmitt, global head of cyber, Commercial Insurance, Zurich Insurance Company, notes that ransomware frequency increased significantly from 2023 onwards, leading to business interruption and data exfiltration, with attackers focusing on supply chain attacks.

AVERAGE COST OF DATA BREACH		
Country	2025	2024
US	$10.22m	$9.36m
Middle East	$7.29m	$8.75m
Benelux	$6.24m	$5.90m
Canada	$4.84m	$4.66m
UK	$4.14m	$4.53m
Germany	$4.03m	$5.31m
Latin America	$3.81m	$4.16m
France	$3.73m	$4.17m
ASEAN	$3.67m	$3.23m
Japan	$3.65m	$4.19m
Italy	$3.44m	$4.73m
South Korea	$2.84m	$3.62m
Australia	$2.55m	$2.78m

Source: IBM Cost of a Data Breach Report

"A cybersecurity arms race is creating a widening gap between attackers and defenders, while AI plays an increasingly significant role in attacks, with growing sophistication and danger of AI-powered cybercrime," he says.

Schmitt also notes that regulation, notably in the EU, such as DORA, NIS2, CRA and the AI Act, requires a holistic risk management approach with a focus on strengthening cyber resilience across the supply chain. In the US, class actions and state regulations or federal acts mean that the cyber landscape remains a challenging environment for both insurers and clients alike.

IBM's *Cost of a Data Breach Report* shows that while the global average cost of a data breach fell to $4.44m – the first decline in five years – the average US cost of a breach reached a record $10.22m. And nearly all organisations studied suffered operational disruption following a data breach. The report says this level of disruption is taking a toll on recovery timelines. Among organisations that reported recovery, most took more than 100 days on average to do so.

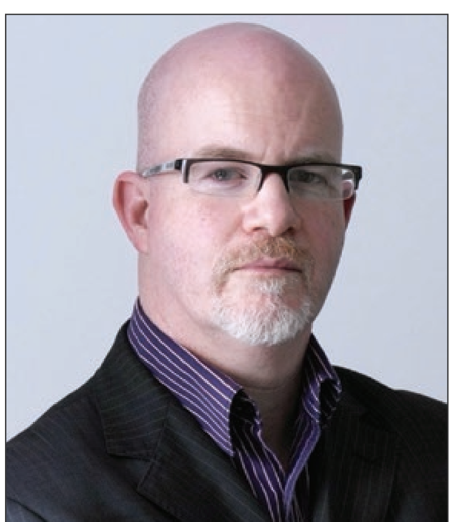
Cyber insurance market

Following a hard market cycle in cyber in most countries/markets, the supply side of traditional risk transfer capacity increased notably in recent years, and this has led to a more competitive market. But there are still issues around evolving threats, assessing risk exposure and policy exclusions.

Aon's *Q1 2026 Global Insurance Market Insights Report* says the cyber market remains generally soft, but price reductions are beginning to moderate following a prolonged period of softness and continued adverse development on prior-year claims. It notes that claims frequency also continues to rise, while AI, systemic and third-party/supply chain risks remain in sharp focus for underwriters. It adds that risk qualification remains critical, and where minimum-security standards are not met, capacity is limited.

While the cyber market has proved more competitive in the last year or so, broker Lockton believes a market shift in the London market may not be far off, with pricing approaching the lower end of sustainability, and predicts that buyers will face more volatility in 2027. While Lockton doesn't think any market swing will be as brutal as the cyber hardening in 2020/21, when rates doubled overnight, it argues that locking in long-term agreements might make sense for buyers at what could be an inflexion point.

Ferma's report *Demystifying Cyber Insurance* notes that large corporates often point to market volatility, high deductibles, complex claims processes and insufficient compensation for exclusions in traditional policies. It says large clients often perceive cyber insurance products as overly standardised and not tailored to their specific needs, and this calls for greater innovation in product design. Ferma adds that the underwriting process is still seen as too complex and opaque.



CYBER LIABILITY/NETWORK LIABILITY CURRENTLY UNDERWRITTEN OR PLANNED TO BE UNDERWRITTEN VIA A CAPTIVE OR CELL IN PCC	
France	66.7%
Germany	15.4%
UK	13.8%
Nordics	37.5%
Netherlands	0%
Belgium	33.3%
Spain	46.7%
Global	**23.6%**

Source: Aon's 2025 Global Risk Management Survey

Captive involvement

As a result, captives are increasingly writing cyber insurance, often filling in coverage gaps and being central to coordinating multinational cyber insurance programmes. They can also help in collecting the data required to fully assess cyber exposure.

Airmic's 2026 captives survey of members found around 45% of respondents underwrite cyber in their captive. And Ferma's survey found captive use is expected to increase over the next two years for cyber, with 45% of respondents identifying cyber as an area of future captive coverage growth.

"For multinational EMEA groups, the captive helps bring consistency across territories, better visibility of claims and closer alignment between cybersecurity investment and insurance outcome"

Mike Matthews, commercial director, EMEA & APAC for Artex

The captive can play a centralising role in the collection of loss data to help improve loss prevention

Mike Matthews, commercial director, EMEA & APAC for Artex, says the captive "is becoming a real stabiliser for cyber programmes. It can sit beneath commercial layers, absorb large deductibles or take frequency risk where insurers have tightened terms or reduced capacity. For multinational EMEA groups, particularly in tech, professional services and manufacturing, the captive also helps bring consistency across territories, better visibility of claims and closer alignment between cybersecurity investment and insurance outcomes."

According to WTW, some captives are writing cyber but they are still in the minority, and almost all involvement is structured and almost never uncapped. Peter Carter, head of climate practice and head of captive & insurance management solutions, WTW, says: "While interest is increasing, executing the risk in captive form is held back by concerns about systemic accumulation risk, low premium relative to capital at risk – especially in higher excess layers – ongoing discomfort with model uncertainty and tail risk, and the fact that some domiciles expect conservative limits and clear reinsurance protections."

Captive structures

Collaboration with commercial insurers continues to be important, Carter says, as they provide value in pre- and post-loss risk control, which would be costly for captives to implement without the critical mass that commercial carriers have.

According to David Weber, head of captive value proposition, Commercial Insurance, Zurich Insurance Company, a captive will in general reinsure a significant primary layer in the cyber tower. In net cession structures, the layers above will be transferred to excess insurance carriers. However, some captive owners have moved to adopt gross cession structures where the captive assumes 100% of the cyber risk and retrocedes excess layer risk to insurance and reinsurance markets. Weber continues that this represents a strategic, often more efficient and effective way to access cyber capacity, even for some coverage gaps or exclusions in a cyber programme.

There are, of course, challenges when it comes to a captive taking on cyber risk, not least aggregation risk and poor data. One of the key pitfalls when underwriting cyber through a captive is treating it like a traditional attritional line, says Dave Molony, head of cyber and financial sponsors EMEA, Aon. "Cyber risk is typically low frequency but high severity, with the potential for correlated losses, which needs to be reflected in capital, limits and policy structure – particularly as coverage expands into third-party and supply-chain exposures," he says.

Centralising data

As in many other risk areas, the captive can play a centralising role in the collection of loss data to help improve loss prevention. Schmitt says a captive can be used as a central risk financing tool, as it is uniquely positioned to centrally collect cyber risk data, especially data on claims and cyber incidents.

He says that a captive is also in a powerful position to set and drive data standards in terms of scope, completeness and accuracy. "As a central hub for high-quality cyber risk data, it becomes an enabler for risk engineers' analysis and production of relevant and meaningful risk insights. Simply put, only high-quality risk data can provide high-quality risk insights and quantification, which in turn enables effective improvement actions to prevent cyber incidents," says Schmitt.

WTW's Carter says captives can enforce common definitions of loss type and standardisation of treatment of costs, loss reporting discipline and capturing of near misses and sub-deductible events to better inform the latent risk, adding that this needs to be supported with investment in data and monitoring software.

The Ferma report says large corporates often point to market volatility, high deductibles, complex claims processes and insufficient compensation for exclusions in traditional policies. And large clients often perceive cyber insurance products as overly standardised and not tailored to their specific needs. All of these are areas where a captive can have an important impact.

"Only high-quality risk data can provide high-quality risk insights and quantification that in turn enables effective improvement actions to prevent cyber incidents"

Andreas Schmitt, global head of cyber, Commercial Insurance, Zurich Insurance Company

Catalysts for resilience

Captive role in commercial property programmes increasingly strategic

The commercial property insurance market is facing unprecedented risks from climate change as extreme weather events become more common. And so, while commercial property rates evolve through cycles, much depends on location, insured values and loss history.

The market is seeing some challenges around limits and coverage, with exclusions and terms and conditions sometimes making it challenging to obtain appropriate coverage, especially where regions are exposed to extreme weather.

In general, however, following a period of hard market conditions, the global commercial property market is now more favourable for insurance buyers. The US, where the hard market was most pronounced, is seeing conditions ease considerably.

Aon's *Q1 2026 Global Insurance Market Insights Report* says that property insurers entered 2026 with strong balance sheets and ambitious growth targets, accelerating the ongoing softening of the global commercial property insurance market.

The broker notes that competition "is particularly intense for well-performing, data-rich risks, with insurers expanding appetite and increasingly competing on both pricing and coverage. This has led to greater availability of capacity, higher limits, and broader terms and conditions, even extending into more complex and historically challenged occupancies."

However, according to Aon, insurers continue to prioritise risk selection and technical pricing, reflecting heightened concerns around climate-driven natural catastrophe activity, secondary perils and evolving geopolitical risks. "As a result, clients that demonstrate high-quality underwriting data, strong engineering and robust risk management practices are consistently achieving the most favourable outcomes," it says.

Underlying challenges

The commercial property insurance landscape is evolving well beyond traditional risk transfer, says Adriana Scherzinger, group head of captives, Commercial Insurance, Zurich Insurance Company. "What stands out most to me is the shift towards a customer-centric and ecosystem-driven approach. Taken together, these developments point to a market that is moderating on the surface but becoming structurally more complex underneath. While pricing pressures have eased for well-performing risks, geopolitical uncertainty, climate volatility, and evolving corporate risk strategies continue to influence underwriting and buying behaviour," she says.

So there remain areas of concern despite the competitive market. These include:

Coverage

There are areas and regions where coverage may be limited or constrained, or where there is a lack of tailored coverage for corporations, as well as specific exclusions. For example, Aon's report highlights Japan, which is seeing constrained capacity, elevated catastrophe exposure and strict underwriting practices that continue to drive double-digit rate increases and reduced available limits.

"While pricing pressures have eased for well-performing risks, geopolitical uncertainty, climate volatility, and evolving corporate risk strategies continue to influence underwriting and buying behaviour"
Adriana Scherzinger, group head of captives, Commercial Insurance, Zurich Insurance Company

Nat cats

Lower catastrophe losses in the last year or two have contributed to more competitive conditions. However, secondary perils are viewed as having grown in scale and frequency, and may pose a considerable threat to commercial property. For example, wildfire-exposed areas continue to face higher prices, tighter capacity, and increased retentions. And the last few years have seen severe flooding in parts of Europe, notably in Valencia in Spain in 2024.

Environmental disclosure system CDP says risks from extreme weather are set to escalate sharply, with companies expecting \$714bn in future financial impacts. CDP found that around half (48%) of extreme weather risks are expected to materialise in the next two years, largely in the form of flooding (\$389bn), cyclones (\$126bn) and heavy rain (\$82bn).

Evolving geopolitical risks
Geopolitical tensions, tariffs and trade disruption may impact global supply chains, particularly for construction materials and specialised equipment. While the impact to date has been manageable, this could become more pronounced over the next 12-24 months, with potential implications for business interruption exposure and values. Insurers are also increasingly looking at war exclusions.

Lack of personalised data
Data is always key to managing losses, but many corporates can struggle with accessing data that is relevant to their own risks.

Highly connected risks
Exposures can be highly concentrated, with operations, supply chains, infrastructure and digital technology all heavily linked.

Inflation and rebuilding costs
Inflation continues to be a moderating factor in the softening of the market, as replacement costs continue to increase, as do insured values.

Value of risk engineering
The insurance market is particularly beneficial for well-managed risks with robust data, accurate valuations and strong risk management, while under-performing or poorly evidenced risks may face greater underwriting scrutiny.

The commercial property insurance market is evolving in response to the difficult risk landscape, typified by increasing nat cats and secondary perils, supply chain challenges and rising asset values. Customer expectations are moving towards building resilience rather than just risk financing.

Risk engineering can play a central role in supporting loss prevention and building more resilient businesses. As Esme Gould, head of captives at Zurich UK notes: "By identifying vulnerabilities, improving risk controls and strengthening asset protection, risk engineering can help clients and captives reduce the frequency and severity of losses. It also enables better informed underwriting and programme design, supporting sustainable pricing and long-term insurability considerations. In an environment where capacity is available, high-quality risk engineering underpins resilience, continuity and stronger outcomes for all parties."

Captive usage
In such a complex and interconnected environment, many insureds are questioning traditional insurance markets. As a result, some insureds are looking to make greater use of their captives for property business.

Susan Fallon, global head of property at Commercial Insurance, Zurich Insurance Company, says: "Traditional commercial property insurance models were built for a more stable and predictable risk environment; they are increasingly strained by today's interconnected, climate-sensitive, and rapidly shifting exposure landscape. Static underwriting assumptions and backward-looking loss data may no longer be sufficient to capture the dynamic nature of modern property risks, particularly as secondary perils and non-linear loss events become more prominent."

Large multinational buyers have become increasingly sophisticated in how they structure and purchase property insurance, according to Zurich's Scherzinger. "Rather than relying solely on traditional placements, they are actively optimising programme design through layered structures, higher retentions and the integration of captives or alternative risk transfer solutions. This approach can allow them to better manage volatility, negotiate improved terms and align insurance strategies more closely with their overall risk financing objectives," she says.

The approach to property insurance is changing. Rather than simply buying more coverage because pricing has eased, some insureds are choosing to retain more, raise deductibles, and make greater use of captives to manage predictable losses while tapping into reinsurance capacity more efficiently. In effect, these organisations are becoming more comfortable acting as risk holders, not just insurance buyers.

At the same time, ongoing geopolitical tensions – particularly around the Middle East – may be reinforcing this shift, as certain exposures are either excluded from standard property policies or becoming increasingly expensive to insure. This pushes firms to take a more selective view of what they transfer to the market versus what they keep.

Role of the captive
Property is the number one line of coverage written by captives globally. Many captives begin by writing property covers before moving into other areas. In 2025, property was the most frequently written line of


Susan Fallon, Zurich Insurance Company: 'Traditional commercial property insurance models are increasingly strained by today's interconnected, climate-sensitive, and rapidly shifting exposure landscape'

business by new Marsh-managed captives, according to Marsh's *Captive Solutions 2026 Benchmarking Report*.

Captives can improve coverage, create efficiencies in the property programme, ensure there are no gaps or limitations in coverage, and build resilience through the use of data and analytics in combination with risk engineering.

The role of the captive in a commercial property programme is increasingly strategic. While captives can be used to fill gaps in cover, absorb deductibles or provide excess layers alongside the conventional market, their primary value may lie in managing attachment points and optimising how external capacity is deployed, says Zurich's Gould.

"By using a captive to retain risk at appropriate levels, organisations could maximise overall placement efficiency, access broader market capacity above the captive layer, and improve pricing outcomes across the programme. This structure could also place clients in a stronger position to navigate market cycles – smoothing volatility and reducing reliance on short-term market conditions," she says.

The captive can allow for a more tailored property programme with greater flexibility to design coverage around its parent's specific needs, rather than relying solely on standard market offerings, thus creating property programmes that reflect the risk profile of the business and its strategic priorities.

Additionally, captives often provide access to risk management insights and data that can help optimise protection, reduce losses over time and strengthen resilience.

"Accurate financial quantification of property risk remains one of the most persistent challenges, with loss estimates often highly sensitive to model assumptions, scenario selection and data gaps," says Fallon. "In an environment of heightened volatility, the margin for error in loss estimation has narrowed, making transparency in modelling approaches and assumptions increasingly critical. Captives are uniquely positioned to absorb and analyse volatility, but their effectiveness depends on a disciplined approach to stress testing and scenario-based financial planning."

Data and resilience

Loss prevention and risk mitigation remain important, and one of the keys to this is claims data, which is where a captive, and its fronting insurer, can play a key role. Insurers and captives are able to identify insured properties most at risk of fire and water damage claims, and work with risk engineering to put in place measures to mitigate losses and improve resilience.

By retaining some of the risk internally, organisations can gain deeper visibility into their loss patterns and exposures, which can empower proactive risk management – such as targeted investments in safety, maintenance and loss prevention initiatives. Captives could also encourage a culture of accountability and continuous improvement.

"A captive can turn a property programme from a transactional insurance purchase into a resilience mechanism," says Laurent Nihoul, CEO of Ferma. "By retaining a defined layer of property or business interruption risk, the captive creates a direct financial link between loss prevention and retained loss performance. This makes investment in measures such as sprinklers, flood protection, business continuity, secondary-site planning, valuation accuracy and climate adaptation easier to justify."

Risk understanding

Good underwriting is key to improving risk mitigation and resilience in a property programme, and Kevin Steed, senior director, group insurance at AstraZeneca, says the captive needs a good understanding of how risk is managed across the enterprise. "Funding independent loss engineering visits on key risk locations provides the captive (and the business) with good risk intelligence, supporting the underwriting process," he says, adding that data is key and without good-quality data the captive is operating on assumptions.

"A captive does not replace the commercial market but when deployed strategically it efficiently utilises it," says Robert Gagliardi, CEO of SRS Titanium. "The programme can be structured for the captive to retain the risk that it is comfortable with, while placing low-frequency, high-severity catastrophe risk with commercial insurers or the reinsurance market. As the market becomes more difficult, the captive can take on additional retention, excluded coverages or additional excess capacity. The captive can help the organisation absorb short-term dislocations without a full redesign of the programme."

"A captive does not replace the commercial market but when deployed strategically it efficiently utilises it"

Robert Gagliardi, CEO of SRS Titanium

Potential benefits of captives and property programmes

- Coverage for emerging/difficult-to-place risks that may not be attractive to the traditional insurance market
- Provision of tailored coverage
- Removal of exclusions
- Centralised collection of loss data to help identify gaps and where loss prevention measures are required
- Filling gaps in cover across locations and regions
- Preparing for any sudden change in the market
- Provision of significant leverage with the market through excess coverage.

Digital agility in action for captives

Untapped potential for captive sector

Digital technology, including AI, is developing at speed, throwing up challenges and concerns but also huge benefits for businesses in all sectors. The insurance sector is being transformed by technology, from AI to digitalisation, and the traditional view that commercial risks were too complex for digitalisation has gone as technology has advanced.

Captives too can benefit from digitalisation, with operational efficiencies, greater transparency, faster reporting and more granular data to support strategic decisions. However, in the captive sphere, a number of challenges may be holding the sector back and the potential is still largely untapped.

Most captives are scratching the surface of what digital technology and AI can offer, according to Erin Brosnihan, president at Kensington Management Group. She says many captives are in the stage of reviewing governance, risk and operational considerations, although many service providers in the wider captive ecosystem, such as underwriting, risk control and claims administration are gaining efficiencies from the use of technology, including AI.

Laurent Nihoul, CEO of Ferma, says many captives are improving their digital capabilities, but the market is not yet getting the full value from technology. He says too many processes still rely on manual bordereaux, spreadsheets, fragmented claims information and slow reporting cycles. The opportunity, he says, is to make captives more connected, automated and finally more efficient.

There are a number of challenges facing captives currently, as Tom Thornberry, chief claims officer, Commercial Insurance at Zurich Insurance Company, explains:

- **Scale:** With smaller teams and budgets due to scale, the investment justification could be more difficult and captives, just like many others in the industry, may be challenged by legacy systems.
- **Infrastructure and the fragmentation that often comes with it:** For example, the use of TPAs, which could mean that data is fragmented, making it more challenging to utilise underlying AI for analysis.
- **Risk taking:** Captives, by their very nature, prioritise stability and compliance over risk taking. Culturally, the 'fail fast' mentality isn't traditionally associated with a risk transfer mechanism designed to drive stability.

Improving the captive experience

So how can digital technology improve the captive experience? There are a number of areas where captives could get the best from digital tech and AI, including data, process and connectivity.

Data

The first area is in the management, collection and analysis of data. Digital technology can significantly enhance the captive experience by improving visibility over loss development, access to data analytics, and trend analysis.

Data integration is one of the biggest challenges for captives, for several reasons – not least that data can sit across different platforms. There is a need for single-data environments for claims so as to maximise the benefits of AI and flip from utilising historical data to utilising predictive insights. The issue seems to be that captives are often data rich but their infrastructure poses challenges in how best to use this data.

According to Rosa Pan, global head of Zurich Multinational at Commercial Insurance, Zurich Insurance Company, integrated data platforms and advanced analytics allow captives to bring together loss data across geographies and insurance solutions in one place, creating a clear global view of risk performance.

With this consolidated perspective, risk managers can spot trends and key loss drivers earlier, detect emerging exposures across the portfolio, and identify concrete actions to reduce losses.

They can also optimise coverage structures and use capital more efficiently. When captives have reliable, high-quality data supported by digital tools, they can shift from looking only at past results to actively steering their risk portfolio, making risk management more proactive, targeted and strategic.

Process

A captive is part of a wider landscape that includes local operations, fronting insurers, TPAs and brokers, all of which are connected. Digital technology can significantly enhance the captive experience by delivering more agile, transparent and seamless processes. Digitised workflows can support efficient policy issuance, clear communication, and faster execution while ensuring alignment with local regulatory requirements.

Most captives are scratching the surface of what digital technology and AI can offer, according to Erin Brosnihan, president at Kensington Management Group

Integrated data platforms and advanced analytics allow captives to bring together loss data across geographies and insurance solutions in one place, creating a clear global view of risk performance

Rosa Pan, global head of Zurich Multinational at Commercial Insurance, Zurich Insurance Company

"When it comes to digital technology and AI, the insurance value chain as a whole needs to be considered," says Holger Kraus, member of the GVNW executive board and chair of the GVNW Captive Committee, and head of insurance at Siemens. "As a first step, it is important to analyse, simplify and standardise processes between all parties involved (e.g. insured, captive, fronting insurer, retro-insurer, broker, actuary, etc) to enable the automated data exchange, for example via application programming interfaces (APIs), tracking policy issuance, premium and claims payments etc."

The 2026 captives survey of Airmic members, *Captives: A resilient strategy for the future,* finds the use of manual processes and spreadsheets to manage captives continues to be common.

"With growing pools of data and opportunities increasingly available for the use of predictive analytics, captives can provide the source for modelling scenarios to support informed decision-making and capital allocation. AI offers the potential to help automate and streamline many time- and resource-heavy processes and activities. Where AI is used by respondents in captives, it has helped with claims trend analysis, counterparty and capacity checks, and policy comparisons," says the report.

Connectivity

Closely aligned with process is the issue of connectivity. This is one of the biggest challenges to unlocking the benefits of technology for captives, according to Thornberry, with significant improvements still to be made around data integration, standardisation and real-time connectivity.

He says that fragmentation is the biggest issue when it comes to claims data, with a need to also drive more standardisation. "More use of API connectivity (rather than spreadsheets) would make it easier for captives to access exposures, claims movements, reserves and payments in one place," he says. "From a user-experience perspective, there is room to improve portals and workflow between the captive, broker, fronting insurer and TPA."

Improving connectivity can be key to unlocking deeper analytics and AI for captives, as without standardised, joined-up data, it will always be harder to move from historical reporting to predictive insights. It can also improve interfacing between captives, fronting insurers, brokers and reinsurers and money movement across all parties, creating smoother collaboration and more transparent information exchange.

Brosnihan says: "I believe there is a significant opportunity to leverage technology to improve connectivity between all stakeholders, including captives, member-owners, brokers, fronting insurers and service providers. With more integrated reporting platforms, captive data can be presented via a single source of truth, which allows for more efficient and meaningful information exchange."

Practical solutions

Zurich is currently working with customers on a pilot to map these exchanges more closely, from invoice to reinsurance and programme execution, with early observations already providing useful insights into potential benefits that both insurer and customer could gain when working together to innovate and create more transparency.

Marsh has recently rolled out a digital platform called Captive Companion, which consolidates the captive's data from policies, claims, premiums, and financials into a single dashboard, providing insights, automation and elements of AI.

Will Thomas-Ferrand, global leader of Marsh Captive Solutions, explains that the platform is designed "to help

How are you currently managing your captive insurance arrangements in terms of software and processing?

- No bespoke software connected to the captive, spreadsheets only **(45%)**
- Other, including administration by the captive manager **(around 38%)**
- Utilise a combination of software platforms and spreadsheets **(around 7%)**
- Utilise a software platform that incorporates captive policy/claims data **(10%).**

Source: 2026 captives survey of Airmic members

Digital tech may change how captives work, with less of a focus on administration and more on analysis

risk managers and other stakeholders understand their captive better, and to understand the environment their captive is operating in through relevant benchmarks, and provide insights that allow them to make decisions in a better way. By reducing administration and streamlining workflows, it allows captive owners more time to make the important decisions."

Cost savings

The result of improved connectivity, processes and data integration should be cost savings and reduced inefficiencies, through automation, standardisation and improved data accuracy, though this will depend on scale, data quality and effectiveness of the implementation of digital technology.

In particular, digital technology should see improvements in claims bordereau processing, policy administration and regulatory reporting, with a reduction in administrative costs and improved efficiency.

Digital technology may also change how captives work, with less of a focus on administration and more on analysis, as well as improved speed and quality of decision-making.

As Thornberry points out: "Cost savings and reduced inefficiencies will be important; however, the true benefit of digital technology will be the improved decision-making and risk optimisation. The smarter the processing and analysis can be, the more value a captive can deliver."

For captives involved in multinational programmes, operating in multiple countries often leads to duplicated processes and inefficiencies. Digital solutions, such as automated workflows and integrated communication platforms, streamline these tasks and reduce manual work.

"Integrated platforms streamline money flows, premium handling, instructions and policy issuance, reducing operational delays," says Pan. "But the magnitude of benefits for customers depends on how technology is implemented and managed, not just as a quick solution but as a true enabler of the business, adopted thoughtfully and aligned with business goals."

Regulation

Increased regulatory, tax and reporting requirements are also driving the utilisation of digital technology. Stricter reporting standards, with regulatory bodies and stakeholders now demanding more detailed, frequent and transparent reporting, mean that captives need robust, tech-enabled solutions.

> **"While captives are increasingly adopted by organisations, there remains huge, untapped potential particularly in the areas of technology and data"**
>
> **Kelvin Wu, president at Singapore Captive Insurance Association**

Automation, integration and advanced analytics can help insurers and captives meet regulatory demands with greater efficiency, reliability and transparency, reducing errors and speeding up delivery. They can also provide clear audit trails and standardise data formats for easier regulatory review.

Regulatory frameworks – such as in Europe and in the US – require captives to provide detailed risk, solvency and financial information, often on a quarterly or monthly basis. In addition, requirements to meet GDPR and other international data protection standards have increased the need for secure digital solutions, including audit trails and access controls.

Digital platforms enable real-time access to information, making it easier to respond to ad hoc regulatory queries and adapt to evolving requirements, while investment in technology is also increasingly viewed as essential for future-proofing reporting processes and supporting ongoing operational efficiency.

In the Airmic 2026 captive survey, Kelvin Wu, president at Singapore Captive Insurance Association, said: "While captives are increasingly adopted by organisations, there remains huge, untapped potential particularly in the areas of technology and data. This needs to be supported by stronger captive governance in order for organisations to be comfortable with allowing their captives to harness the latest technology and better understand their data and, ultimately, better manage risks for their parent organisation."

Employee benefits: Strategic and innovative captive uses

Captives can provide a controlled environment for innovation

As companies look to secure their workforce and attract talent, many are taking a human-first approach to employee benefits, which means providing more support and greater flexibility when it comes to employee benefits, with employers investing more in mental health, disability and wellbeing benefits.

At the same time, however, many companies are looking for cost savings in their employee benefits programmes. Employee benefits costs are rising sharply, driven by medical inflation, increased usage, broader coverage expectations and demographic shifts.

Global health insurance costs are projected to rise by 10.3% next year, according to WTW's *2026 Global Medical Trends report*, following rises of 10% in 2025 and 9.5% in 2024. Medical inflation is increasing in Asia Pacific, Latin America, and the Middle East and Africa, but falling slightly in North America and Europe.

WTW's research reveals that more than half (56%) of insurers surveyed expect further cost increases and for these elevated levels to persist for more than three years (55%), driven by high medical costs, regional pressures on pharmacy and outpatient services, and global structural factors.

WHAT IS DRIVING COSTS IN EUROPE?	
New medical technologies	82%
Decline of public health systems	76%
Advancements in pharmaceuticals	38%
Employee demographics	28%
Fraud, waste and abuse	27%

Source: WTW Global Medical Trends Survey 2026

Marsh's *Health Trends 2026* report highlights a number of drivers of the medical cost increase trend:

- Rising plan utilisation driven by ageing populations and the growing prevalence of chronic health conditions;
- Healthcare staff shortages delaying access to primary care and bringing greater reliance on virtual care, urgent care, or hospital settings;
- Pressures on public health systems, particularly in Europe, leading more people to use their private health plan benefits;
- Higher-cost treatments, notably advanced cancer therapies, adding complexity to care delivery and management;
- Dependence on imported medical goods and services in many markets, creating delays and disruptions in supply chains.

Claims analysis

Companies are increasingly focused on cost containment as the expense of health insurance continues to rise. But cost containment today may be less about blunt benefit reductions and more about data-led decision-making, and this means that claims analysis is central.

And captives could play a critical role by centralising claims and exposure data across countries and benefit lines, overcoming the fragmentation that characterises fully insured local programmes. Through the captive, organisations can gain greater visibility over loss drivers and total cost of risk.

Kelvin Wu, president of Singapore Captive Insurance Association (SCIA), says: "Claims analysis is absolutely central, and this is where captives play a significant role. Captives allow corporates to control and aggregate their claims data for greater transparency, and this allows us to identify loss drivers and distinguish between volatility and true loss trends."

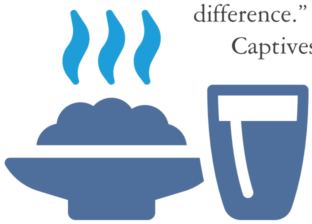
> **"There is a sweet spot of claims utilisation that allows corporations to ensure that benefits are relevant, optimised and financed sustainably in the long term. The control and analysis of data that a captive facilitates is critical to that"**
>
> **Kelvin Wu, president at Singapore Captive Insurance Association**

He adds: "Employee benefits claims differ from general insurance claims in that a 0% claims utilisation is not necessarily a good thing – what is not utilised is not seen as a benefit. There is a sweet spot of claims utilisation that allows corporations to ensure that benefits are relevant, optimised and financed sustainably in the long term. The control and analysis of data that a captive facilitates is critical to that."

Risk ownership and control

As Harriet Taylor, head of Zurich Global Employee Benefits Solutions at Zurich Insurance Company, points out, a captive can help to shift the organisation from being a price taker to a risk owner.

Employers can gain greater influence over pricing logic, coverage terms, definitions, waiver of exclusions, retentions and claims philosophies, while still leveraging local insurers and networks for fronting, servicing, and compliance.



Captive involvement in employee benefits can mean consistent global reporting, clearer accountability and stronger alignment between HR, risk and finance functions. Taylor says this could create a more intentional, strategic framework for employee benefits financing rather than a collection of disconnected local policies.

Companies want control over their programmes, which by their nature can be diverse, disparate and handled by a range of insurers across different markets. With a captive, claims data returns to the organisation in a structured manner, allowing for analysis and full visibility over benefit coverage and performance.

Claims analysis is really at the heart of keeping employee benefits costs under control, according to David Galea, head of office, Marsh Management Services Malta. "A captive helps by bringing all the claims data together in one place, so companies can spot where the big costs are coming from and act quickly. This means they can focus on things like better networks, managing high-cost cases, and wellness programmes that actually make a difference."

Captives can also enable centralised, consistent and granular data collection across geographies and benefit lines – something that remains difficult in decentralised, fully insured models. With improved data access, organisations can:

- Identify emerging trends early, such as mental health utilisation or chronic condition prevalence;
- Link benefit design to measurable outcomes;
- Make evidence-based decisions on where innovation will deliver the greatest impact.

Broader range

What this extra control and claims analysis could bring is the ability to support workforce resilience across the full wellbeing cycle of prevention, early intervention and return to work, as well as introduce innovative and flexible solutions.

As Marsh explains in its *Health Trends 2026* report, keeping health plans affordable is not just about cutting costs – it's about building long-term sustainability. It says that too often, employers rely on cost shifting, passing a greater share of healthcare expenses onto employees. While this may offer short-term budget relief, it risks undermining the value of benefits by reducing affordability, eroding satisfaction and driving delays in care that increase costs over time.

It is clear that employees are seeking a broader range of benefits, from hybrid working to skills training to medical benefits. Employee wellbeing in particular is becoming an increasingly important part of employee benefits, with a demand for benefits that are flexible, personalised, inclusive and responsive to diverse workforces and evolving ways of working.

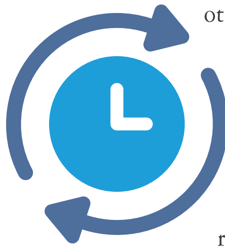
Mental health

One area of wellbeing in particular seems to stand out in surveys of employees: mental health and the need for support.

According to Zurich Insurance's *The Value of Mental Health* report, the economic burden of mental health is increasingly shouldered by individuals, households

One area of wellbeing in particular seems to stand out in surveys of employees: mental health and the need for support

and employers, not just public health budgets. Across all six countries analysed (Australia, Chile, Germany, Malaysia, the UAE and the UK), costs linked to employers, including lost productivity, workplace adjustments, extended absence and return-to-work support, significantly outweigh direct healthcare spending.



Mental health support is now a core expectation in modern benefits plans, according to Marsh. Its *Health on Demand* report reveals that among 38 benefits, employees ranked mental health screenings as the seventh most valued benefit overall (third among Gen Z). Yet coverage remains limited, Marsh says: just a quarter of insurers (24%) typically include mental health screenings within their plans, about a third (35%) include cover for mental health medication, and only half (50%) provide access to counselling services.

TOP TEN MOST VALUED INTERVENTIONS	
Alternative work schedules	49%
Remote/hybrid working	42%
Insurance coverage or discounts for outpatient prescription drugs	39%
Insurance coverage or discounts for routine doctor's visits	39%
Training in new skills and technology to ensure employability	39%
Flexible retirement options for a longer working life	38%
Mental health screenings to identify potential concerns	38%
Emergency savings / loan programmes	36%
Training programmes to recognise and address mental health challenges	36%
Insurance coverage or programme that reduces cost of mental health treatment	36%

Source: Mercer Marsh Benefits Health on Demand 2025

"Employers and insurers should address this lack of coverage. Without adequate support, untreated mental health conditions can quickly escalate into more expensive health plan claims, not to mention other possible risks including workplace errors and accidents," states Marsh.

Captive flexibility

Traditional fully insured arrangements seem to struggle to accommodate the level of flexibility required, and as a result, many multinationals are exploring alternative financing structures, captives in particular, that allow them to innovate while maintaining financial discipline and governance.

Taylor says a captive provides a controlled environment for innovation and can pilot new benefits, adjust deductibles, introduce non traditional covers or test preventative programmes with a clearer understanding of financial impact.

She says that with improved data access, organisations can:

- Identify emerging trends early, such as mental health utilisation or chronic condition prevalence;
- Link benefit design to measurable outcomes;
- Make evidence-based decisions on where innovation will deliver the greatest impact.

Marsh's David Galea believes captives are great for trying out new ideas because they can fund pilot programmes without the company having to take on all the risk at once. "Whether it's telemedicine, mental health apps, or new ways to pay providers, captives let companies test what works and adjust quickly. They also make it easier to create custom plans for different groups of employees, like those working abroad."

Innovation

According to a recent report by Ferma, *ESG Toolbox For Captives*, "captives can play a strategic role in enhancing the social dimension of ESG by expanding and innovating employee benefits coverage. By doing so, they help foster employee wellbeing, equity and engagement while aligning with the parent organisation's broader social objectives."

"Whether it's telemedicine, mental health apps, or new ways to pay providers, captives let companies test what works and adjust quickly"

David Galea, head of office, Marsh Management Services Malta

Ferma noted that employee benefit insurance programmes generate a wealth of health data, from claims and medical visits to wellness programme participation. "When appropriately analysed, this data can be transformed into actionable insights that support prevention. By aggregating and anonymising claims information, patterns of common health risks can be identified across the workforce," it said.

Ferma's ESG report highlighted ways to expand and innovate employee benefits coverage:

- Comprehensive and/or tailored coverage by supplementing or replacing traditional insurance covers to offer customised health, life, disability and mental health benefits to the parent organisation's workforce;
- Ensure employees' life, health and disability coverages are standardised across the organisation regardless of geographies or local standard of living;
- Mental health and resilience initiatives, for instance by funding access to counselling, stress management and burnout-prevention services;

- Family support programmes (e.g. insurance for maternity/paternity, childcare and eldercare support that may enhance employees' work-life balance);
- Financial wellness solutions that provide benefits like life insurance, disability and retirement plans to secure employees' financial futures;
- Employee assistance programmes (e.g. offering bespoke insurance solutions to support employees for private legal challenges, travel assistance, etc);
- Diversity and accessibility – ensuring coverage includes under-represented groups and employees with disabilities.

Captive involvement in employee benefits is still relatively uncommon compared with other more traditional lines such as property and liability. But the potential could be substantial, with employers having to face employee demand for broader and more flexible benefits, and the costs of healthcare globally, as well as other benefits, only going in one direction.

Marsh's 2026 benchmarking report found that employee benefits in captives saw double-digit growth. And Airmic's 2026 captives survey of members found that more than 50% of respondents underwrite employee benefits in their captive.

EMPLOYEE BENEFITS (EXCL. HEALTH/MEDICAL AND LIFE) CURRENTLY UNDERWRITTEN OR PLANNED TO BE UNDERWRITTEN VIA A CAPTIVE OR CELL IN PCC

France	16.7%
Germany	7.7%
UK	24.1%
Nordics	20.8%
Netherlands	37.5%
Belgium	0.0%
Spain	20.0%
Italy	25.0%
Global	15.6%

Source: Aon's 2025 Global Risk Management Survey

Global coordination

Captives are increasingly used as a global coordination mechanism, allowing organisations to implement global minimum standards while still respecting local regulatory, fiscal and cultural requirements. Companies can achieve consistency in coverage philosophy, risk appetite, and reporting, while maintaining local servicing and compliance.

"This is an often overlooked but most compelling use case," says Kelvin Wu. "Captives can raise the floor by setting global minimum standards, and at the same time allow companies to respond rapidly to global crises such as the pandemic by standardising coverages (e.g. removing pandemic exclusions), while still respecting local regulations and requirements."

There are, of course, challenges when it comes to involving a captive in employee benefits, but these are largely organisational rather than technical, and to do with aligning HR, risk, finance, and external partners, and establishing consistent governance and data flows.

An important factor is to promote the central programme locally by emphasising how the global framework balances consistency with local flexibility, stressing the innovative element of the coverages, while at the same time highlighting that it can allow for local adaptations to meet specific regulatory requirements and cultural expectations.

Local buy-in

"Successful local adoption may be supported by positioning the captive backed programme as an enabler rather than a constraint," says Zurich's Taylor. "Risk and benefits managers should emphasise that the approach is intended to preserve local servicing, compliance and plan design flexibility, while delivering better data, greater stability and long-term sustainability."

Sharing tangible outcomes, such as improved reporting, reinvestment of surplus, or enhanced coverage can help build credibility, and early engagement with local stakeholders is critical, as is clear communication that the programme is designed to support employee needs as well as corporate objectives.

"Risk and benefits managers should emphasise that the approach is intended to preserve local servicing, compliance and plan design flexibility, while delivering better data, greater stability and long-term sustainability"

Harriet Taylor, head of Zurich Global Employee Benefits Solutions at Zurich Insurance Company

This is not about centralisation for its own sake, says Kelvin Wu. "It is about enhancing local outcomes and solving issues. But first we would have to understand the challenges the local teams are facing, be that price, coverage, flexibility or anything else. The buy-in of the local teams is essential for the programme to gain traction as they will bear the brunt of the operational changes while facing the queries of the employees on a day-to-day basis, so they need to see the benefit in terms of service, flexibility and financial outcomes."

Captives Adding Value

Growing captive interest in affinity business

Creating brand loyalty and customer satisfaction is an important goal for businesses, and many look to achieve this through the provision of additional value-added benefits to their customers, from extended warranties to travel insurance. But delivering insurance coverage for such tailored and specialised products can be daunting.

Affinity business can help businesses to stay closer to their customers, increase customer retention/loyalty, and acts as a brand differentiator. For customers, they expect convenience, integrated services and personalised support.

A recent report by the Open & Embedded Insurance Observatory, in partnership with Marsh, *Using captives to unlock value in affinity insurance programmes*, notes: "Coverage is relevant, accessible and tailored to the unique risks faced by the target group, providing a strategic advantage for organisations seeking to enhance value, brand image and loyalty."

Affinity business looks simple from the outside, but it is operationally demanding and often underestimated, says Tibor Boettcher, CEO and executive director of Volkswagen Insurance Company DAC, the captive insurer of the Volkswagen Group

Specific needs

Often, a company may be looking for an insurance solution addressing the needs of its customers, such as warranty cover for a manufacturer, device protection for high-value gadgets, or cancellation cover. An affinity insurance programme can be tailored to the specific needs of customers, while also providing cost benefits. Such programmes go beyond risk management to support the core business of the parent group by enhancing the value proposition.

When it comes to affinity business, companies are looking for new scalable revenue streams, attractive economics (high conversion, recurring revenue, low customer acquisition cost) and embedded, frictionless products integrated into the customer journey, according to Soledad Muné, group head of retail transformation, Zurich Insurance Company.

"They want simple, relevant coverage tailored to their core product/service that provides added value to their customers and can give them more control over the customer journey and customer experience," says Muné.

There is a broad range of affinity programmes, covering extended warranties for manufacturers, cover for trade/professional associations, membership schemes or franchises, through to personal accident cover, travel insurance or card protection/fraud insurance.

Benefits of writing affinity insurance through a captive

1 **Diversification of revenue:** Adds new revenue streams and helps grow the bottom line;

2 **Differentiation of offering:** Stands out with a product that delivers more for customers;

3 **Increased sales:** Enhances the value proposition of products and unlocks new opportunities;

4 **Improved brand loyalty:** Delivers products and services that keep customers coming back;

5 **Improved customer retention:** Gathers more data on services provided and improves retention;

6 **Protection of the group's balance sheet:** Reduces risk of bad debts by insuring against default due to accident, sickness or death of the customer receiving financing.

7 **Quicker claims turnaround:** Safeguards the group's revenue and is particularly relevant in cases such as phone insurance or franchisee protection.

Source: Marsh's Using captives to unlock value in affinity insurance programs report

Challenges

But there are a number of key challenges, not least in execution. As Tibor Boettcher, CEO and executive director of Volkswagen Insurance Company DAC, the captive insurer of the Volkswagen Group, explains, affinity business looks simple from the outside, but it is operationally demanding and often underestimated.

"Embedding insurance into a digital customer journey, and doing so without disrupting conversion, satisfaction or the brand experience, requires significant coordination between commercial teams, operations, underwriting, compliance and technology," he says.

In addition, says Boettcher, companies must manage regulatory requirements across multiple jurisdictions, ensure that fulfilment and claims processes are consistent, and maintain service standards that match the expectations their brand has set.

"Many organisations initially treat affinity as a marketing or sales initiative and only later realise that it functions as a full insurance business line with all the governance this entails," he says. "In my experience, most programmes do not fail because there is no opportunity. They fail because the operational foundations, data structures and cross-functional alignment were not strong enough to support meaningful scale."

Another important challenge is getting the balance right between pricing and designing a product that is accessible while segmenting customers. "Otherwise, a company and its captive can face poor loss ratios and end up having to withdraw a product negating many of the benefits around loyalty that have been developed, says Mike Pickard, director, global ILS and commercial management, Aon.

He adds: "The challenge here is to build a model that can help both the fronting partner and company make informed decisions around the products that they sell and the retentions to be held within the captive," he says.

Pickard points out that getting the distribution channels right is also key: "These days, most affinity products are sold at the point of sale of a good or service through online platforms embedded within existing portals or e-commerce platforms. The integrations between systems and platforms can be complex, and a key challenge is making the product easy/seamless to buy without disrupting the core business of the company, and to be able to provide timely data in the format needed by both the company and its captive."

Captive involvement

So how can a captive add value to affinity programmes? Clearly the provision of such programmes by a captive helps to support the core business of the parent company. But it also means the company can take control of the risk, has full access to the data allowing for greater personalisation and tailoring of the programme, and converts a marginal commission stream into a scalable revenue line. Affinity business allows a captive to move beyond being simply a financial vehicle to a strategic tool.

As Boettcher explains: "A captive can fundamentally change the way a company participates in affinity business. Instead of acting purely as a distributor, the organisation becomes an owner of the underlying risk, the economics and the insights that stem from it. Retaining part of the risk creates a deeper understanding of product performance, customer behaviour and loss patterns, and this learning loop is invaluable for refining product design and pricing."

Captive benefits

One benefit of a captive is its flexibility and ability to provide tailor-made, customised coverage. This is especially relevant when designing an insurance programme aimed at customers' specific needs and requirements.

Captives add value to affinity programmes in a number of ways, according to Marsh:

- **Capturing economics and creating new profit pools:** The affinity owner can convert a marginal commission stream into a scalable revenue line;
- **Aligning incentives across design, sales and claims:** When the affinity owner bears underwriting outcomes, product design shifts toward 'claimable' cover and fair pricing;
- **Creating better customer outcomes through operational control:** Turning insurance into a loyalty and retention tool rather than a commission-based sale;
- **Allowing for faster, data-driven product innovation:** Direct access to sales, behavioural and claims data enables targeted pricing, prevention initiatives and tailored micro-products;
- **Capital, reinsurance and go-to-market flexibility:** PCCs and cells allow low-capital pilots and staged retention increases, while fronting and quota-share reinsurance give market access;
- **Regulatory and governance advantages – when done right:** Bringing underwriting in-house supports demonstrable "customer fair value" outcomes required by modern conduct regimes.

Central role

Laurent Nihoul, CEO of Ferma, believes that affinity insurance programmes are particularly well suited to captive structures, as they typically consist of a large volume of relatively small, homogeneous risks rather than a single, high-severity exposure.

"Because losses tend to be more frequent but lower in severity, captives can benefit from greater statistical credibility and more stable underwriting results over

"The integrations between systems and platforms can be complex, and a key challenge is making the product easy/seamless to buy without disrupting the core business of the company"

Mike Pickard, director, global ILS and commercial management, Aon

time," he says. "This allows the parent organisation to capture underwriting margins, refine pricing and tailor coverage to the specific needs of its customer or member base. In addition, the granular nature of affinity programmes generates rich datasets, enabling better risk segmentation, product innovation and ongoing optimisation of both coverage and pricing."

He adds: "As a result, captives can play a central role not only in financing these programmes, but also in enhancing their long-term profitability and strategic value: understanding customer behaviour, loss patterns, service gaps and ultimately increasing customer loyalty."

Captives can be very effective for affinity programmes, particularly in sectors like automotive, retail and financial services, according to Mike Matthews, commercial director, EMEA & APAC for Artex. "They allow organisations to retain profitable segments, gain deeper customer insight and support product innovation," he says. "Interest is growing, especially where groups want more control over pricing and long-term economics, rather than relying solely on third-party insurers. That said, it tends to suit organisations with scale and patience rather than those chasing short-term revenue."

Diligence

At the same time as being a great opportunity for captives, writing affinity business can also bring greater governance expectations and regulatory scrutiny, operational complexity around claims and pricing, and possibly more stringent capital requirements, as well as reputational risk if governance is weak. The design of such programmes, therefore, requires diligence and care to ensure that they are financially robust, compliant and at the same time provide true customer value.

The captive must have frameworks that ensure consistent claims handling, strong reporting, robust compliance and clear coordination with the commercial teams who own the customer relationship. As Boettcher says: "It is a cross-functional endeavour that requires close alignment between risk, product, digital and operational areas. The most important question is not whether a captive can technically write affinity business. It is whether the captive can do so sustainably, responsibly and in a way that reinforces, rather than distracts from, the parent company's strategic goals."

Governance and regulatory compliance are crucial. Affinity business can be attractive and a strong extension of a captive's role, but it needs to be approached with discipline and a clear strategy, or it can distract from the captive's core purpose.

Captive interest

Interest in affinity business is growing among captives, as they look toward customer-facing risk, but at the moment it appears that while many captives are exploring the space, only a relatively small number currently have the true capability to deliver.

Third-party/customer business premium written by Marsh-managed captives grew to $4.4bn, according to the broker's *Captive Solutions 2026 Benchmarking Report*. It said captives writing third-party risks averaged $51m in premium, covering extended warranties, contractor/vendor property and casualty, and travel accident/protection.

"The trend is real, but selective," says David Galea, head of office, Marsh Management Services Malta. "Growth is strongest where affinity owners have scale, frequent customer touchpoints and rich data (e.g. banks, card issuers, telcos, large retailers, automotive OEMs and insurtech platforms). Key enablers are flexible cell regimes, fronting partnerships and demand for embedded insurance. Those factors make pilots quick to deploy and successful."

Zurich's Soledad Muné says there are captives looking at writing this business, driven by:

- Need for growth beyond traditional risks;
- Access to large, diversified retail portfolios;
- Opportunity to capture margin in embedded ecosystems;
- Increased ability of the captive to push the desired product terms and pricing;
- Managing multiple geographies under one unified P&L and thereby enabling cross-subsidies across markets (typical in warranty).

Finally, the role of the fronting insurer, and the relationship with the captive, is particularly important for writing affinity business. The fronting insurer provides the regulatory licences, the local market infrastructure and the operational capacity to deliver affinity programmes across different jurisdictions, while the captive can offer proximity to the customer, a deep understanding of the parent company's business and access to data.

A strong fronting insurer can be essential, as the potential for reputational risk in the event of something going wrong may be considerable. A product designed to improve brand loyalty can quickly turn into a reputational nightmare if customers feel let down or misinformed.

"The trend is real, but selective. Growth is strongest where affinity owners have scale, frequent customer touchpoints and rich data"

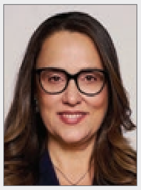
David Galea, head of office, Marsh Management Services Malta

Affinity insurance industry verticals suitable for a captive

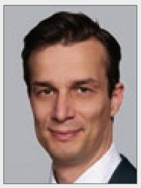
- Automotive and mobility
- Consumer electronics
- Education service providers
- Equipment and heavy machinery
- Financial institutions
- Professional and trade associations
- Real estate and construction
- Retail, buying, and franchise groups
- Sharing economy and platforms
- Sports, entertainment, and media
- Telecommunications
- Utilities

Source: Marsh's Using captives to unlock value in affinity insurance programs report

Zurich Captives Contact Information



Executives
Adriana Scherzinger
Group head of captives
Commercial Insurance
Zurich Insurance Company
Email: Adriana.Scherzinger@zurich.com



Proposition Opportunities
David Weber
Head of captive value proposition
Commercial Insurance
Zurich Insurance Company
Email: david.weber2@zurich.com

Non-life Opportunities
Joshua Nyaberi
Head of captive fronting
Commercial Insurance
Zurich Insurance Company
Email: joshua.nyaberi@zurich.com

Life Opportunities
Reto Heini
Distribution manager
Zurich Global Employee Benefits Solutions
Zurich Insurance Company
Email: reto.heini@zurich.com

Websites
Zurich Captives: www.zurich.com/commercial-insurance/products/zurich-captives

Zurich Commercial Insurance:
www.zurich.com/commercial-insurance

Zurich Global Employee Benefits Solutions: www.zurich.com/products-and-services/zurich-integrated-benefits

LinkedIn
www.linkedin.com/showcase/10984757/zurich-commercial-insurance

Office Address
Zurich Commercial Insurance
Mythenquai 2
8002 Zurich
Switzerland

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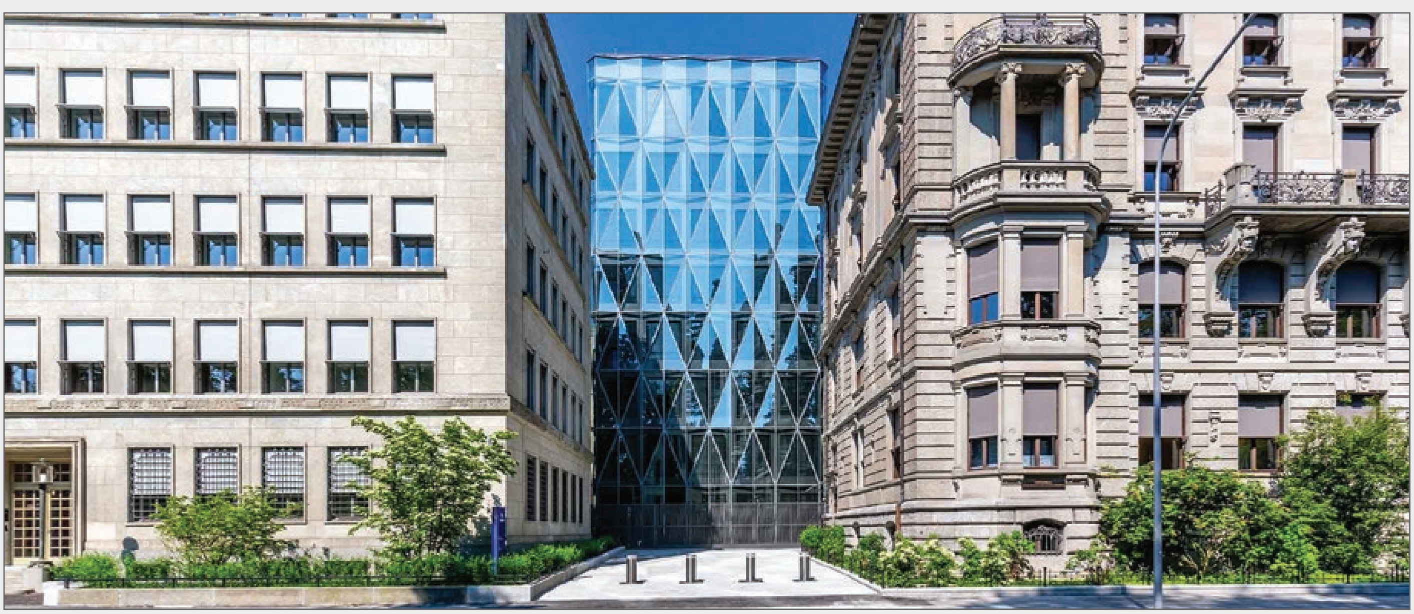

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