B.3

State of Arkansas
Bureau of Legislative Research

Willis Response to Request for Proposal for Captive Management Services

ORAL PRESENTATION

February 27, 2025

Willis Towers Watson: Company Snapshot

Risk & Broking Services

- Comprehensive risk management solutions
- Specialized strategies for public sector needs
- Innovative broking approaches to mitigate public sector risks

Industry Specialization

- Tailored solutions for government agencies, municipalities, and educational institutions.
- Specialized teams for Property & Casualty, Financial & Professional, and Surety lines.
- Focus on risk management for public infrastructure, public safety, and community services

Client-Centric Approach

- Aligning resources with the unique needs of public entities.
- Personalized risk profiles and solutions.
- Emphasis on data, analytics, and technology to support public sector decision-making.

Innovation and Technology

- Using advanced technology and innovative practices to enhance risk management and broking services

1828
Founded

$9.5B
Annual Revenue

4th
Largest Insurance Broker

48,000
Employees Worldwide

65
Offices Across USA

24/7
Client Support Team

400
Offices Global

98%
Client Retention Rate

Public Sector Specialization

The public sector is critical to the function of our society. Public entities include governmental entities and agencies, hospitals, universities, bridges and tunnels, utilities, authorities and many more services that are critical to service to the community.

Public sector risk managers and their insurers create stability when risk transfer options are optimally designed and implemented. Public entities possess some of the most unique risk profiles and challenges that exists.

More than **800** public entity clients in the US	Place over **$1B** Premium annually	Serves public entity clients in more than **38** states
Contribute more than **$92M** revenue to the firm	Serving states, counties, municipalities, educational institutions, authorities	Internal network of **100+** Consultants Collaborating on issues unique to public sector and education clients

Public Sector Risks

While no two entities are the same, there are common risks that public entities experience:

Property

Large portfolios of land and buildings concentrated in a limited geographic diversification, combined with changing catastrophic weather events and infrastructure vulnerability

Cyber

Limited resources make some public entities more vulnerable targets for criminals.

Sexual Abuse and molestation (SAM)

Because public sector organizations typically help people in need, they interact with vulnerable populations. Unfortunately this is where SAM claims often occur, and the list of potential exposures continues to expand.

Workforce mobility

The evolving definition of workplace creates challenges in workers' compensation and casualty lines, especially as it increasingly means multiple states and jurisdictions.

Immunity and federal laws

Attacks on sovereign immunity protections have created new exposures for governments and their law enforcement workforces.

Legal actions under Federal law are being used as an end-run to obtain "nuclear" verdicts.

Captive & Insurance Management Solutions

400+ Captives managed

35+
Domiciles

$12.8 billion in **Premiums**

$69.8 billion in **Assets**

200+ Associates
CPA's, Risk Financing Specialists,
Actuaries,
Captive Managers,
Strategic Planning
Consultants

Client-centric Organization and Expertise

- Best-in-class advisory
- Seamless service, with access to all group resources wherever and whenever needed.
- Commitment to best-in-class service with flexibility to meet client demands
- Compliance and governance
- Our underwriting team is embedded in our captive management team, which allows direct access to experienced underwriters

Integrated Capabilities

- Senior leadership involvement
- Part of identifying and driving strategy
- Consulting resources are deployed to deliver actionable advice.

Analytic Advisory Mindset

- We deliver actionable, analytically driven advice
- Strategic and opportunistic captive utilization models Continuously refreshed dynamic discussion on captive strategy.

Management Services Excellence Model

- Management service model focused on delivering excellent, consistent service to clients
- Deep experience and an excellent client retention rate, demonstrating our commitment to our staff and to our clients to be partners in captive operations and strategy.
- Internal controls and processes that ensure best in class service, while our stewardship and accountability model ensure that your changing needs are reflected in our service delivery.

State of Arkansas Captive Willis service team

Edward Koral
Director, Risk & Analytics
Edward.Koral@

- ✓ Captive Consulting and Strategy

Jason Palmer
Director, Captive Mgmt.
Jason.Palmer@

- ✓ Overall service delivery responsibility
- ✓ Program design and structure advisor
- ✓ Strategic insight and optimization

Kristina Meier
Sr. Client Advocate
Kristina.Meier@

- ✓ Liaison with Willis's broader Public Sector practice

Kimberly Whitcomb
Director, Captive Mgmt.
Kimberly.Whitcomb@

Cara Griswold
Implementation Administrator
Cara.b.Griswold@

- ✓ Establish reporting protocols
- ✓ Establish banking relationships
- ✓ Assistance to Account Manager
- ✓ Daily Cash Transactions
- ✓ Segregation of Duties

Meagan Iafrate
Sr. Account Manager
Meagan.Iafrate@

- ✓ **Financial Review**
- ✓ **Account Overview and Responsibility**

Central AP
Financial Administrator

- ✓ Assistance to Account Manager
- ✓ Daily Cash Transactions
- ✓ Segregation of Duties

Bhavna Narswani
Account Manager
Bhavna.Narswani@

- ✓ Financial Statements
- ✓ Daily account management
- ✓ Corporate Records
- ✓ Audit Coordination
- ✓ Regulatory Compliance

Susan O'Brien
Underwriting and Insurance Administrator
Susan.O'Brien@

- ✓ Policy Issuance
- ✓ Premium Invoicing

Willis service model

Self Assessment File Reviews (SAFR)

Accounting

- ✓ Accurate & timely reporting
- ✓ Evidenced review by “approved Associate” (i.e. second set of eyes review)
- ✓ Flux analysis & variance testing

Regulatory Compliance

- ✓ Regulatory filings completed accurately & timely
- ✓ Monitor solvency margin & regulatory ratios
- ✓ Compliance report as part of annual Board of Directors Meeting
- ✓ Compliance is a culture, not a checklist

Compliance and quality drive down cost

Underwriting

- ✓ Dedicated underwriting team
- ✓ Holistic compliance approach
- ✓ Partnership with our strong broker network
- ✓ Joint ownership with State of Arkansas

Cash Management

- ✓ Payments within mandates
- ✓ Segregation of duties
- ✓ Monthly reconciliations
- ✓ Invest funds in accordance with guidelines
- ✓ Annual review of authorizations

Global Compliance and Internal Audit

Sarbanes-Oxley Compliant Public Company

What Willis will do as your captive manager

No hidden charges, no surprises

- Administering captive's ongoing financial and corporate operations
- Preparing executive and board benchmarking reports, including ongoing analysis of captive structure's viability
- Preparing monthly financial statements and financial transaction execution associated with captive's operations and captive owner's needs by the 10^{th} business day of the following month
- Coordinating with your actuary on annual reserve analysis and benchmarking information
- Coordinating services of other vendors/partners (e.g., banking, legal, audit, tax, investment portfolio manager, fronting and reinsurance intermediaries, and TPAs)
- Preparing and submitting regulatory filings, financial statements and registrations to relevant regulatory authorities and acting as primary liaison with regulatory agencies as the captive's licensed agent
- Coordinating and an active participant in annual board of directors and committee meetings

"

What we do **not** charge extra for:

- TRIA data call submission
- Regulatory examinations
- Business plan change submission to regulatory authorities

"

Captive underwriting services

Underwriting should not be done by accountants!

A credentialed underwriter is embedded in your services team, which allows direct access to experienced underwriters for policy design and policy issuance.

Your Willis captive underwriter will:

- Work with actuarial and brokerage teams to provide input on pricing and policy language
- Prepare and issue insurance policies and endorsements
- Discuss with client or captive service team any potential new lines of business to be added to the captive
- Attend Board Meetings as needed, and participate in underwriting discussions to provide insight to the captive's programs
- Prepare the captive policy register, and any other materials required for Board Meetings
- Respond to any underwriting inquiries or issues that the auditors or State Examiners may have
- Respond to any client questions or requests

Risk Intelligence Central (RIC)

Data accuracy, insights and technology

Everything you are likely to need is here, as your risk journey evolves.

Connects all your areas of risk together in one place

Use as little or as much of Risk Intelligence Central's capabilities as you like

Collaboration

- Collaborate and communicate better – across time zones and locations
- Collate and store data from multiple sources
- Access to all your key information whenever you need it

A single version of the truth, 24 / 7

Knowledge

- Local information about countries
- Select carriers of interest, view their current market rating
- All our latest research and thought leadership
- Save time and counter-party risk

Rich and valuable insights, and thought leadership

Risk Management

- Gather and manage all key asset and liability exposure data
- Create reports and share these quickly and efficiently
- Store Supplier Certificates and Policy Summaries globally

All your key exposure values and details in one place

Advanced Analytics

- Embed risk analytics into your business processes
- View and interact with model outputs, created using your data
- Sophisticated, inbuilt predictive analysis and reporting capability

Generate better key insights from all your loss data

Synergy2 reporting suite

Access to over 70 out-of-the-box functional reports selected based on Arkansas’ needs and preferences

Underwriting Status Report

- Underwriting Expenses Report
- Underwriting Revenue Summary Report

Underwriting Performance Report

- Underwriting Performance Net of Reinsurance

Earned Premium Report

- Expected Premium
- Unmatched Bordereau Items
- Business Report
- Ledger Control Details
- Aged Debt Report

Balance Sheet Report

- Gross Revenue
- Statement of Account

Triangulation

- Analysis by Volume
- Breakdown of Estimated Gross Premium by Placing Basis

Profit and Loss Report

- Divisional Performance
- Risk Profiles Report
- Broker Premium Statement
- Company Premium Statement
- Aggregates Report

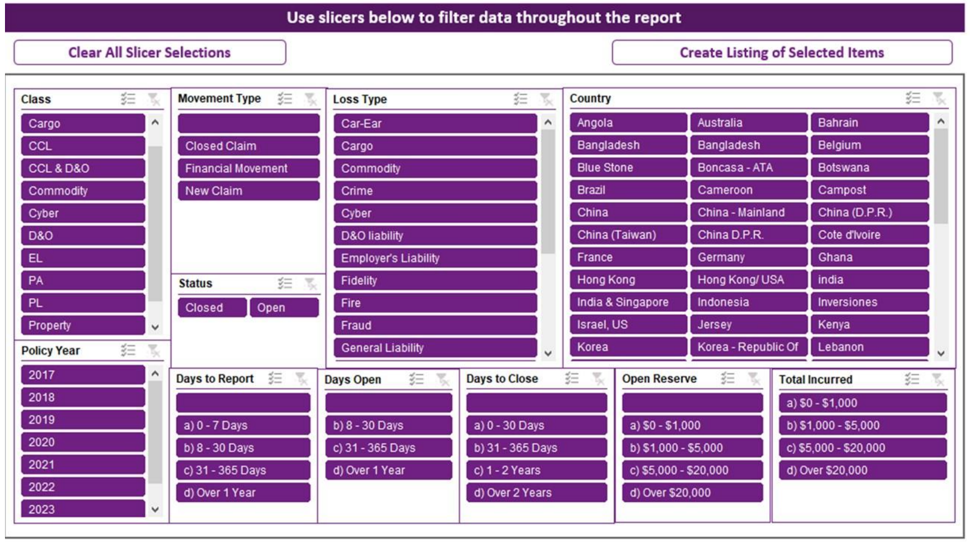
- **Claims ‘As At’ Including Large Losses Report**
- Remittance and Disbursement Report

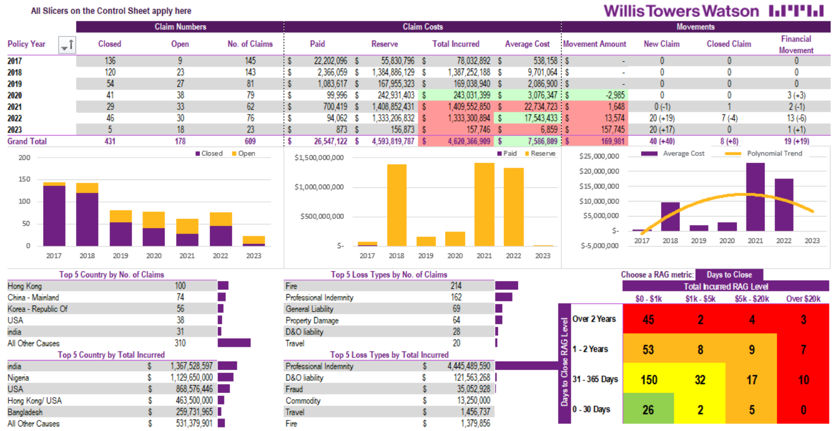
New Claims Report

- Claims With No Financial Movement Report

Claims Movement Report

- Net Claims Report
- Net Claims by Group/Event Code Report
- Outwards Reinsurance Ceded Claims Report
- Claims Frequency Report
- Estimated Premium Breakdown Report
- Ledger Control Report





Synergy2 benefits to the State of Arkansas

Market-leading capabilities

Greater insights into the performance and health of your captive with analyses on risk performance, underwriting status, claims movements, etc.

Digital access to captive reports through our client facing technology

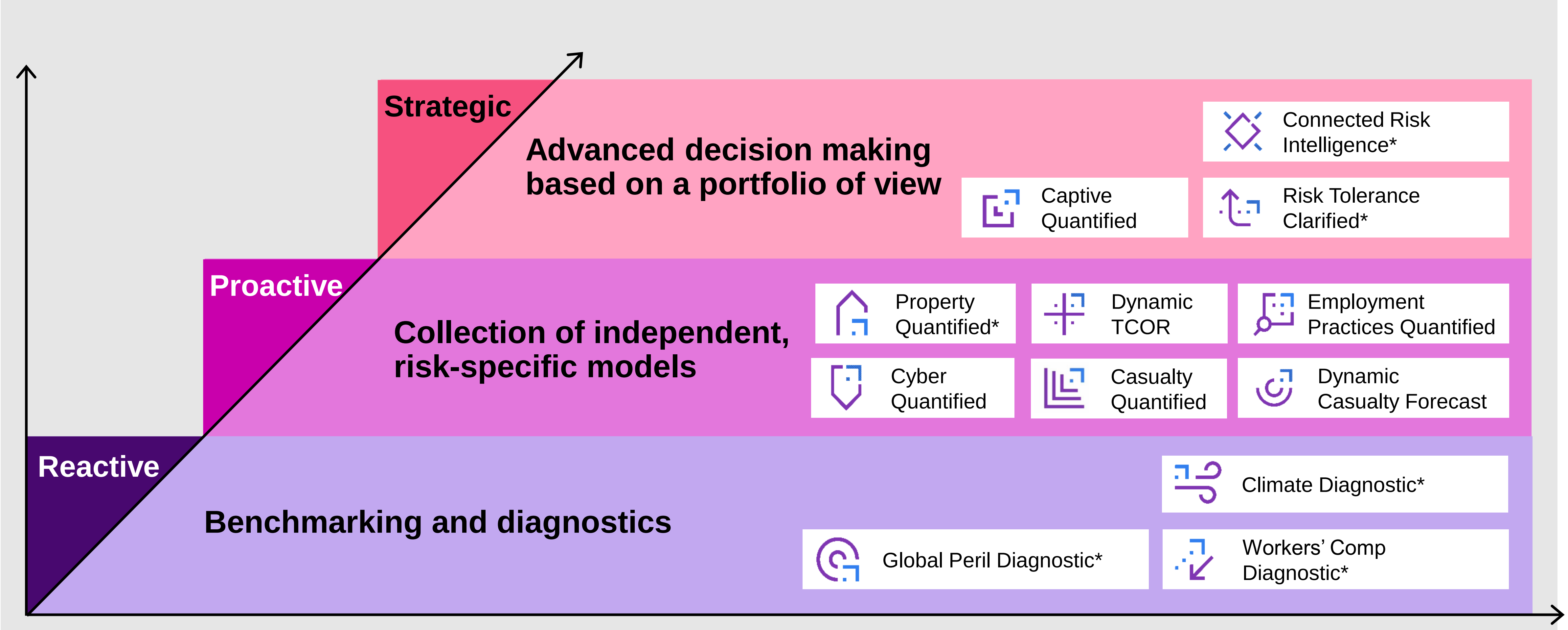
Access to **benchmarking information** for captives operating in a similar industry/region.

Seamless integration with **Willis proprietary analytical models** that provide advanced analytics on capital modelling, global perils, risk quantification, etc.

Client data held in a secure cloud environment with adherence to **robust Willis Group security controls** to mitigate any data privacy risks.

Management and decision-making, supported by analytics

Utilizing Analytics as a key tool in designing risk retention and risk transfer strategies



Tools marked with an asterisk can be licensed to you directly, so that you and your team have full desktop access

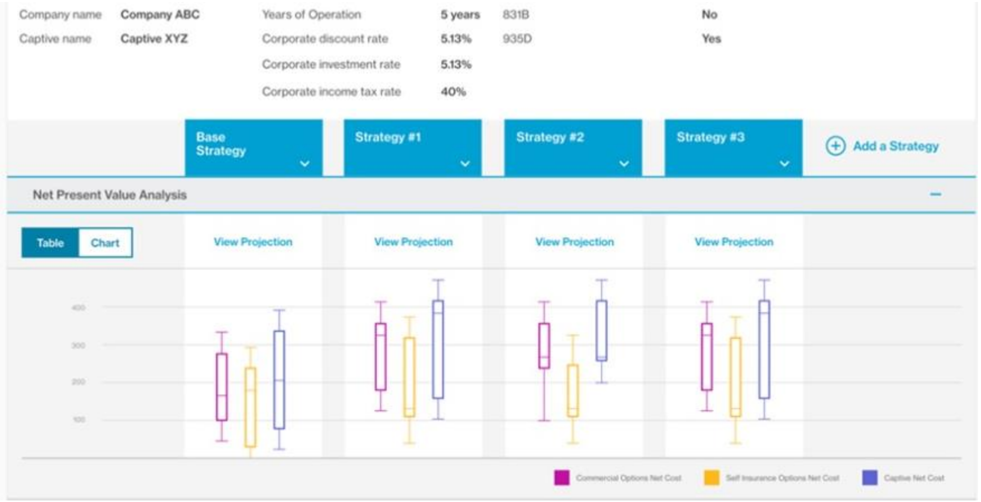
Captive Quantified

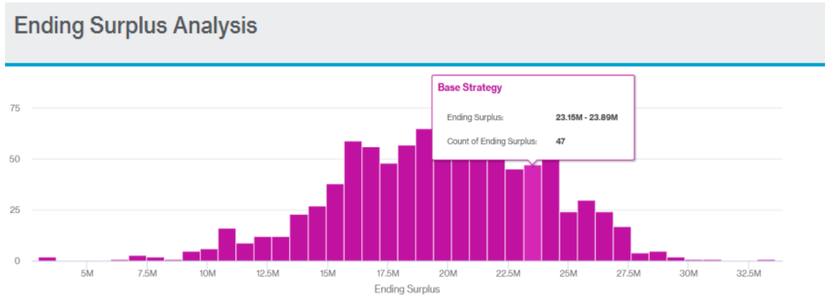
https://www.wtwco.com/en-US/Solutions/products/captive-quantified

Captive Quantified stands apart as the only digitally-enabled captive strategy and feasibility tool performing stochastic financial analysis.

What does that mean for the State of Arkansas?
Your financial due diligence burden, lifted. Captive Quantified delivers the market leading stress testing and financial analysis you require to develop and refine your captive strategy for the unique needs of the state. This tool goes beyond typical feasibility studies, projecting future profitability of a captive in a matter of seconds. You can *immediately* see the impact of changing retentions, changing investment strategies, and assessing expanded utilization of your captive once it is up and operational.

- **Fast**, with simple output for clear communication.
- **First model of its kind** to adjust and perform pro-forma analysis in a live, interactive platform.
- Part of our Core Analytics platform, Captive Quantified connects with our suite of risk-specific quantification models, **providing best-in-class risk clarification for a breadth of insurable risk.**





Property Quantified

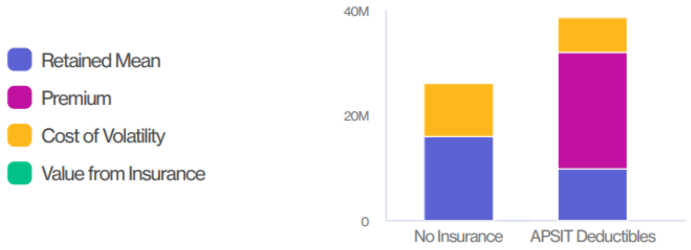
https://www.wtwco.com/en-US/solutions/products/property-quantified

Quantify your global property loss potential from both catastrophe driven and non-catastrophe perils. Create, test and evaluate insurance strategies. Get more from your property risk spend.

Our refined evaluation of your property portfolio:

- Explicitly analyzes both **catastrophic and non-catastrophic risks** on a single digital platform, available for clients to access directly, through Risk IQ
- Quantifies property loss exposure **by peril, geography and location**
- Delivers **comprehensive decision support** with the ability to compare strategies and interrogate value layer by layer, peril by peril
- Create **custom groupings** to interrogate losses and analyze strategies in the ways most meaningful to your organization (i.e. facility type, subsidiary, geography, etc.)
- Considers your own **statement of values, loss runs, and engineering reports,** identifying high risk facilities, and facilitating proactive risk mitigation measures
- Risk IQ facilitates engagement through **live interaction**—adjust any input or risk transfer structure and see updated results immediately.

ASBA Program Analysis | The estimated Value from Insurance is -$12,517,507, meaning our analysis suggests that, based on the models' assumptions, you may be overpaying by this amount under the current program structure. This figure appears significantly higher because we applied the deductible structures from the APSIT program in place of your actual deductibles.



		No Insurance	APSIT Deductibles
Premium		0	22,220,683
Retained Mean		16,140,996	9,804,251
Cost of Volatility		10,096,413	6,729,982
Total		**26,237,409**	**38,754,916**
Value from Insurance		0	-12,517,507

Estimated time to formation of an Arkansas captive: **60-70 days**

	Responsible Party(ies)	Weeks 1 and 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9+
Confirm domicile and reserve proposed reserve name with domicile	State of AR / Counsel								
Determine principal place of business	State of AR /Willis								
Identify Registered Agent	State of AR								
Choose service providers (legal, audit, actuarial, etc.)	State of AR								
Identify all Directors & Officers / complete biographical affidavits	State of AR								
Identify banking and investment relationships	State of AR								
Obtain actuarial analysis that supports proposed business plan	State of AR								
Obtain financial statements or other assurance that support the application	State of AR/ Willis								
Obtain details of risk management programs / loss control programs	State of AR								
Organizational Chart / Details of risk management program and loss control program	State of AR								
Prepare business plan and pro-forma financial statements	Willis								
Draft articles / bylaws / investment policy, etc.	State of AR/ Counsel / Willis								
Draft policy form	State of AR / Willis								
Prepare draft captive application	Willis								
Introductory meeting with Arkansas Department of Insurance	Willis / State of AR / Ark. Dep't. of Insurance								
Obtain appropriate filing fee / application fee check(s)	State of AR								
Review draft application with State of Arkansas	Willis								
Finalize and submit captive application to Dep't. of Insurance	Willis								
Captive incorporated	Counsel								
Respond to DoI on application (if any)	Willis								
File SS-4 w/ IRS to obtain Federal EIN (if needed)	State of AR								
Set up bank accounts / capitalize company	State of AR								
Certificate of Authority issued by Arkansas Dep't. of Insurance	Arkansas Dept.. of Insurance								
Prepare organizational consent of the Board / Issue stock for assets / Issue policy(ies)	Counsel / State of AR / Willis								
Formulate captive policies and procedures	Willis								
Captive is operational	State of AR / Willis								

Develop draft captive application (including business plan and pro-formas) to Client for final review.

Submit captive application to Dep't of Insurance

Obtain Certificate of Authority (license) from Dep't. of Insurance

Captive insurance company management: holistic engagement

Delivering service excellence and strategic support

Feasibility

Objective: Find new ideas to unlock potential and assist in creating more values for your business.

Willis's support:

- Discuss and understand your strategic objectives.
- Review your current insurance program structure and identify risk financing opportunities.
- Forecast claims and premiums, risk retention scenarios.
- Estimate capital and solvency requirements.
- Produce business plan with financial projections.
- Include captive implementation plan.

Implementation

Objective: Create appropriate captive structure aligned to your business needs.

Willis's support:

- Collect materials required for license application.
- Act as liaison to regulator during licensing process.
- Support in development of fronting carrier support
- Develop necessary infrastructure for fully functioning insurance entity.
- Draft captive governance and operations manual.
- Transition policy contracts to captive.

Ongoing Services

Objective: Provide a full range of core and ancillary insurance operational services to help you drive best practices and add value.

Willis's support:

- In-domicile captive management.
- Data management and management information reporting.
- Insurance program underwriting administration.
- Actuarial rating and reserving.
- Capital optimization and risk analytics.

Periodic Strategic Review

Objective: Analyze captive use to optimize value.

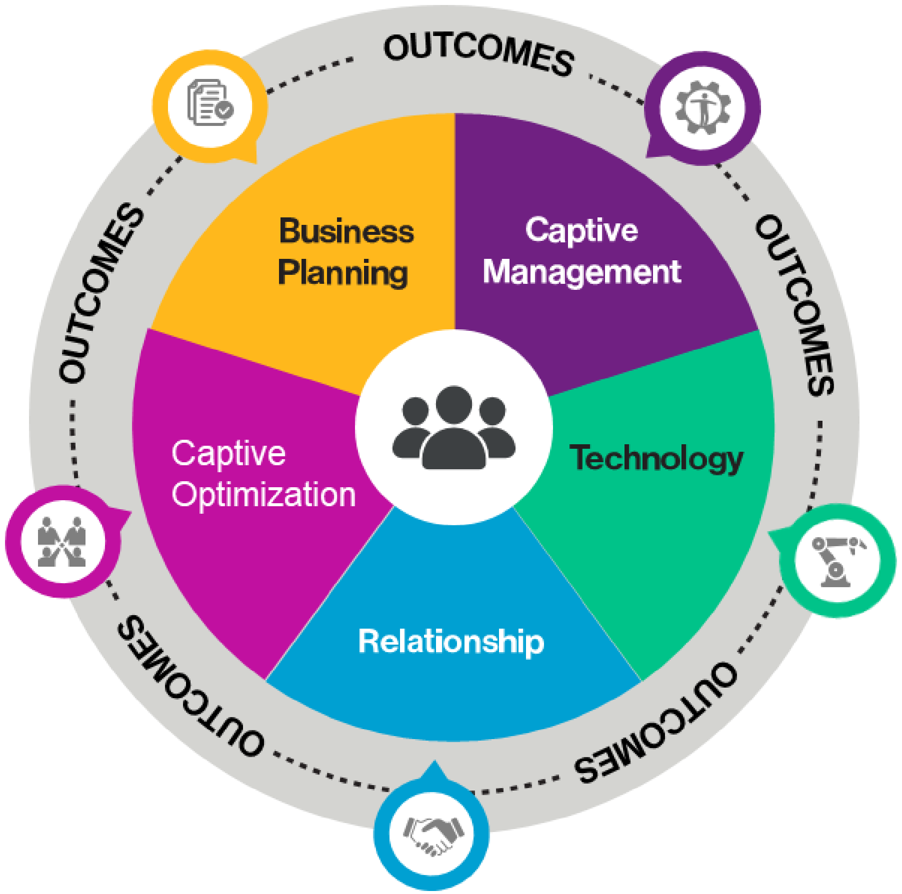
Willis's support:

- Captive health checks and benchmarking.
- Captive structure analysis.
- Capital adequacy testing.
- Uninsured and emerging risk analysis.
- Alternative risk transfer solutions.
- Exit and novation strategies.

Closing Comments

The Willis Difference

- Adherence to our core values
- Providing a client-centric approach
- Our integrated capabilities
- Coupled with our analytical advisory mindset
- Supported by our management service excellence model



Thank you!
Any questions?