



Creative Solutions for Complex Risks

Alternative Risk Solutions Practice

2024





In a complex risk environment, many companies are looking for creative solutions that address their specific needs or gaps in insurance coverage. There may come a point when the traditional insurance market can no longer provide the protection you need at a reasonable price. Alternative risk transfer options can help your business manage risk outside of the traditional insurance marketplace.

Lockton’s Alternative Risk Solutions Practice is a dedicated group of individuals focused on helping organizations understand and assess their risk financing options, as well as helping organizations evaluate whether an alternative risk solution is right for them. We provide solution-agnostic advice on all the options at your disposal and help you think through the incorporation of alternative risk products into your broader insurance purchasing and enterprise risk management framework. We make it easier for you to understand which solutions meet your goals, protect your balance sheet, and satisfy your stakeholders.

Independence is at the core of who Lockton is, and in our industry, independence is uncommon.

<div>\$3.55B</div> <div>2024 GLOBAL REVENUE</div> <div></div>	<div>12,500⁺</div> <div>ASSOCIATES WORLDWIDE</div> <div></div>	<div>65,000⁺</div> <div>CLIENTS WORLDWIDE</div> <div></div>	<div>135⁺</div> <div>OFFICES WORLDWIDE</div> <div></div>	<div>96%</div> <div>CLIENT RETENTION</div> <div></div>
<div>14%</div> <div>ORGANIC GLOBAL GROWTH</div>	<div>\$71B⁺</div> <div>PREMIUM VOLUME WORLDWIDE</div>	<div>#9</div> <div>LARGEST GLOBAL BROKER <small>RANKED BY BUSINESS INSURANCE</small></div>	<div>15</div> <div>CONSECUTIVE YEARS AS BEST PLACES TO WORK</div>	<div>\$23M⁺</div> <div>ANNUAL CHARITABLE DONATIONS</div>

Alternative Risk Solutions Practice

Lockton's Alternative Risk Solutions Practice is a specialized group of finance, accounting, and credit professionals who work with the entire client team on designing and implementing program structures that match our clients' risk financing and insurance purchasing needs. You will have experts working seamlessly with our marketing and quantitative analysis teams to deliver integrated risk financing solutions, including captives and other alternative program structures. Lockton's Alternative Risk Solutions Practice is not a separate profit center but rather a specialty resource for our clients and service teams.

CAPTIVE CONSULTING

Consult on hundreds of single-parent and group captives in most domiciles.

- Assist with new formations and ongoing captive optimization
- Captive consultants, not captive managers
- Captive strategic review, including short-term and long-term captive recommendations
- Cash utilization and collateral strategies
- Domicile reviews and selection
- Evaluate additional lines of business

COLLATERAL

Achieve optimal collateral results by navigating:

- Key relationships at carrier's credit office
- Three-pronged approach: loss estimates, unsecured credits and instruments
- Explore varied forms of collateral, e.g., LOC, trust, cash and surety

ALTERNATIVE RISK

Develop creative and tailored solutions for our clients' individual financial needs, such as:

- Parametric trigger coverage
- Loss portfolio transfer, novations and close-outs to provide legacy solutions
- Aggregate stop loss for balance sheet protection
- Multiyear programs with profit sharing
- Fronted programs

PROGRAM DESIGN

Design and implement structures aligned with clients' strategic and financial objectives.

- Determination of optimal risk retention and risk transfer point
- Collateral projections
- Exploration of alternative risk financing opportunities
- Quantitative determination of risk vs. reward in the marketplace



Lockton
Alternative Risk
Solutions model

Our team

U.S.



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What is alternative risk insurance?

As the name suggests, alternative risk insurance is a different approach to transferring and financing risk. A breadth of solutions fall under the alternative risk umbrella. Lockton's team of alternative risk specialists can help you understand their potential value to you.

CAPTIVE INSURANCE	STRUCTURED RISK SOLUTION	PARAMETRIC INSURANCE
<ul style="list-style-type: none">Companies looking to insure their own risks and those of their subsidiaries and affiliates independently can count on Lockton's Alternative Risk team.We can help you use a captive to tailor coverage that fits your unique needs, leading to reduced operating costs and greater control over claims. You will benefit from an objective approach, because we aren't a captive manager. And you won't be pushed toward any specific option.Captives come in all shapes and sizes, but we help identify the type that best aligns with a company's financial goals and risk management objectives.	<ul style="list-style-type: none">At its core, a structured risk solution is a multiyear insurance program with shared risk components, typically spanning a three-year period. These solutions can be implemented to replace a variety of traditional insurance market solutions.By opting for this approach, businesses can reduce their dependence on traditional market cycles, retain more control over their risk exposure, and mitigate volatility.We tailor structured risk solutions to individual needs, ensuring a strategic and effective transition from traditional insurance models to a more stable and flexible risk management approach.	<ul style="list-style-type: none">Parametric insurance is triggered when a specific natural or man-made peril happens and meets certain predetermined conditions. If these conditions are met, a third party verifies it and quickly pays out a preagreed loss amount to the insured organization.We design customized parametric insurance solutions that address gaps left by traditional property insurance. Our team helps determine if your organization is a good fit for this type of program, evaluates potential triggers, and structures coverage to guarantee a fast and efficient claims payout.
ALTERNATIVE COLLATERAL SOLUTIONS	<p>As more risk is retained within an insurance program, it could drive the need for additional collateral to be posted to an insurance carrier. We help businesses find creative strategies to mitigate or minimize fixed costs linked to collateral through alternative solutions. This can be an important and beneficial way for organizations to release capital and create more financial flexibility to support and expand their business.</p> <p>We also help businesses explore strategies to deleverage their balance sheets through loss portfolio transfer solutions. With this approach, businesses can move legacy insurance exposure to traditional insurance carriers or alternative capital markets. Our team will guide you through the process, helping you make well-informed decisions about if and how to move forward.</p>	



How do you know when to explore an alternative risk solution?

01 Is your organization comfortable taking on more risk? If so, we'll help you quantify how much.

02 We examine your program to identify the optimal part to retain that risk. Whether or not you proceed with the solution, we ensure you understand each option.

03 If you're retaining risk in general, especially if a substantial part is impacting your balance sheet, we will explore alternative risk solutions to mitigate some of that exposure.



The Lockton difference

WE DESIGN ALTERNATIVE RISK INSURANCE SOLUTIONS THAT FIT YOUR NEEDS, NOT OURS.

✓ *Navigate alternative risks with confidence*

Entering the world of alternative risk can be daunting. We start by ensuring you understand the probabilities and volatilities of each solution and then recommend a program that aligns with your objectives. We break down each solution so you can make informed decisions and communicate those decisions effectively to the C-suite.

✓ *Actionable insights through data & analytics*

When assessing whether an alternative risk solution makes sense, you must make strategic decisions about when to transfer risk or leverage your own balance sheet. Through Lockton's Dynamic Capital Modeling tool, we provide next-level analytics that can simulate potential claims and recommend a program setup that protects you should any claims become a reality. This way, you can make better decisions about optimizing your risk profile.

✓ *Unified expertise for informed decisions*

Some brokers have teams that work in siloes — one focused on captives, another on structured risk, and so on. Each of these siloed teams has its own agenda, including selling clients and prospective clients on a specific solution. Our specialists have knowledge of the entire landscape, empowering buyers to make more informed decisions about protecting their balance sheets given their risk tolerance and profile.

✓ *Partnering for success from start to finish*

Our dedicated team ensures your involvement throughout the entire process, starting from inception to completion. We emphasize the significance of your presence at the negotiation table, ensuring that every client actively participates in shaping and designing the deal.





Notes

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UNCOMMONLY INDEPENDENT