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View on the Creek – 2024 Midterm Report

EIS had a big summer and we have already formed 5 new cells in 2024 by adding Mutual Business Programs 40, 41, 42, 43 and 44. This brings our active cell count to 24. This is a record-breaking year for EIS and we aren't done yet! We continue to field new inquiries from EIM Members looking to explore the advantages offered by a captive insurance facility for retaining or reinsuring risk in various lines of business. Risk financing challenges continue now and into the foreseeable future to negatively impact our

Participants' insurance program budgets and the insurance capacity in both property and liability lines. Many discussions have occurred this year with EIM Members looking for alternative solutions, while our Participants are increasing utilization of their EIS programs to meet these challenges.

Do not miss this edition's Captive Optima section. We discuss the differences between an EIS cell and a single parent captive.

Anniversary Announcement

Please join us in congratulating Tameeka Heyward on her 3rd anniversary with Energy Captive Management. Tameeka is a valuable asset to the ECM / EIS team. EIS and ECM are poised for the growth that will come to meet the market challenges and new risk financing strategies of EIM Members.



Captive Optima – EIS Cell or Single Parent Captive?

When considering a captive, knowing the sensitivity of risk in your organization and corporate structure will help when building a case to put your company's own capital at risk via a captive insurer. So, what is the best way to start insuring risk in a captive? That's a tough question and the answer is likely as unique as the company that is considering a captive or any alternative risk financing solution.

EIS offers many of the benefits of a single parent captive without the additional time and expense to create a separate legal entity and full oversight of a subsidiary within your organization. EIS is structured to create legal segregation of asset and liabilities among the individual cells so there is no sharing of risk among its participants. While the coverages and structure are fairly similar, there are some important differences between an EIS cell and a single parent captive.

Formation: There are significant differences between the processes to start a single parent captive and an EIS cell. A single parent captive formation requires the following steps:

- Incorporate a new subsidiary
- Conduct a captive feasibility study
- Engage a captive manager
- Select a captive domicile
- Prepare and submit the captive application

An EIS cell alleviates many of these steps because the relationship between the EIS cell and the participant is based on a contract not ownership, and EIS participants utilize our insurance license in South Carolina to issue insurance policies and contracts. We have an in-house captive manager, Energy Captive Management (ECM), that provides all the captive administration for the EIS cells and we also have an in-house actuary to prepare funding and capitalization studies for new and existing participants.

Operating Costs: We charge an annual management fee based on the level of captive management work, subject to a minimum. A great difference applies to our management fee than what our participants will find with other captive facilities and captive managers. Our fee is a fixed, flat annual amount that includes the following elements:

- All captive administration activities performed by ECM
- State premium taxes
- Financial audit and tax preparation
- SOC 1 Type 2 audit and report
- State filing and regulatory examination fees
- Bank charges

Single parent captives pay a management fee and the additional costs listed above to additional service providers, each of which must be engaged and monitored separately, often by the parent organization.

Capital: The minimum capital required to launch a new cell in EIS is \$250,000. Programs that pose significant risk to break-even or profitable underwriting may require additional capitalization. Capital may be provided in cash or with a letter of credit. These capital requirements are the same in most domiciles for both an EIS cell and single parent captive.

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SAVE THE DATE

EIS PAC Annual Conference
October 28-31, 2024

The Mills House Hotel
Charleston, SC

All EIM members are welcome

PAC Conference Registration is Open

Our 2024 PAC Conference is scheduled for late October in Charleston, SC. Our signature event brings Program Advisory Committee members and professional associates together to meet and discuss their specific insurance programs. Along with individual PAC meetings, a General Session will cover several risk, insurance and captive topics. This is always a great networking opportunity for all program Participants to share ideas with each other and for EIM Members exploring captives and EIS. Please reach out to Megan Ogden at mogden@eimltd.com or Taniyka Ragland at tragland@eimltd.com with any questions.

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