

# Artex Captives



A captive is a special purpose legal entity that is licensed as an insurer or reinsurer, and is established primarily to insure a proportion of the risks of:

- › Its sponsor—often a corporate parent, group or association—to better manage the total cost of risk
- › Its sponsor's customers—to create a new revenue stream for the sponsor

Captives are commonly domiciled in a specialised location with bespoke insurance legislation and a proportional regulatory approach, and are used extensively throughout the world by medium- to large-sized corporations as part of the successful implementation of an effective risk financing strategy.

Where a captive is used as a risk management tool it can add value to its sponsor by the achievement of one or more of the following benefits:

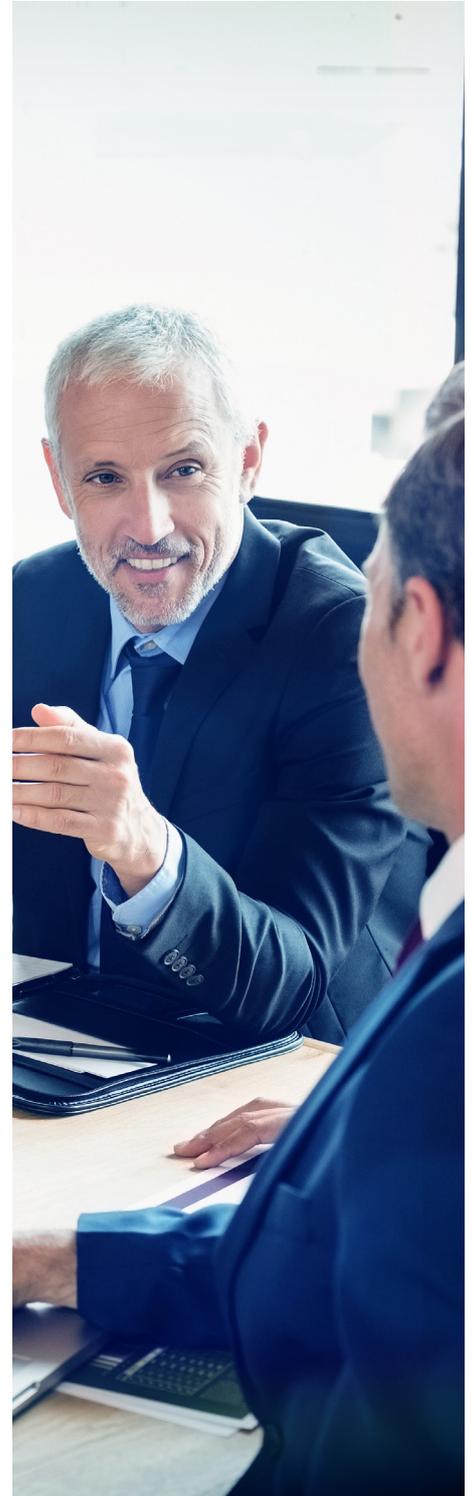
- › Reducing the total cost of insurance
- › Pricing risk appropriately and to reflect the loss record of the parent
- › Increased stability of insurance premiums in comparison to the unpredictable swings of the commercial market
- › Efficient risk financing of self-insurance as an alternative to retaining risk on the balance sheet
- › Eliminating unnecessary cost by avoiding premium and claims swapping with insurers
- › Potential for bespoke wordings and the provision of cover for risks unavailable or inappropriately priced in the commercial market

A captive can participate in the sponsors' (and/or its customers') insurance programme on either an insurance basis, whereby policies are issued directly, or by means of a reinsurance approach working in conjunction with a fronting insurer.

Captives can take a variety of corporate forms, including a limited company or cell within a protected or incorporated cell company.

## Features and benefits/advantages

- › An established and proven approach
- › Creation of underwriting profits through careful participation on the parents' insurance programme
- › Direct access to the reinsurance market
- › Greater control over the insurance purchase using the captive as a negotiating tool
- › Retention of investment income and cash flow benefits
- › Promotion of a risk management culture throughout the parent organisation as a result of the increased awareness of risk



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- › Can offer the opportunity to underwrite insurance business unrelated to their parent, usually driven by the desire to create additional revenue streams
- › Artex protected cell companies offer a cost-effective facility as the captive vehicle
- › Access to the world's most popular captive domiciles

## Target business

- › Any insurance programme with an annual insurance premium spend of GBP/Euro/USD500,000+
- › Medium- and large-sized corporations and insurance buyers
- › Businesses with a large customer base
- › Insurance brokers and MGAs
- › Associations and buying groups
- › High-net-worth individuals

## Information requirements for an initial own-risk assessment

- › A description of the business and three to five years of insurance information showing:
  - Gross annual premium, ideally split between classes of insurance and, if applicable, different domiciles
  - Limits of cover purchased
  - Commissions and any other deductions or profit shares
  - Claims experience, ideally split between classes of insurance
  - Details of any large (>£50,000) losses

- › Details of any uninsured losses or uninsured liabilities
- › Details of any bespoke servicing required, e.g., claims handling, loss control surveys

## Our services and experience

Artex has been working with captive insurance company clients for over 30 years, providing market-leading solutions.

Our team will guide you from start to finish through the feasibility, including options, benefits, details of the licence application and the ongoing management of your captive.

Our services include:

- › Initial assessment
- › Feasibility study
- › Licence application
- › Ongoing captive management

## The Artex Advantage

Artex provides a full range of alternative risk management solutions, customized for our clients' individual challenges and opportunities. Powered by independent thought and an innovative approach, we empower our clients and partners to make educated risk management decisions with confidence.

Operating in over 30 domiciles and in more than 15 offices internationally, we have the proven capacity to supply any alternative risk need. Artex is a solutions company, and we invite you to learn more about our breadth of services and depth of talent. There is an upside to risk. Let's work together to find the right solution for your organization.