PCC

Short-tail business preferred
- no tail of some years
- less high severity, low frequency claims

Rather low LR
- but for tax reason also high LR possible, e.g. medical programmes

Usually no compluslry insurance, e.g. motor liability
- ultimately a 3rd party risk with high limits but exceptions possible

Min. premium volume
- EUR 100 – 200k

Min. management fee EUR 25k

- but extra fee when SII is implemented
- extra for any additional territory and LOB to be fronted
- fronting fee 4% for short-tail, 7% for long-tail

Establishment time

- 2 – 3 weeks for fronting cells
- 1 – 3 months for retained cells

Investments

- funds in trust accounts/escrow accounts which can be used for covering the risk gap but then capital bound for low yield
- bonds/shares/funds but then higher capitalisation needed due to market risk/accumulation risk/counterparty risk etc

Fronting cell vs retained cell

- most of the cells are used to front business
- if risk is retained by a retained cell, the risk gap needs to be covered by
    - reinsurance/retrocession
    - LOC