

Premium break even point, where there is sense to establish / rent the captive

Swiss captive: min. prem.volume EUR 350k – 660k, assumptions: 60% LR, simple captive

PCC: min. prem.volume EUR 100k – 200k

What would be usual management costs if rent a captive (what management comprises)

Swiss captive: see presentation, a simple Swiss captive can do an RBC calculation and therefore can avoid expensive SST costs.

PCC: min. management costs EUR 25k, but SII will trigger additional costs

Is it better to link into / bind in captive within the same industry or better from different (e.g. national) industry?

Swiss “captive”: if more than one company retain risk together, then they have an insurance or reinsurance company and not a captive because of the 3rd party risks. This entails a higher capitalization. It may make sense that companies from the same industry join and retain risks together. On the other hand, the basic idea of insurance is based on diversification.

PCC: cell owners come from different industries/countries/segments/etc.

Captive benefits at expected (more regulated) conditions of Solvency 2?

The Swiss equivalent of the European SII is the SST (Swiss Solvency Test). Only captives which belong to a professional insurer, reinsurer or which have a complex structure qualify for the complex and expensive SST. All the other simple captives only do the lighter RBC calculation (Risk Based Capital). Whether a captive benefits from either solvency calculation depends on individual strategies & aims. The solvency calculation show how well or badly a captive is capitalized. A professional insurer or reinsurer covering 3rd party risks needs to be sufficiently capitalized for the sake of protection of 3rd parties.

Cost of establishment and limitation at establishment of captive?

Swiss captive: see presentation

Most common mistakes at establishment and management of captive?

Short-term strategy, too optimistic estimation of the LR etc.

Difference at establishing of captive in off shore countries outside the Europe and countries within Europe (Liechtenstein, Netherlands, Guernsey, Isle of Man)?

Stability legislation/regulation/taxation, accessibility to domicile, different domicile features in terms of capitalization/reserving, availability of work force/market players such as reinsurers/banks/actuaries etc.

Any special attentions during the operation of captive ?

Swiss captive: it is managed like any other business for which a professional captive manager is appointed which give substance.

Any type of insurance cover, which recommendable to transfer to captive.
All types (incl D&O, credit) or limited ?

Swiss captive: basically all LOBs (lines of business) can be covered by a captive. We recommend to start with something simple and profitable. This has the advantage to master the mechanics of the captive and be in the profit-zone from the beginning.

What is included in the management of the captive, risk assessment, PML calculations, premium collection, loss payment?

Swiss captive: us being the managers of the Swiss reinsurance captive, a local frontier is needed. The local frontier usually does the risk assessment, premium calculation at arm's length. But depending on the services agreed some administrative tasks can be done by the captive managers, e.g. claims payment, data validation etc.

In case a company would like to step out from the captive, how can this be done?

Swiss captive: long-tail business are novated to another risk carrier and short-tail business are commuted to achieve finality. After that the captive is wound-up.

What are the alternatives to captives?

Cell-captive, Rent-a-captive, traditional insurance, retention on the balance sheet.