Captive & Alternative Risk Transfer Consulting

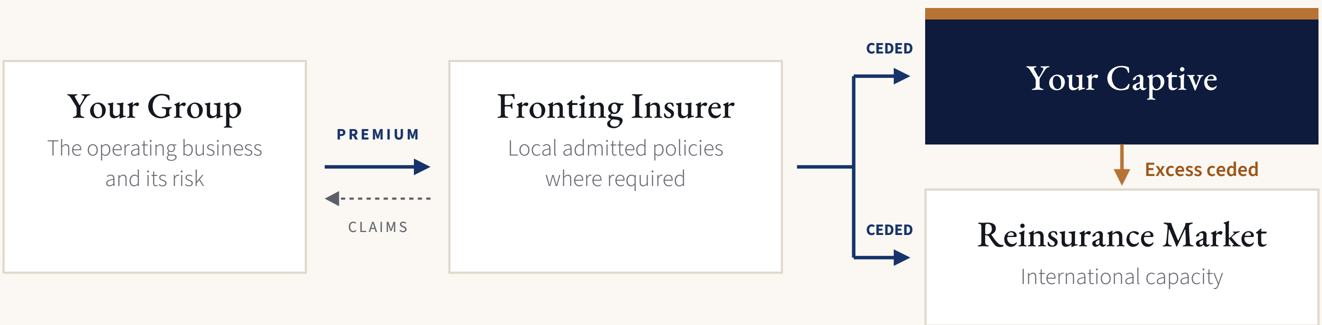
Our Purpose

Principal Re Limited designs captive and alternative risk transfer structures for organisations across Asia and, as a Labuan-licensed reinsurance and retakaful broker, places the programmes that support them.

A captive provides a licensed vehicle through which a group can retain the exposures it understands best, hold the reserves against them, and keep the return on risk it was previously paying an insurer to carry.

HOW THE STRUCTURE WORKS

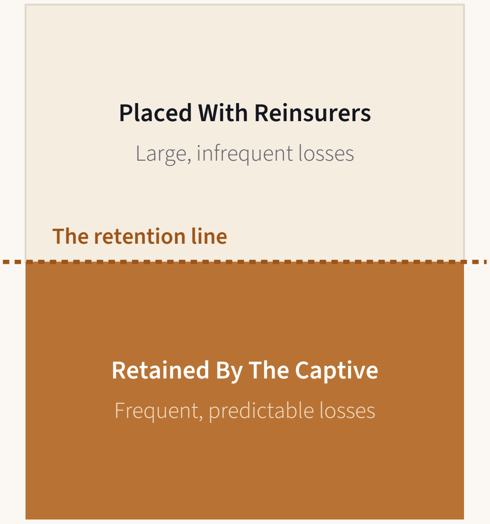
Where A Captive Sits



The captive may take the full retention and cede its excess onward, or sit alongside reinsurers on the same layer. Either way, the split is set by the retention decision.

THE DECISION THAT MATTERS MOST

Where You Draw The Retention Line



Everything below the line stays with the captive. Everything above it is placed with reinsurers.

Where the line falls is set by actuarial modelling of the group's own loss history — the expected level of losses, the volatility around that level, and the confidence at which the group chooses to operate. The better a group understands its exposures, and the more credible its loss record, the higher the line can sit.

THE BUSINESS CASE

Why Organisations Form A Captive

01 Underwriting Profit On Retained Risk

On the layer the captive retains, premium and the investment income earned while reserves are held stay within the group instead of accruing to a third-party insurer.

02 A Lower Cost Of Cover

Commercial premium includes the insurer's own running costs, commissions and profit margin. A captive removes that layer, so the group pays for the risk itself rather than for someone else's overheads.

03 Cover The Commercial Market Will Not Write

Exposures that are declined, heavily sub-limited or priced punitively can be written by the captive, with the layers above it placed into specialist markets.

04 Control Of The Claim

Reserving policy, defence strategy and settlement authority become decisions the group makes rather than decisions it is told — which matters most on long-tail claims.

05 Insulation From The Market Cycle

Because the retained layer is priced internally, the group's cost of risk is driven mainly by its own claims experience rather than by market-wide rating swings.

06 Data That Changes Your Pricing

A captive forces disciplined capture of loss data. Over several years that record becomes the evidence base that changes how the market underwrites your risk.

WHERE YOU ARE ON THE JOURNEY

Captive Life Cycle

A captive is not a single decision but a sequence of them, taken over many years. We are engaged at whichever point a client has reached — from the first conversation about viability, through formation and growth, to eventual run-off, sale or closure.

Stage 01

Concept

Would a captive work for us at all?

- Pre-feasibility review
- Domicile comparison
- Indicative cost and structure

Stage 02

Formation

How do we build and licence it?

- Full feasibility study
- Captive manager appointment
- Regulatory submission

Stage 03

Growth

What else should it be writing?

- New classes and retentions
- Fronting arrangements
- Renewal capacity

Stage 04

Mature

Is this still the right structure?

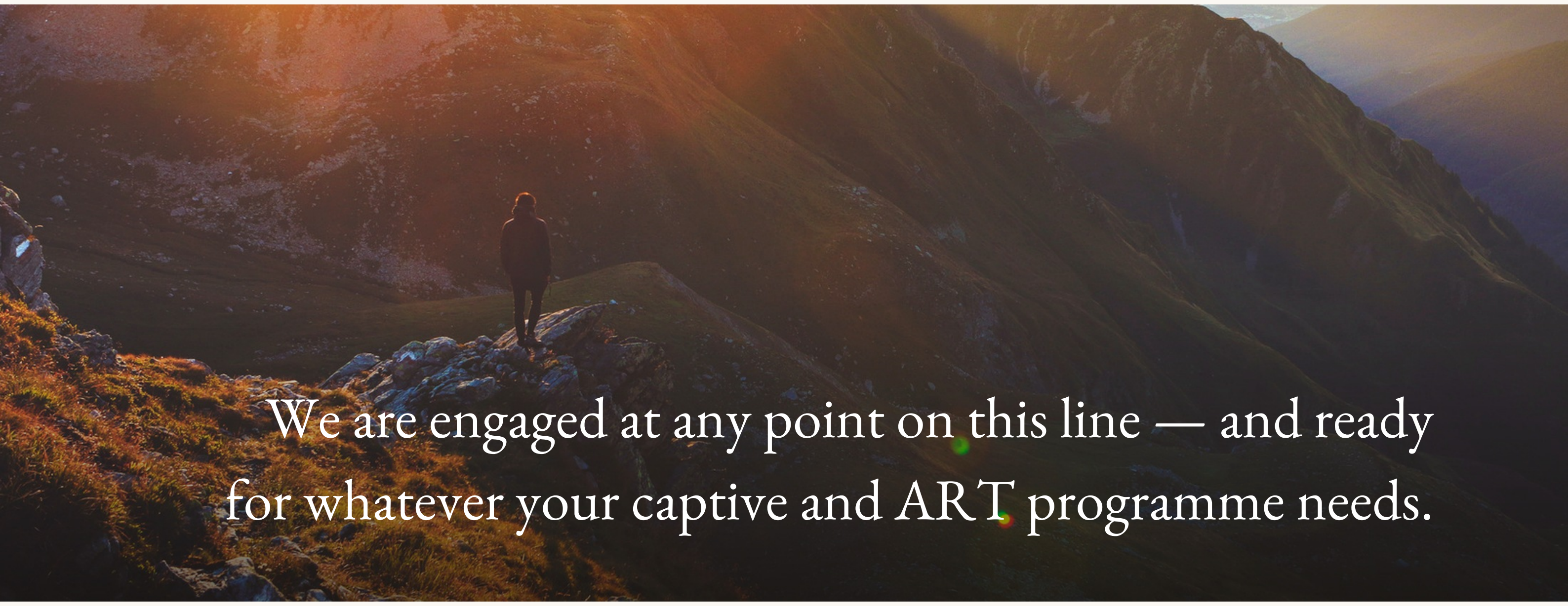
- Five-year health check
- Reserve and tail-risk review
- Portfolio efficiency

Stage 05

Run-off

How do we exit or restructure?

- Relocation and closure
- Sale, merger & acquisition
- Reserve transfer



FROM FIRST CONVERSATION TO PLACED PROGRAMME

What We Actually Do

Our service follows the life cycle. Each engagement begins where the client already is, and the scope is set by the stage they have reached rather than by a fixed package.

ESTABLISHING

Feasibility

Pre-feasibility reports through full studies — structures, costs, timetables, premium and claims analysis, and five-year financial proformas.

Formation

End-to-end formation of captives, PCCs, ICCs and cells: manager appointment, regulatory submission and post-approval steps.

Programme Design

Setting the retention, layering the programme and designing captive and ART structures around the parent's balance sheet.

OPERATING

Fronting

Identifying the small number of carriers capable of global policy issuance and local regulatory compliance.

Reinsurance Placement

Taking the captive's programme to the international market and placing the layers above the retention.

Ongoing Advisory

Industry updates, renewal facilitation and liaison with the group's existing brokers and advisers.

REVIEWING & CHANGING

Health Checks

Five-year stewardship reviews of domicile, structure, governance, strategy, premium flows and forecasting.

Managing Change

Relocation, closure, exit and M&A feasibility studies with full implementation support.

Portfolio Review

Testing reserve adequacy, tail risk and diversification as the captive matures and the book changes.

BUILDING CAPABILITY IN-HOUSE

Training

We deliver training directly to clients so that the full risk management cadre understands the captive and ART programme being implemented with them, from board level through to day-to-day risk and finance teams.

- The World of Captives and ART
- Captive Formation
- Captive Fronting
- Captive Reinsurance
- Captive Regulation

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