

MARSH CAPTIVE SOLUTIONS

Marsh Cell Captive Facilities: Mangrove and Isosceles

There are many risk financing alternatives available to organizations today. Forming a pure captive or joining a group captive may not be a preferred option for a variety of reasons, in which case an efficient and cost effective sponsored cell captive facility may be an ideal solution. Cell captives are a popular alternative to a wholly-owned captive due to the ease of implementation and lower operating costs.

Marsh Captive Solutions is pleased to offer a variety of cell captive facilities under the Mangrove and Isosceles brands. These facilities allow clients to experience the advantages of an owned captive without assuming the administrative, capital, and governance costs of a single parent captive. We have a wealth of global expertise managing cell captive programs and can assist in creating a tailored cell solution. Marsh's cell captive facilities are offered around the globe, each registered with the legislation of their corresponding jurisdiction.

SACS, PCCS, ICCS, and SPCS

Cell captives have been enhanced by the utilization of segregated accounts in many domiciles and their prevalence has grown considerably as a result. Segregated Accounts Companies (SACs), Protected Cell Companies (PCCs), Incorporated Cell Companies (ICCs), and Segregated Portfolio Companies (SPCs) are all based on the same concept of creating legal segregation of programs, assets, and liabilities to help make sure one participant's loss experience cannot negatively impact another cell. Depending on the domicile, the terminology may refer to SACs, ICCs, PCCs, or SPCs — but the logistics and operations are generally the same.

FIGURE
1

Marsh Cell Captive Facilities Locations



When to Opt for a Cell Captive

A sponsored cell captive facility provides a licensed insurance vehicle or “cell” with the necessary infrastructure for clients to participate in their own risks through a captive program. The insured operating company effectively rents the use of the cell by purchasing a preferred share or entering into a participation agreement.

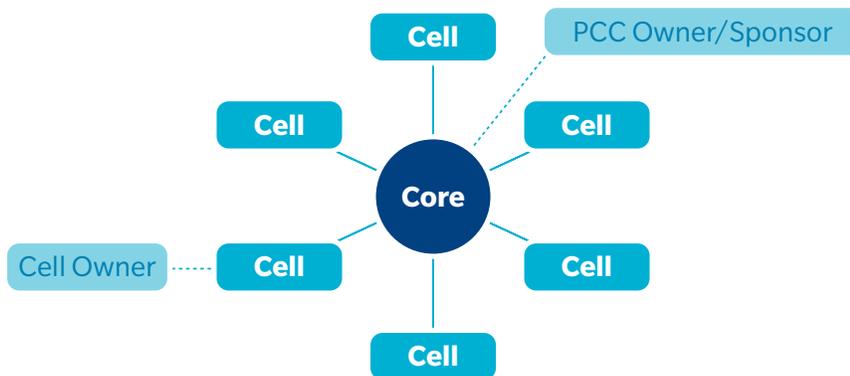
A cell captive is particularly suited to:

- Financing risk where losses, such as workers’ compensation or auto liability, are predictable.
- Acting as a fronting structure to access the reinsurance markets.
- Collateralized (re)insurance, including insurance linked securities, weather derivatives, and more.
- Companies seeking to direct write/front in the EU or non-EU/European Economic Area (EEA) captives.
- Situations where market conditions may force retaining or funding less predictable risks.
- Companies needing to segregate risks associated with a specific project, division, joint-venture, or strategic alliance.

How Cells Work

Following a discussion and assessment with you, Marsh will develop a business plan on your behalf and submit the plan to the cell sponsor's Board of Directors for approval. If required, the business plan and the license application will then be sent to the local insurance regulator for review and approval. We will then work with you, as the cell participant, to determine the amount of capital needed for the individual cell to satisfy the funding requirements set by the regulator. Certain Marsh-sponsored PCC facilities require full funding (collateralization) of the risk retained in the cell, while others only require clients to fund the cell based on the domicile's solvency requirements. Further, if the cell is being used to access reinsurance for 100% of the risk, capital is typically not required. If needed, capital is typically contributed in the form of cash or an approved letter of credit.

Cell program premium, which is held in a separate account for the cell participant's benefit, would flow into the cell from a fronting company or directly from the participant (insured). The cell participant will benefit from any underwriting profits, which can be returned in the form of dividends, subject to regulatory approval. Depending on the line of business and domicile choice, the specifics can be addressed in order to tailor the solution to fit your needs.



Access to Reinsurance

For the larger, more sophisticated insurance buyer, reinsurance markets no doubt play an important part in risk management and financing. The broader marketplace provides increased choice and greater capacity. Such organizations will likely need to access reinsurers through a licensed insurance company. However, the costs and administrative burden of establishing and running an independent captive can make this a challenge.

A cell can act as a conduit to reinsurers. Marsh has developed a suite of documentation to ease the process and has also identified some of the technical challenges inherent in reinsurance arrangements. In short, Marsh can help your organization navigate through the global reinsurance market.

WHAT ARE THE BENEFITS

Cell captive facilities allow you to:

- Quickly enter and exit a captive facility at lower costs.
- Benefit from potentially profitable underwriting.
- Manage risks in a flexible and cost-efficient manner.
- Stabilize insurance costs over the long-term.
- Reduce capital outlay.

SUMMARY

Marsh can assist with:

- Business planning, feasibility studies, financial projections, and working with legal and tax counsel to navigate the implementation and regulatory approval process.
- Structuring transactions and establishing cells.
- Managing financial reporting obligations and regulatory compliance requirements.

With nearly 500 captive advisory and management experts located throughout the globe, Marsh Captive Solutions has the specialized expertise and strategic resources to assist in undertaking a full evaluation of the structure that would best suit your risk management goals.



For further information, please contact your local Marsh office or visit our website at: marshcaptivesolutions.com

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Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.

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