

# CAPTIVES FORUM

Taking control through sophisticated risk financing

📅 23 March

📍 Lloyd's of London, Lime Street, London

airmic

# Captive Governance

## How, where & who makes the decisions?

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- The players
- Outsourcing v Service Purchase
- Responsibility: Governance framework
- Who does what, and the grey areas
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# The Players

- The board of directors
- The insurance manager
- The broker
- The insurance service providers
- The auditor
- The actuary
- The investment manager
- Other service providers

# Outsourcing v Service Purchase

## Outsourcing:

- contracting third parties to perform activities that could typically be done internally and that remain the responsibility of the board

## Service Purchase:

- buying services that assist the company in achieving its objectives

# Outsourcing v Service Purchase

- Outsourced activities:

- Underwriting
- Claims handling
- Accounting
- Company secretarial
- Compliance
- Internal audit
- Risk Management
- Actuarial

- Purchased Services:

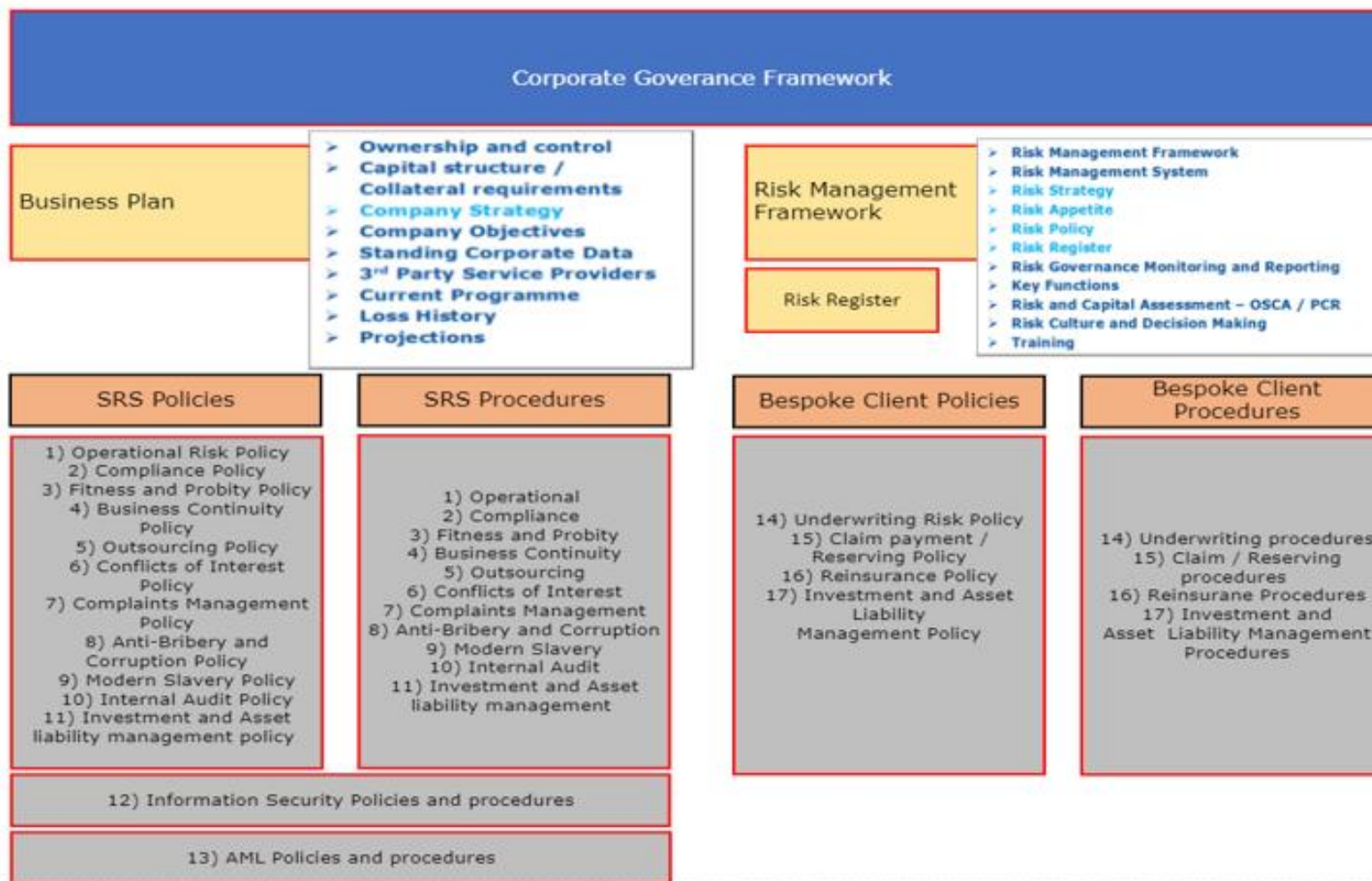
- Broking
- Investment management
- External audit
- Risk management
- Actuarial
- Consulting

# The Governance Framework

“confusion can arise between the respective roles of the insurer **board**, (and) the **insurance manager** ... Our observation is that we sometimes see a board in effect handing over the running and direction of the company to an insurance manager. **In fact, the board alone remains accountable for the company and always needs to oversight a manager**”

Letter from Jeremy Quick, Director, Banking & Insurance Division of the Guernsey Financial Services Commission to all Board Members of licensed insurers 17 February 2022

# Governing the Insurance Manager relationship





# Who Does What?

- Outsourcers:

- Insurance Manager
- Underwriting Agency
- Claims Handler
- Accountant
- Risk Manager
- Actuary

- Service Providers:

- Broker
- Investment Manager
- Accountant
- Risk Manager
- Actuary
- Consultant

# Grey Areas

- Broking
  - Underwriting
  - Claims settlement
  - Intra board decision making
- 
- Key mitigation: Clarity & Transparency between all parties

# Why does location matter?

- Tax:
  - Mind & management
  - Substance
  - CIGAs
  - Evidence
- Risk:
  - Increased tax burden
- Regulation:
  - Undertaking regulated activities
  - Location of appropriately skilled individuals
  - Evidence
- Risk:
  - Fines, regulatory censure



# Questions?

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