



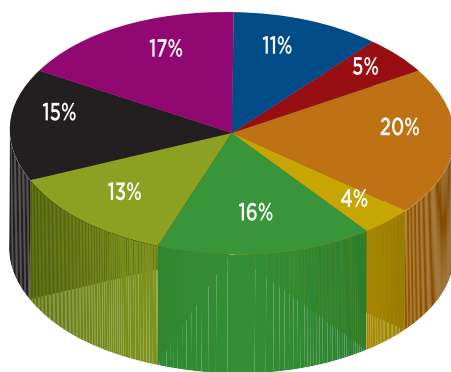
How the basics can make a difference

Kevin Lindsay, CEO of Riskman International explains

A critical issue when considering captive insurance lies in identifying the entity or structure which will act as the captive insurance vehicle. The ideal entity will inevitably vary according to a number of individual criteria.

PCCs and ICCs are trendy. Jurisdictions offering Protected Cell and Incorporated Cell legislation extol their many virtues in endless promotional material. Captive insurance professionals offering Protected Cell and Incorporated Cell Companies market these products in a manner which suggests the letters “P”, “C” and “C” and “I”, “C”, and “C” to offer an automatic immunity against insolvency.

Certainly, PCC and ICC legislation effects a fundamental change to the insolvency maxim that creditors of an insolvent entity are paid according to the value of their respective claims to the entity’s assets. In so doing, the legislation seeks to ensure that the insolvency of the entity serving as the captive insurance vehicle does not spell financial loss for those other entities who have utilised that same entity for the pursuit of their own captive insurance programmes. Nevertheless, the more significant question of how or why such an entity would go insolvent remains unaddressed.



Snapshot of Riskman's captive client portfolio by class of business

- Property damage
- Business interruption
- Aviation hull
- Health medical
- Products liability
- Professional / medical liability / malpractice
- Aviation liability
- Other (includes Contingent liability, Income protection, Environmental liability, Legal expense, Life, Marine cargo, Employee benefits, Intellectual property)

Amid all the hype and dogmatic recitation of “statutory ring fencing” and “cell segregation”, it is easy to overlook what PCCs and ICCs do not do. They do not preclude the misappropriation of a captive client’s assets by an insurance professional; the writing of risks in excess of a captive’s resources; or the possibility of a captive’s liabilities exceeding its assets. To be sure, PCCs and ICCs address the symptoms of insolvency, not its cause. In so doing, they represent the ambulance at the bottom of the cliff, not the reliable barrier at the top. I consider that uncritical acceptance of the “statutory ring fencing” advantage of PCCs and ICCs has obscured their value. As a result, a much more salutary and universal lesson has been lost in the noise: the need to have absolute confidence in the ability and integrity of the insurance professional offering the captive vehicle. A PCC or ICC cannot prevent insolvency. A competent, reliable and experienced insurance professional can make all the difference.

This is not to deny the value of the PCC/ICC concept. As an independent boutique captive service provider, Riskman International, has strengthened and optimised its captive services through its own sponsored PCC, Orbit International Insurance PCC Ltd. Moreover, each client benefits from the additional assurance that all captive insurance programmes are conducted under my personal supervision. Orbit is able to deliver not just a “protected cell option” tailored to the risks, structure and dynamics of each cell client’s business but also the benefits of proven and principled captive management.

Date PCC incorporated: May 2007 Number of cells: 9
Sponsor: Riskman International

For more information about Orbit visit www.captive.vu or contact Orbit International Insurance PCC Ltd
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Experienced expertise