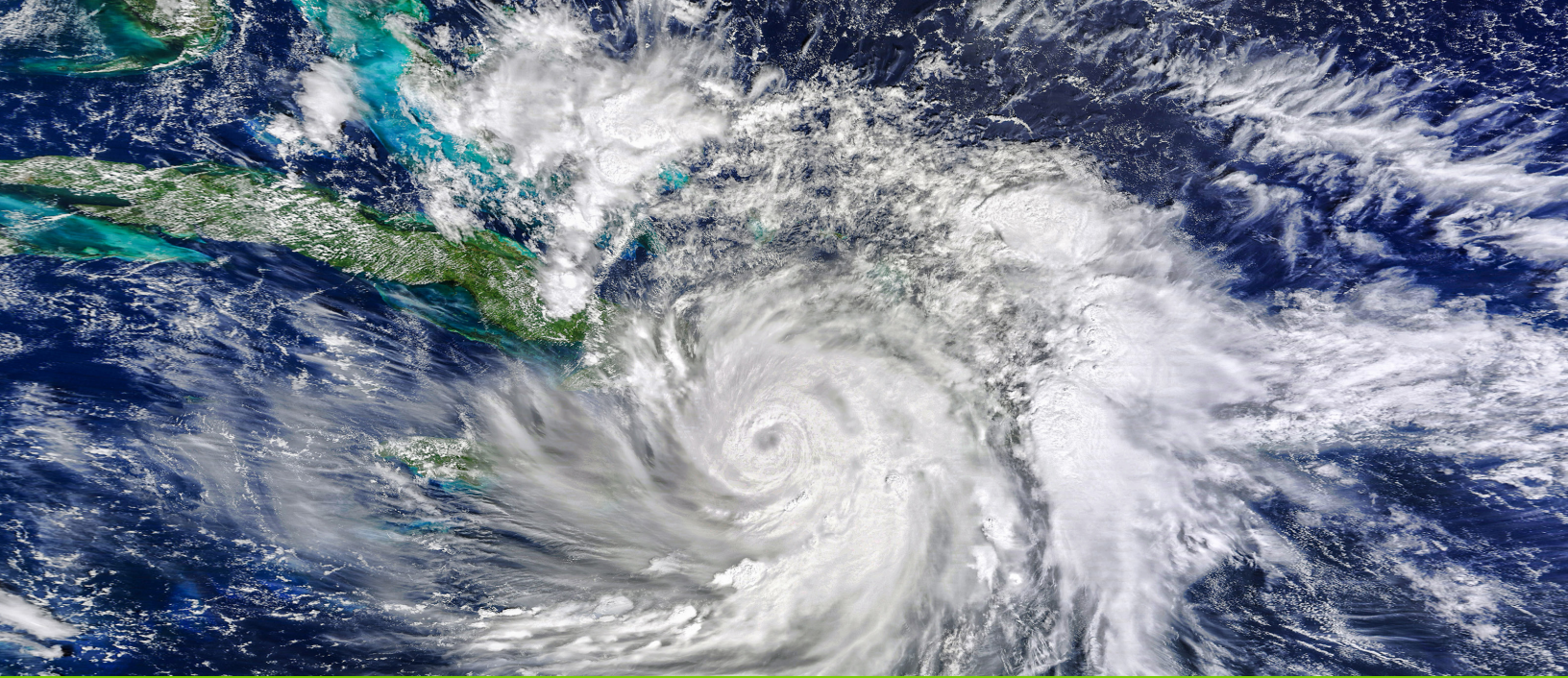


# Chubb's Captive Strategies

Richard Sica, Joerg Reinholdt and Mark King

CHUBB®





## Captives: An Overview

Recent global events and catastrophes have resulted in rising insurance rates, causing an uptick in the formation of new captives, and expanded use of existing captives to cover additional risks.

Captives can be organized in many different ways. Some of the more popular types include:

- The **parent-owned captive** – in which the parent company owns and benefits from its captive insuring the business activities of itself and the affiliated group
- The **group captive** – in which a group of unrelated entities that have a common business activity or industry form a captive to insure the risks of the group
- The **protected cell captive** – in which the captive is owned by a sponsor, and the assets and liabilities of each individual insured are legally walled off and protected from the activity of other insureds



## Chubb is a Worldwide Captive Market Leader

Chubb is a recognized leader in the worldwide captive insurance market. That's because we continue to expand our extensive global reach and invest in technologies that allow us to adapt to the constantly changing demands of captive owners.

At Chubb, we believe the following insurer characteristics are critical to any successful captive program:

- 1 Stability:** an insurance partner with a demonstrated commitment to the market and continued investment in its captive capabilities
- 2 People:** a talented team of underwriting professionals with in-depth experience managing risk on a worldwide basis
- 3 Presence:** capability to insure risks throughout the world, including Europe, Latin America, Asia and Africa
- 4 Solutions:** ability to craft solutions tailored to meet an individual company's needs utilizing multiple casualty and property lines and extensive multinational underwriting capabilities
- 5 Technology:** access to the latest technology and an ability to work with captives on building digital capabilities that help manage their insurance programs across multiple time zones
- 6 Service:** ability to provide captive customers with world class service and support, including risk engineering and claims management, to manage complex risks globally

## Captive Structures

Chubb offers a wide range of unique captive insurance and risk financing products and services, including risk transfer and fronting for single parent, group or segregated cell captives, designed to meet the needs of large US and Canadian companies in nearly every industry.

Dedicated to long term relationships, our team of domestic and international underwriting, claims, actuarial, legal, service and credit professionals provide our clients with customized programs that effectively manage their risks on a global basis.

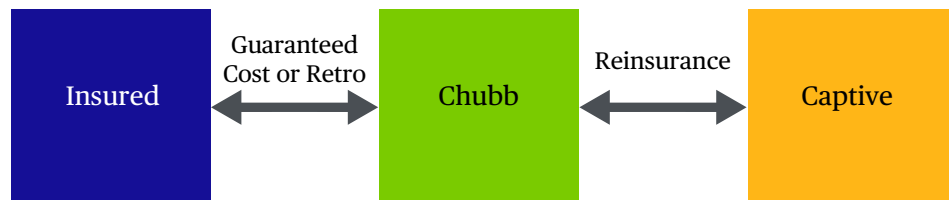


### Single Parent Captive Fronting

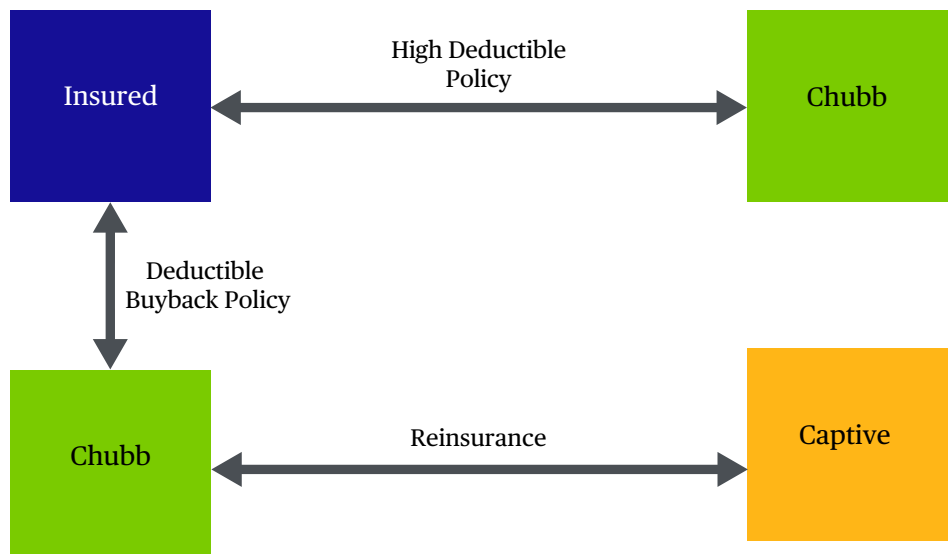
Large national and multinational companies can benefit from using their captive by placing their risks into the captive through fronting services provided by Chubb. Fronting is often necessary to allow for the direct policy to be issued on admitted paper (for example, workers compensation, EL or auto) or to provide evidence of insurance from a highly rated licensed commercial insurance company.

These programs can be structured either as reinsurance of guaranteed cost, retrospectively rated policies, or as a deductible buyback (solutions will vary by line of business, such as Casualty, Property, etc.). There is flexibility in deciding the layer of risk that is ceded to the captive, and the layer that is insured by Chubb.

#### Sample Global Casualty or Retro Structure



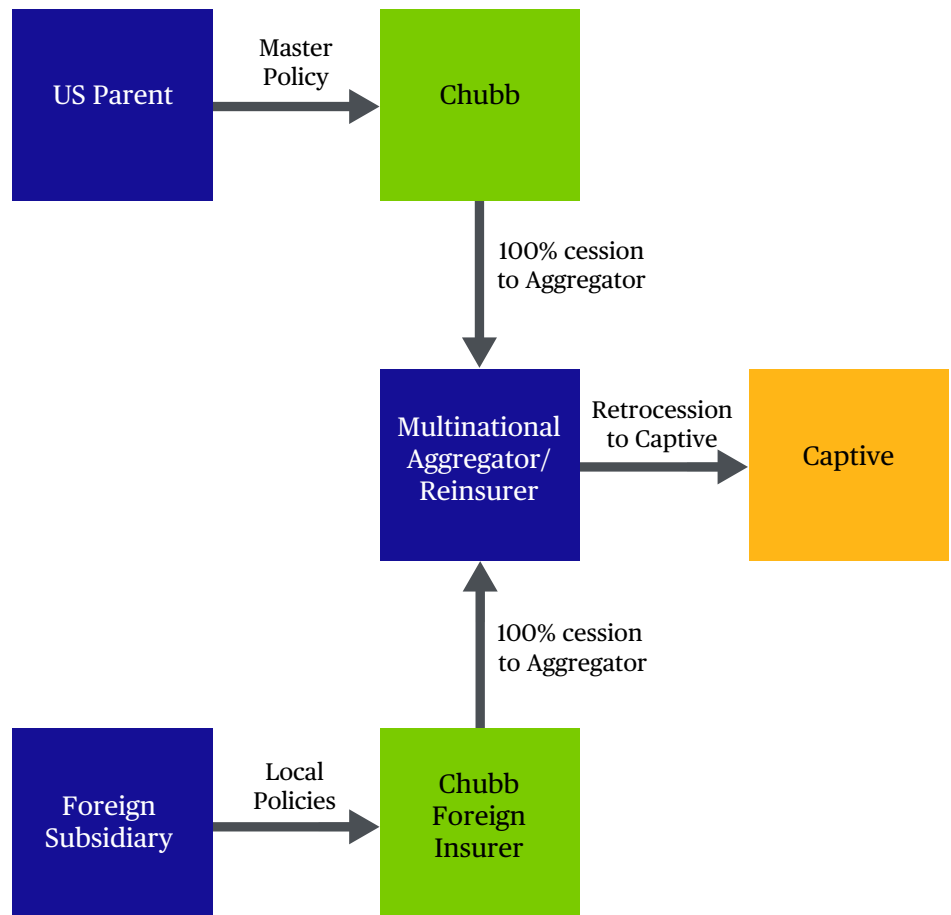
#### Sample Deductible Buyback Structure



### Multinational Fronted Programs

US-based multinational companies usually seek uniformity in the limits and types of coverage they purchase to address worldwide exposures. Complications typically stem from the fact that laws regarding insurance, liability, and taxes can vary greatly from one country to the next. A Chubb multinational captive structure can help manage those complications. Local policies are issued based on each foreign jurisdiction's requirements, and exposure is ceded to the captive. Simultaneously, a master policy is issued in the US with Difference in Conditions/ Difference in Limits (DIC/DIL) coverage, which can also be ceded to the captive.

### Sample Multinational Casualty Captive Structures





## Property & Multinational Structures

There are many different ways that a Property program can be structured.

- Gross Line Program – When the program is 100% reinsured to the captive.
- Net Line Program – Combination of reinsurance to the captive as well as to approved Chubb facultative Reinsurance companies

Multinational programs:

- Global Option – Chubb will front both the master policy (including clients U.S. domestic locations) and foreign local policies.
- Foreign only:
  - With a Foreign Master DIC/DIL – Chubb will front the local policies and also issue a foreign only master policy that provides DIC/DIL over the locally issued policies.
  - For Multinational Casualty Programs – Chubb can front Non-US exposures under a program that includes a Master DIC and local policies. Fronted casualty programs can also integrate specialty coverages such as Professional Liability, Product Recall, Environmental and several other lines of business.

## The Protected Cell Captive Option

For companies seeking the benefits of a captive program, without the long-term commitment associated with captive ownership, Chubb offers a versatile risk financing alternative through a wholly owned segregated account company domiciled in Bermuda. Alternatively, Chubb can work with insureds who already have an established relationship with rent-a-captive facility. The protected cell or segregated cell captive option can deliver significant cash flow advantages over a traditional risk transfer program.

Whether utilizing a domestic property or casualty program, a multinational program, or a protected cell structure, some of the benefits of working with Chubb include:

- Timely and accurate policy issuance
- Timely issuance of certificates
- Efficient transfer and accounting for premium dollars
- Accurate loss billings
- Claims infrastructure that is responsive with flexible claims handling protocols

- Risk information systems providing timely and accurate claims information
- Program structures that are cost efficient and effectively managed
- Strong global network that is actively managed
- Clear service standards with account-specific tracking
- Online platform providing brokers and clients with a real time view of program implementation
- Tailored collateral options that can incorporate both working or non-working reinsurance trust options, as alternatives to LOCs.



## What Chubb's Captive Professionals Offer You

---

As your business partner, our team of captive specialists, supported by our Global Services platform and financial infrastructure, will effectively execute your alternative risk program. More specifically, our team will:

- Coordinate underwriting across multiple lines of business throughout the world
- Solve complex insurance issues
- Provide individualized risk underwriting
- Implement a globally compliant foreign casualty cash flow program

- Use formalized practices that support the cash flow and contractual needs of captives
- Provide the technology needed to deliver accurate, transparent and timely reporting to your key decision makers and stakeholders
- Leverage global banking relationships built on trust and long-term relationships

In addition to captive expertise, Chubb offers specialized industry practices focused on energy, transportation and staffing business. Our industry practice leaders work closely with our captive professionals and underwriting teams to provide world class risk management programs to our clients throughout North America.

As a member of the Captive Insurance Companies of America (CICA) Chubb is recognized as a key provider of products and services, as well as a supporter and contributor to the captive industry throughout the world.

## **The Authors**

---

### **Richard M Sica**

Executive Vice President  
Chubb Global Casualty  
O 212.827.3829  
E richard.sica@chubb.com

### **Joerg Reinholdt**

Senior Vice President  
Global Casualty  
O 212.703.7188  
E joerg.reinholdt@chubb.com

### **Mark King**

Vice President  
Complex Multinational  
Property Programs  
O 212.703.7165  
E mark.king@chubb.com

**Chubb. Insured.<sup>SM</sup>**

Chubb is the marketing name used to refer to subsidiaries of Chubb Limited providing insurance and related services. For a list of these subsidiaries, please visit our website at [www.chubb.com](http://www.chubb.com). Insurance provided by ACE American Insurance Company and its U.S. based Chubb underwriting company affiliates. All products may not be available in all states. This communication contains product summaries only. Coverage is subject to the language of the policies as actually issued. Surplus lines insurance sold only through licensed surplus lines producers. Chubb, 202 Hall's Mill Road, Whitehouse Station, NJ 08889-1600. The claim scenarios described here are hypothetical and are intended to show the types of situations that may result in claims. These scenarios are not based on actual claims and should not be compared to an actual claim. Whether or to what extent a particular loss is covered depends on the facts and circumstances of the loss, the terms and conditions of the policy as issued and applicable law.