







# Captives at Lloyd's



# Why set up a Lloyd's Captive Syndicate?

## Cost, control and capital

	Common captive pain points	Why set up a Lloyd's captive syndicate
Cost	Cost of fronting arrangements	 Lloyd's reduces the need for fronting partners and associated variable cost <i>Through Lloyd's underwriting permissions that give direct insurance access in 80 countries</i>
Control	Unable to write related third party risk	 A Captive Syndicate can write both first-party and related third-party risks <i>Related third-party risks includes related entities where there is alignment of interests and a degree of control over risk mitigation e.g. employees, partners, contractors, group customers etc</i>
	Limited control over wordings & coverage	 A Captive Syndicate sets its own coverage, retentions and wording
	Changing appetite of fronting partners	 Reduced reliance on fronting arrangements means a Captive Syndicate has more control over its risk appetite <i>Ensuring captives have continuity of cover</i>
Capital	Hard to recognise profit	 Profit is released every 3 years <i>As a result of Lloyd's reinsurance to close mechanism</i>
	Non Rated Paper <i>increases collateral requirements with fronting partners</i>	 Captive Syndicates share the financial strength rating of the Lloyd's market. - Resulting in lower collateral requirements where fronting arrangements are required - Meets internal insurance purchasing risk appetites



# Benefits of a Captive syndicate at Lloyd's



## Lloyd's Global Licence Network

Lloyd's global licences covers onshore insurance in 80 countries, onshore reinsurance in 100 countries and offshore reinsurance in over 200 countries:

- Allows the captive owner to write cross-border business in 80 countries without the need for fronting partners, reducing variable cost. Subject to local regulatory requirements, this can be on a single policy written out of London - complemented by Lloyd's subsidiaries where required (Europe, Japan and China).
- Central premium payment and local claims payment possible depending on local requirements.
- Lloyd's reinsurance licences permit syndicates to reinsure local direct writers where Lloyd's does not have permission to underwrite directly.
- Lloyd's shared financial strength rating may mean that fronting collateral is reduced, where fronts are required.



## Lloyd's Capital Structure

All syndicates benefit from Lloyd's Financial Strength Rating

Reinsurance to close enables members to release profits after three years.

Lloyd's capital requirements will be assessed upfront to provide an early assessment for captive owners.

Capital set in line with UK implementation of Solvency II. Additional protection may be required if risks are volatile.

London Bridge provides a cost effective and flexible route for affiliated third party capital providers such as suppliers or financiers.

### Financial Security

**AA-**

Fitch Ratings (Very strong)

**AA-**

Kroll Bond Rating Agency (Strong)

**A**

A.M. Best

**A+**

Standard & Poor's (Strong)



## Control

Lloyd's Captive syndicates can set their own policy wordings, retentions and structures.

All syndicates must meet Lloyd's requirements, including operating in accordance with the Principles for doing business at Lloyd's but it is for each syndicate to implement controls that are appropriate for their business.

The managing agent will be able to provide a range of services to the Captive syndicate where desired. Functions can also be delegated back to the captive group or to a third party.

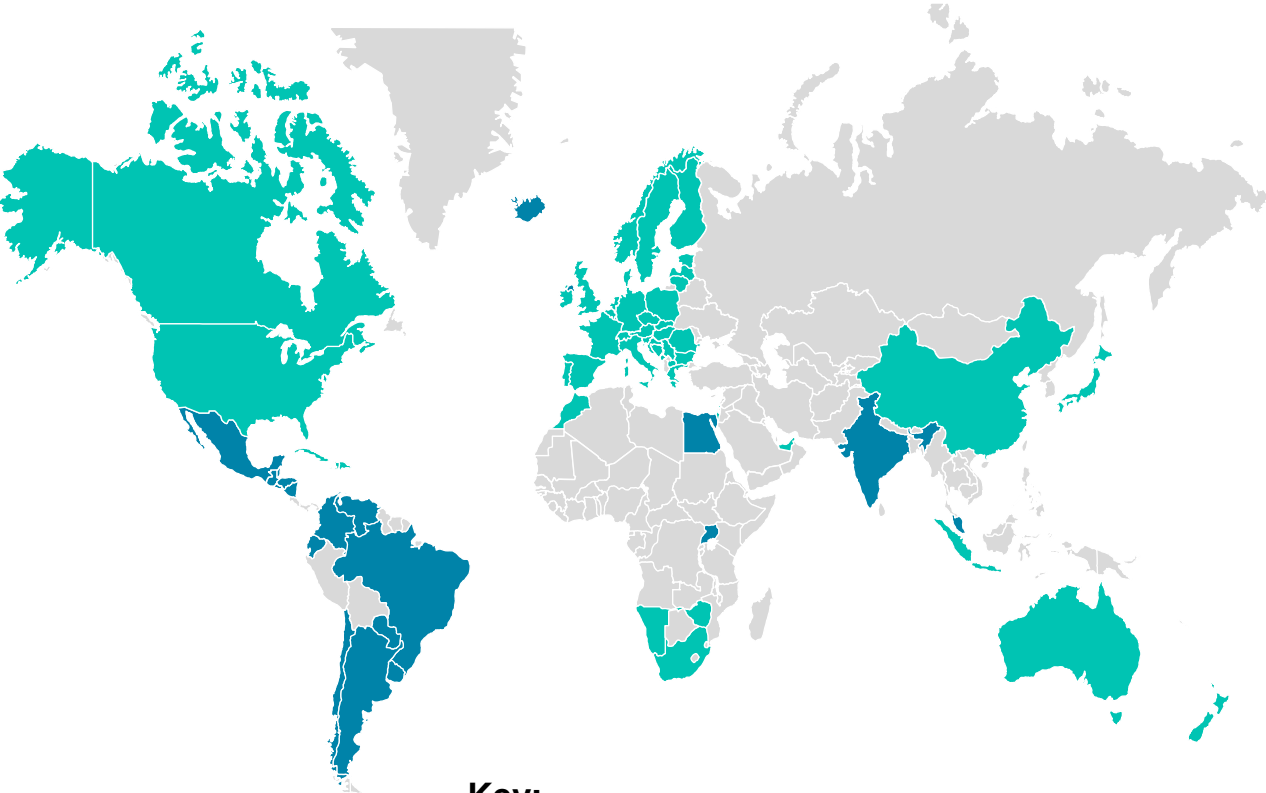
Lloyd's oversight of the Captive syndicate will be proportionate to the business proposed.

# Lloyd's licence network can remove the need for fronting arrangements

## Countries where Lloyd's has direct insurance access

### Serving clients in 200 countries and territories

For full details of Lloyd's trading rights please visit: [Lloyd's Crystal](#)



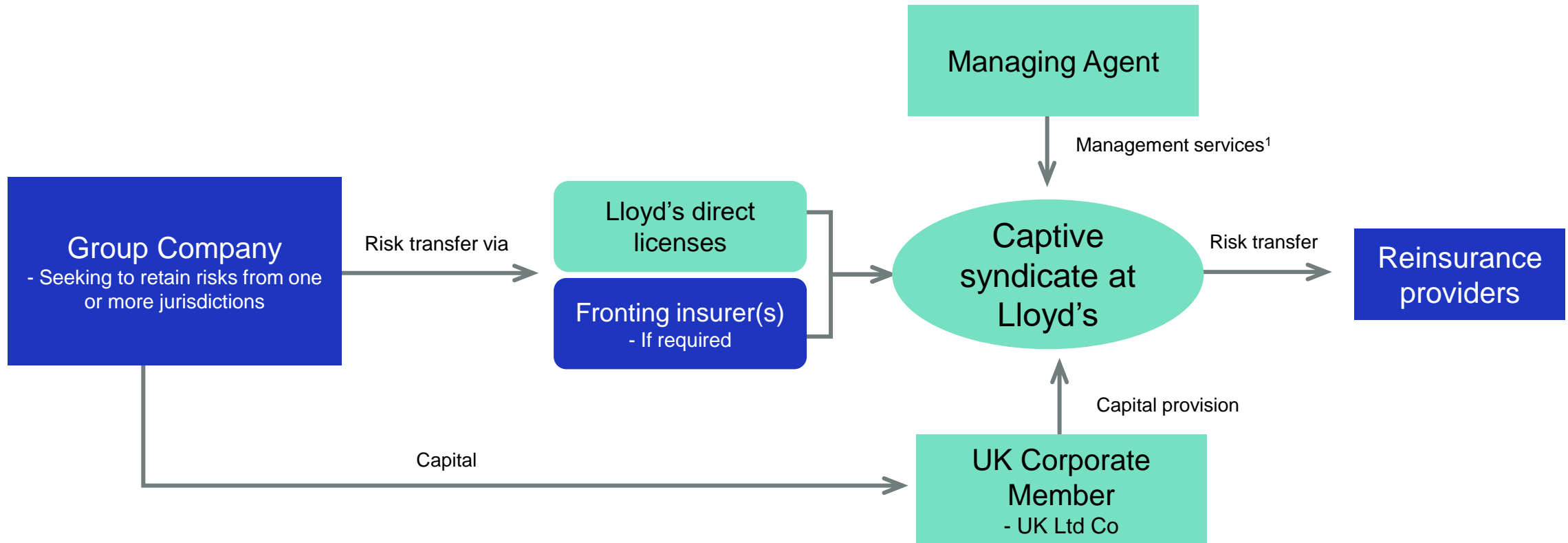
- Key:**
- Insurance and Reinsurance
  - Reinsurance
  - Cross Border Reinsurance

Lloyd's Licensed/Authorised Countries and Territories		Lloyd's Licensed/Authorised Countries and Territories (via Lloyd's Europe)	
Anguilla	Jamaica	Austria	Liechtenstein
Antigua	Japan <sup>1</sup>	Belgium	Lithuania
Australia	Jersey	Bulgaria	Luxembourg
Bahamas	Mauritius	Croatia	Malta
Barbados	Namibia	Cyprus	Martinique
Belize	New Zealand	Czech Republic	Mayotte
Bermuda	Samoa	Denmark	Monaco
British Virgin Islands	San Marino	Estonia	Netherlands
Canada	Singapore <sup>1</sup>	Finland	Norway
Cayman Islands	South Africa	France	Poland
China <sup>1</sup>	St Kitts & Nevis	French Guiana	Portugal
Colombia <sup>2</sup>	St Lucia	Germany	Reunion
Dominica	St Vincent	Greece	Romania
Falkland Islands	Switzerland	Guadeloupe	Saint Barthelemy
Gibraltar	Trinidad & Tobago	Hungary	Saint Martin
Grenada	UK	Iceland	Slovakia
Guernsey	US incl. territories <sup>3</sup>	Ireland	Slovenia
Hong Kong SAR	Vanuatu	Italy	Spain
Isle of Man	Zimbabwe	Latvia	Sweden
Israel			

<sup>1</sup> Via Lloyd's Insurance companies/platforms  
<sup>2</sup> International Marine, Aviation & Transport only  
<sup>3</sup> 'Surplus lines'

# How a captive syndicate operates at Lloyd's

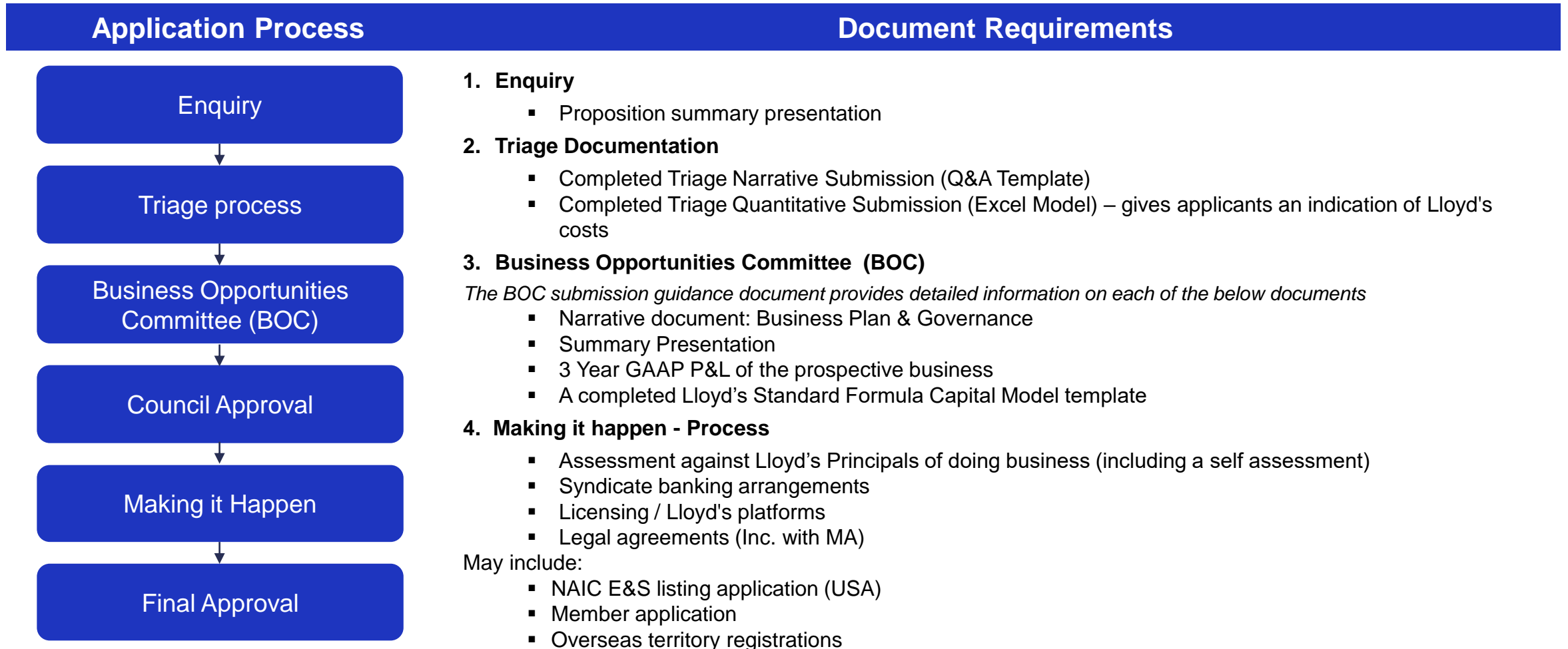
Lloyd's structure is unique and provides support and options for a captive syndicate



<sup>1</sup> Subject to commercial arrangement with captive owner and Lloyd's managing agent

# Lloyd's Captive syndicate application process

Including the key documentation required at each stage



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# Useful Links

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- [New Entrants website](#)

The Lloyd's website sets out the benefits of setting up at Lloyd's and provides information on how to join the Lloyd's market, including additional detail on captives.

- [Lloyd's Captive Syndicate Cost Model](#)

The Lloyd's Captive Syndicate cost model allows the estimation of the variable costs of operating as a Captive Syndicate within the Lloyd's market. This model excludes 3<sup>rd</sup> party fees, such as managing agent fees.

- [Lloyd's Capital Model](#)

All new entrants will use the Lloyd's Standard Model (LSM) to set capital the first 3 years of operation or until they have developed their own solvency model. Capital requirements are set in line with Solvency II, The LSM provides guidance for both syndicate and Lloyd's Capital Planning Group, which holds the final decision on a syndicate's capital requirements and may require additional protection should the risks be deemed volatile.

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