

Professional Indemnity Captive Solutions for Professional Services Firms



Professional Indemnity Challenges

The current Professional Indemnity (PI) market has become challenging for most Professional Services Firms. Premium rates are increasing significantly, cover is being restricted and general availability of capacity is retrenching!

Professional Services Firms are required to purchase PI cover (or errors and omissions insurance as it is commonly

referred to) as a requirement on their regulatory license. However, the cost and scope of PI insurance is determined by those insurers willing to write PI coverage. Where a Firm cannot afford or is not able to find an insurer willing to provide them with PI cover, they may be unable to continue trading and could face their license being rescinded by their regulator.

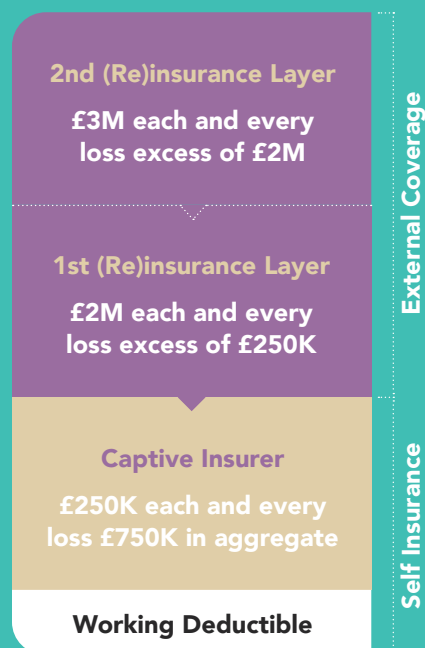
Helping Clients with Captive Solutions

If the current market conditions are hampering your ability to deliver steady shareholder returns or a potential threat to your ability to continue trading, then a captive insurance solution could help deliver more certainty to your risk management programme.

A captive (or cell) allows you to access the PI reinsurance market through structuring a deductible funding layer. An example of a typical programme structure is depicted to the right.

The premium the captive charges will be rated on past claims experience and long-term market trends, so the volatility of external insurance market cycles is eradicated. In the event of a claim, the captive will pay from their cash reserves, claiming from reinsurance if necessary. Claims are settled quickly following verification by the insurance manager and captive board. The ability of the firm to demonstrate that they are prepared to put their own capital at risk should significantly reduce the premium the external market will charge.

Example Programme Structure



How Clients Benefit

- + Robus participates in the pilot scheme for the pre-authorisation of cells in Protected Cell Companies ("PCC's"). This innovative scheme enables Robus to set up protected cell's in significantly reduced timescales.
- + Enhances control and certainty over PI costs and breadth of cover.
- + Reduces premium leakage - Allows the business to retain premiums otherwise lost to the insurance market.
- + Allows the business to retain deductibles within the Group at a higher level and reserve appropriately so that, in the event of a claim, the profit impact is measured.
- + Drives focus on risk management activities.
- + Allows flexibility on wordings to ensure businesses are properly protected and not subjected to the insurance markets introduction of exclusions at little notice.
- + Over time a pot of money will hopefully build up in the captive which allows the business to increase their participation on the PI programme or by expanding to cover other classes of business such as cyber, property damage or employee benefits.
- + Ability to finance the uninsurable. In a world where the greatest risks facing a business are uninsurable, a captive gives a business the ability to insure, plan and be resilient to whatever the future holds.
- + Greater oversight of claims handling and speed of settlement.
- + For larger firms with multiple branches, deductibles can be flexed to suit each business segment but allowing the group as a whole to retain greater risk.
- + Utilising a Captive solution may provide access to wider insurance & reinsurance capacity.

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