Getting to know Swan Reinsurance PCC

Costain Nikisi, Captive Manager, Swan Reinsurance PCC

Swan Reinsurance PCC is a protected cell company (PCC) holding a professional reinsurance licence and based in Mauritius.

The company provides a facility for the creation and management of cell captive insurance vehicles. Each cell is legally segregated from the others in terms of its assets and liabilities, revenues and expenses as well as solvency, as per the Protected Cell Companies Act 1999.

Our company holds a composite licence which enables us to create cell captives for life and non-life business.

Swan Re is a wholly owned subsidiary of Swan General Ltd, the largest insurance group in Mauritius with other subsidiaries in life and non-life insurances, actuarial services, pensions and pension administration as well as wealth management and stock broking. Swan General's balance sheet is about USD1.4bn.

Making Cell Captive facilities available to clients form an important part of Swan Re's business. Cell captive structures offer a lot of flexibility. We have deployed these structures for broad categories of clients with differing scenarios and classes of business, but the underlying factor is that the business must be profitable or at least the client must have control of the levers of profitability. We have created captives for motor, health, medical malpractice, travel, credit insurance, electronic equipment and other miscellaneous accident classes. Our cell captives can be deployed for both first party and third-party risks. The cell owners range from small businesses, through medium sized entities to large, listed firms.

CELL CAPTIVE OPPORTUNITIES

The biggest opportunities are in sub-Saharan Africa, where there is still very low penetration of insurance in general, and captive insurance structures in particular. South Africa is undoubtedly the readiest market from the point of view of understanding the workings of captive structures because of its longer history of using them.

Lately, we are getting a lot of inquiries around medical malpractice, liability and health insurance classes because of inadequacies or cost of conventional coverages for these lines.

THE SOUTH AFRICAN MARKET

There is incredible potential for development of non-conventional insurance structures in this market because of the its maturity and sophistication. There is a bit of uncertainty on usage of cell captives in South Africa going forward. It has taken the regulators a long time to promulgate regulations under the Insurance Act 2017 which are expected to provide for specifics on the running of cell captives. If those regulations make it more onerous to run cell captives in South Africa (which is likely, based on the consultation paper of July 2018), that could present opportunities for other jurisdictions like Mauritius to provide alternative domiciling.

Outside of South Africa, the concept of captives is not well known. A lot of marketing effort is required to push through the solution. But even so, some headwinds need to be overcome in South Africa. The Solvency Assessment and Management (SAM) regime increases the capital required for fronting arrangements, especially when they are fronting into non-equivalent jurisdictions (there is no equivalent jurisdiction in Africa under SAM). Mauritius got provisional recognition, but not much has been seen on the ground to take matters to a substantive level. The economic uncertainties in South Africa however present some pressures on the management of risks, leading companies to consider solutions available elsewhere, and Mauritian captive solutions are regularly explored.

THE RIGHT FIT

The main reason for considering a captive insurance solution is the unavailability and/or cost of conventional insurance solutions.

When a company's insurance spend has, historically, been consistently higher than its insurance recoveries then there is a case to explore a captive solution. A captive enables the company to enjoy the "underwriting profits" arising from the good loss experience.

It is also important to assess whether the company's risks are being effectively covered through the conventional insurance structure. The company should consider if the gaps can be cost-effectively resolved through a captive solution.

At this point it would be ideal to get in touch with us on CaptiveSolutions@swanforlife.com so that we collaboratively assess the benefits against the costs.

Costain Nikisi *is a Fellow of the Chartered Insurance Institute (FCII) and a Certified Actuarial Analyst with the Institute & Faculty of Actuaries, UK. As Captive Manager for Swan Reinsurance PCC, he is responsible for the company's operational strategy formulation and execution. He has over decade of experience spanning insurance, reinsurance and captive management.*

In a dynamic world, where risks are diverse, a solid partner is a valuable asset for success. Swan Reinsurance PCC is synonymous with years of experience and expertise in captive solutions, adapted to different situations and strategic objectives of businesses. Our lean structure, coupled with the unique advantages offered by Mauritius, allows cost effectiveness which your business can capitalize on.

Insurance management | Administration & financial | Audit & actuarial | Tax advisory | Regulatory & compliance | Investment Management

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