

Alternative Risk Structures

Determining how to best finance your company's risk can be a complicated and daunting process. At Perr&Knight, we understand that risk financing decisions are unique to every company and that many factors must be taken into consideration. Our goal is to guide you through all available options (both traditional market and alternative market) and direct you to the path that makes the most sense for your organization.

Among the most common alternative risk transfer vehicles are:

- **PURE (OR "SINGLE PARENT") CAPTIVE** – is an insurance or reinsurance company formed primarily to insure the risks of its parent company or affiliates.
- **GROUP CAPTIVE** – is an insurance company, jointly owned by a number of similarly situated companies, created to provide a vehicle to meet a common insurance need.
- **ASSOCIATION CAPTIVE** – is an insurance company owned by a trade, industry or service group for the benefit of its members.
- **SEGREGATED CELL CAPTIVE** – is a captive insurance company that creates legally segregated accounting silos or "cells" within its facility and then rents those cells and the related operational services of the captive to other parties. The main purpose of a segregated cell captive is to provide ease of entry into the captive market and freedom from administrative burdens for those companies that want to avoid the ownership and maintenance responsibilities that are required of pure captive owners.
- **RISK RETENTION GROUP** – is a liability insurance company that is owned by its members. Pursuant to the Federal Liability Risk Retention Act (LRRRA), RRG's must be domiciled in a U.S. state. Once licensed by its state of domicile, an RRG can insure members in all states. Because the LRRRA is a federal law, it preempts state regulation, making it much easier for RRG's to operate nationally.
- **RISK PURCHASING GROUP** – is a group of insurance buyers who band together, typically on a national basis, to purchase their liability insurance coverage from an insurance company, including a company operating on an admitted basis, a surplus lines basis, or a risk retention group. As the name implies, the RPG serves as an insurance purchasing vehicle for its members.
- **SELF-INSURANCE TRUST** – an arrangement whereby a participant contributes monies to a self-insurance reserve which is held by an independent entity that is specifically dedicated to the payment of anticipated claims.

CONTACT US

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