Alternative Risk Finance

PERR & KNIGHT

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"Alternative Risk Transfer" (ART) is broadly defined as financing risk outside of the traditional commercial insurance market. The ART market is comprised of a full spectrum of risk financing methods ranging from high deductible programs and self-insured retentions to risk purchasing groups to licensed and regulated captive insurance companies.

Use of ART mechanisms has grown dramatically over the last 50 years and now accounts for more than 50% of the commercial insurance market. The reason for this shift becomes obvious when one looks at the nature of insurance.

Insurance is based on the pooling of risk so those with good loss experience are forced to support those with bad loss experience. As the better risks become frustrated with this scenario and leave the standard market, the remaining pool becomes worse and worse – and standard market premiums rise to reflect the deteriorating quality of the pool.

ALTERNATIVE RISK FINANCE SERVICES

Perr&Knight's Alternative Risk Finance practice helps clients with existing ART structures to operate their programs more effectively, while assisting clients who have not yet entered the ART market to structure and implement a program that allows them to escape the downward spiral of the standard insurance market. We provide a full suite of alternative risk services including:

- Risk management consulting
- Insurance program analysis
- Actuarial services
- Preparation of feasibility studies
- Design and implementation of ART structures
- Domicile selection
- Captive insurance company application preparation and licensure
- Captive management and regulatory compliance
- Captive exit strategies and closure solutions
- Board of Directors participation and services

With the support of the larger Perr&Knight organization, the Perr&Knight Alternative Risk Finance unit combines the expertise and flexibility of a smaller boutique consultancy with the expanded capabilities of a much larger firm. We provide access to:

- All forms of alternative risk transfer vehicles including:
  - Single-parent captives
  - Group captives
  - Association captives
  - Segregated cell captives
  - Risk retention groups
  - Risk purchasing groups
  - Self insurance trusts and pools
- All major captive domiciles - both onshore and offshore

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- In-house Actuarial Consulting, Regulatory Compliance, Insurance Technology, Competitive Intelligence and Data Services

WHY COMPANIES CHOOSE ALTERNATIVE RISK TRANSFER

Why do so many companies choose to form captives or other alternative risk transfer vehicles? A few of the most often stated reasons include:

- Reduced reliance on commercial insurance allows for the reclaiming of control over risk financing;
- Reduction in the cost of risk management through the lowering of insurance acquisition expenses;
- Stabilization of pricing over time;
- Provision of coverage where otherwise unavailable or unaffordable;
- Access to reinsurance markets;
- Improved cash flow benefits;
- Reduction of government regulation and interference through proper choice of captive domicile;
- Ability to customize insurance programs;
- Formalize the allocation of deductibles for self-insurance retentions within a corporation;
- Better risk management through greater access to claims and underwriting data;
- Improved claims handling and control through implementation of tailored policies and procedures;
- Creation of a profit center;
- Potential tax advantaged treatment of accumulated underwriting and investment income;
- Ability to direct investment options.

ABOUT US

Perr&Knight is a leading provider of insurance support services and a strategic resource that companies utilize to reduce their fixed costs while increasing the efficiency and value of their insurance operations. Our insurance support services include Actuarial Consulting, Competitive Intelligence, Data Services, Insurance Technology, Regulatory Compliance and Risk Services.

CONTACT US

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