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Reinsurance captives

Optimising risk financing

In today's global insurance market, companies are increasingly facing rising premiums, limited coverage options, and stricter regulatory requirements. Traditional insurance solutions often fail to provide the flexibility and financial efficiency that businesses require to manage their unique risk portfolios. A reinsurance captive presents a forward-thinking alternative, allowing organisations to take ownership of their risk management, achieve greater cost control, and target long-term financial stability. By creating a captive, businesses can tailor their risk transfer strategies, optimise capital allocation, and gain direct access to professional reinsurance markets, ultimately reducing dependence on volatile commercial insurance cycles.

At PwC Luxembourg, we offer a one-stop-shop service - from conducting feasibility studies to determine whether a captive reinsurance makes sense for your group, to setting up the captive reinsurance company, and managing and maintaining captives that align with your strategic, financial and risk management objectives.



For further information, please contact our experts

<https://www.pwc.lu/en/insurance/managed-services-regulated-psa.html>

Empowering Businesses with Reinsurance Captives

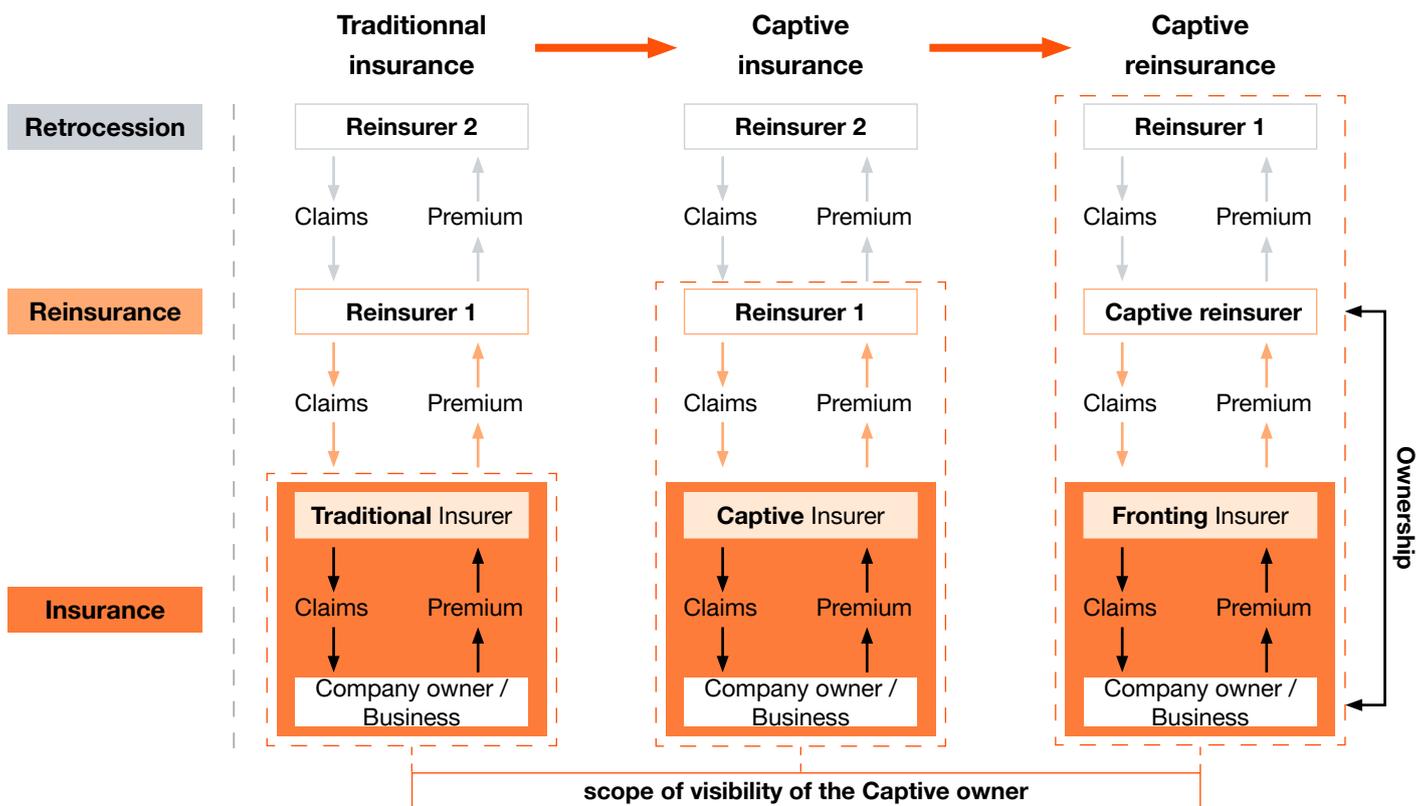
Benefits of managing your own risks

In today's fast-changing world, traditional insurance doesn't always cut it. Managing risk in-house gives businesses more control over finances, coverage, and strategy. It allows them to customise risk mitigation, stabilise costs by reducing exposure to market swings, and improve financials by keeping a share of risk-related expenses.

Taking charge of risk management also sharpens awareness and decision-making through better data insights. For a more structured and regulated approach, many companies turn to captive (re)insurance solutions, offering full control over underwriting, claims, and financial reserves.

What is a captive reinsurance?

A "(re)insurance captive" is a (re)insurance company that is owned by an entity or a group to cover its own risks, while maintaining control over the entire insurance process, from underwriting and policy issuance to managing retrocession strategies.



Why choose a reinsurance captive?

A reinsurance captive takes risk management to the next level by providing companies with the opportunity to establish their own reinsurance entity, gaining full control over underwriting, claims handling, and financial reserves. By setting up a captive, some of our clients achieved up to 20% of external premium reduction. Other benefits can be :

Reduce and/or stabilise risk financing costs

Establishing a reinsurance captive allows businesses to retain underwriting profits while insulating against insurance market fluctuations reducing exposure to premium volatility.

Tailor risk management

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Directly access reinsurance markets

Through their captive, organisations gain the ability to negotiate directly with global reinsurers, securing better terms and conditions without the added costs of intermediaries.

Benefit from tax deferral

Luxembourg offers a well-established and structured legal framework for reinsurance captives, providing regulatory stability and access to a deferred tax treatment.



Why Luxembourg for your reinsurance captive?

Luxembourg is the leading reinsurance captive domicile within the European Union, offering a stable regulatory framework, a business-friendly environment, and access to global reinsurance markets. Companies choosing Luxembourg benefit from:

- **The largest reinsurance captive domicile** in the EU with more than 190 licensed captives as at end of 2024 with a strong ecosystem and expertise of managing captives.
- **A pragmatic regulator** –The country offers a stable regulatory environment, supported by the local insurance regulator “The Commissariat aux Assurances (CAA)” who has developed rigorous yet pragmatic framework for captive setup and supervision.
- **A Strong financial and professional ecosystem** – Luxembourg offers access to top-tier financial institutions, actuarial experts, and legal advisors, ensuring efficient captive operations.
- **A well-established tax and accounting framework** – Captives in Luxembourg benefit from a well-structured tax environment that includes deductibility of reserves, access to double taxation treaties, and strategic financial planning advantages.
- **A prosperous financial center:** Luxembourg holds **120+** international banks from 25 countries with approximately EUR 1 trillion in assets. Chinese banks make up the second largest group at **11.6%** of market share in Luxembourg banking sector.

Focus on the accounting and tax efficiencies

Luxembourg’s financial and regulatory structure is designed to support reinsurance captives, providing tax deferral and accounting flexibility that optimise captive sustainability:

- **Equalisation Reserves**
Captives in Luxembourg can set aside equalisation reserves to smooth underwriting results over multiple years, reducing earnings volatility and improving financial stability.
- **Reserve management**
Technical provisions and underwriting reserves benefit from a tax deductibility treatment, ensuring captives can use more of their earnings to increase capacity.
- **Flexible investment strategies**
Captives operate under a prudent yet adaptable capital framework, allowing strategic asset allocation that aligns with risk retention goals.
- **Double tax treaties network**
Luxembourg has over 80 double taxation treaties, including China, facilitating efficient profit repatriation and minimising tax leakage on international transactions.



PwC Luxembourg offers industry leading experience in captive design and management

Getting started

Captive Advisory and Management

Setting up and running a captive is a long-term commitment that requires careful planning and expertise. Our team works closely with you to assess whether a captive is the right fit for your organisation. From there, we collaborate with your legal and financial advisors to ensure a smooth setup and ongoing management, all the while staying aligned with tax and accounting requirements.

Captive Advisory

Expert guidance for a successful strategy

Through in-depth feasibility studies, our captive advisory experts will guide you in evaluating the benefits and challenges of setting up a captive. We help you make informed decisions before committing to a long-term risk management strategy. We, also, explore alternative ways a captive can add value to your business.

Key Captive Advisory Services:

- **Feasibility studies** – evaluating the viability of captive formation based on financial and strategic goals.
- **Strategic reviews** – assessing and optimising captive structures for maximum efficiency.
- **Exit strategy studies** – providing structured plans for captive closure or alternative utilisation.

At PwC Luxembourg, we stay on top of market trends so you don't have to, helping you adjust your insurance strategy as conditions change. Plus, with strong ties to leading reinsurers and brokers, we make sure your captive has access to the best possible risk transfer solutions.

Captive management

An end-to-end service

Once your captive is established, effective management is key to maximising its value. Our experienced team provides ongoing support, ensuring smooth operations and compliance with accounting and regulatory requirements.

At PwC Luxembourg, we have a team of captive managers, accountants, actuaries and tax experts who will serve you across all aspects of captive operations.

- Policy and claims administration
- Accounting & bookkeeping
- Regulatory reporting
- Regulatory compliance
- Actuarial services

From day-to-day administration to long-term business planning, our team is committed to helping your captive operate efficiently and deliver sustainable value.

“ You drive your business, we run your operations”

PwC Luxembourg China Business Group

We have set up a dedicated team with a focus of serving Chinese funded companies and financial institutions for more than a decade. Our team consists of native Chinese speaking professionals from all service lines, including assurance, tax and advisory, covering fund industry, alternative industry, banking industry, insurance industry and more, and other subject matter experts to support our clients to excel in their business in China or their business in Europe.

Over the years, we have gained incomparable knowledge and experience due to our leading market share and our active engagement with Chinese companies. Meanwhile, as part of the

PwC EU Chinese Business Group (“EU CBG”), we are equipped with the capacity to serve our clients jointly with PwC firms across EU.

Rich experience:

With top Chinese financial institutions and companies

We Listen, we speak:

Our team of Chinese-speaking professionals are ready to listen and respond to your needs.

We know China; We know Europe:

Close collaboration with PwC China around various topics. We stay in trend with Chinese economy and political environment.