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PROTECTED CELL CAPTIVES

INSURANCE INNOVATION

INTRODUCTION TO PROTECTED CELL CAPTIVES

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What is a Protected Cell Captive?

A Protected Cell Captive (PCC) is a single insurance entity made up of multiple legally separate “cells.” Each cell has its own assets and liabilities, protected from others in the structure.

Instead of forming a full captive, businesses can own a cell, gaining the benefits of captive insurance—like custom coverage and access to reinsurance—without the high startup costs.

PCCs offer a flexible, cost-effective solution for companies looking to manage risk more efficiently while maintaining legal and financial separation from other participants.

Why Form a Protected Cell Captive?

Cost-Effective & Easy to Launch

Avoid the expense and complexity of forming your own captive by owning a cell in an existing structure. Lower setup and ongoing costs.

Flexibility with Full Captive Benefits

Each cell operates like its own mini-captive: you can design custom insurance programs, set your own underwriting and claims strategy, and access reinsurance markets—while benefiting from the simplicity of a shared platform.

Protection & Independence

Each cell is legally separate—your assets and liabilities are protected from other participants within the PCC.

How a PCC Works

A Sponsored Captive (or Protected/Segregated Cell) is essentially a Series LLC licensed as a captive insurer. It offers an alternative to traditional insurance, with benefits like those of group or single-parent captives. Each cell can issue policies and access reinsurance, while the insured company owns the cell's infrastructure.

Why Is It Important?

Cell Structure & Segregation

Each cell operates independently within the PCC, with its own assets and liabilities legally separated—unlike a traditional captive, where all risks are pooled in one entity.

No Need to Form a New Entity

Businesses can a cell in an existing PCC, avoiding the time and cost of forming a standalone captive insurance company.

Shared Core Infrastructure

The PCC core handles licensing, governance, and regulatory compliance, allowing each cell to focus solely on its own insurance needs—streamlining operations compared to a traditional captive.

Key Considerations for Forming a PCC Cell

Domicile Selection

Choose a jurisdiction that supports PCC legislation and aligns with your regulatory, tax, and business goals.

Incorporated vs. Unincorporated

Consider the level of legal separation and control needed for your operations or investor relationships.

Capital Requirements

Understand minimum capital, surplus needs, and funding strategies based on the type of risk and cell structure.

Fronting Arrangements

Will you need an admitted carrier? Factor in fronting fees, licensing, and the strength of the partner.

Risk Profile & Objectives

Match the cell's purpose (e.g. employee benefits, warranty, niche risk) to your risk appetite and long-term strategy.

Choosing the Right Domicile

When choosing a domicile for a Protected Cell Captive, look for jurisdictions with PCC legislation, strong cell segregation, and experienced, captive-friendly regulators. Consider premium taxes, capital requirements, and ongoing costs, and prioritize locations with a solid reputation and reliable local support.

Checklist When Conducting Research

- Legal Recognition of PCCs
- Regulatory Approach
- Tax & Cost Environament
- Local Infratstructure and Reputation

Tennessee is our preferred domicile with the most favorable conditions for a PCC.

Incorporated Cell

An Incorporated Cell offers maximum independence and legal protection within a PCC structure. As its own separate legal entity, it can enter contracts, hold assets, and manage liabilities independently. This makes it ideal for complex programs, investor involvement, or situations requiring strong legal clarity and external credibility.

Pros

- Strong legal ring-fencing
- Can contract in its own name
- Sutiable for external investors

Cons

- Higher cost and complexity
- Separate filings required (depending on jurisdiction)

Unincorporated Cell

An Unincorporated Cell offers a fast, simple, and cost-effective way to access captive insurance. It doesn't require separate legal incorporation, making setup quicker and less expensive—ideal for internal risk programs or short-term strategies that don't need full legal independence.

Pros

- Quick and low-cost setup
- Lower complexity
- Full segregation under PCC law

Cons

- Cannot contract in own name (PCC acts as attorney in fact)
- May require fronting partner

Capital Requirements

Core Capital (PCC Core)

- Required by the domicile regulator to license and maintain the PCC structure
- Covers shared governance, infrastructure, and base regulatory risk
- Varies by jurisdiction (e.g., $100,000–$250,000+ depending on domicile)

Cell Capital (Per Individual Cell)

- Each cell must be separately capitalized based on its risk profile and lines of coverage
- Capital levels are often determined by the regulator, actuary, or fronting carrier
- Can range from $25,000 to $500,000+, depending on retained risk and program complexity

Factors Influencing Capital Needs

- Type and volume of risk insured
- Retention levels and reinsurance structure
- Regulatory requirements of the domicile
- Whether the cell is incorporated or unincorporated

Fronting Arrangements

How It Works

A licensed (admitted) insurer issues the policy to meet regulatory requirements, then cedes the risk to a PCC cell through a reinsurance or participation agreement. The cell assumes the risk and earns premium, while the carrier retains a fronting fee.

Why It Matters

Fronting arrangements allow unlicensed PCC cells to operate in admitted insurance markets by leveraging a licensed carrier. This ensures regulatory compliance, builds policyholder trust, and preserves access to custom captive programs and reinsurance markets.

Key Questions for Objectives

Exposure

What types of risk do you want to insure—employee benefits, liability, warranty, or other specialized exposures?

Purpose

Are you aiming for cost savings, greater control, cash flow management, or profit through underwriting?

Tolerance

How much risk are you willing to retain, and what level of capital are you prepared to commit?

Contact Us

Ready to explore how a Protected Cell Captive can support your goals? Contact us to discuss your needs, assess feasibility, and outline the next steps. Whether you're new to captives or refining a strategy, we're here to help.

www.procedant.com

(480) 586-6075

luc@procedant.com

Phoenix, Arizona

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THANK YOU

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