

Setting up an Insurance Company

A guide to establishing an insurance company



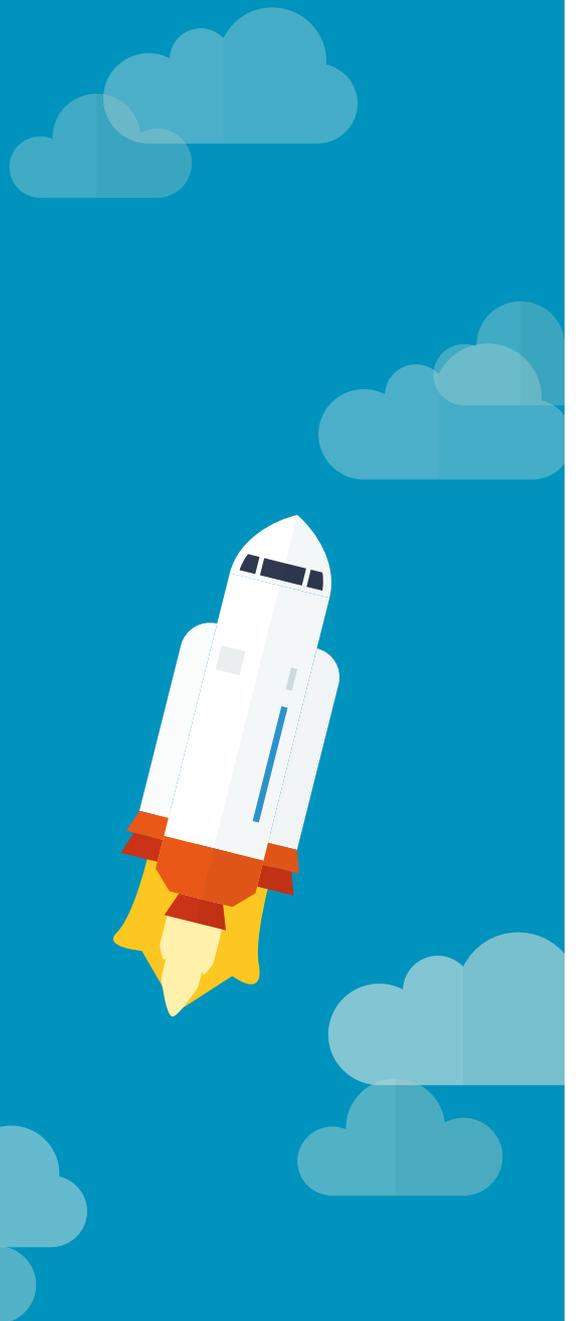
You are about to embark on a project that has the potential to be both challenging and rewarding.

Drawing on our considerable experience of helping clients establish to their own financial services businesses, we have compiled this guide for entrepreneurs wanting to form an insurance company.

This document is designed primarily for those seeking to set up a full insurance company under Solvency II. The process for establishing a protected cell company, for example will be different.

This document details the complex company formation process into six stages, providing you with a list of high-level issues that you need to consider as you begin the planning process. It is not intended to be a detailed step-by-step guide to establishing a new insurance business; it can, however, help you consider the big picture issues at the start of your journey

The range of issues that you will need to consider are extensive and there are no quick shortcuts. However, you are not alone - our team of experts can help you prepare and implement a plan tailored to your unique circumstances.



Step 1 - Business Plan

Identify and assess the risks and opportunities.
Consider the following when creating your business plan:

- Type of risks – class/customers
- Volume of business
- Location of your client base
- Source of business – brokers/direct/etc. – names/mix
- Any non-UK regulated business?
- Growth strategy
- Regulatory permissions required
- Marketing approach
- Treating customers fairly
- Key partners
- Pricing – commission, loss ratios (source of historic data)
- Reinsurance – excess of loss/quota share
- Credit rating
- Source of finance
- Capital requirement
- Ownership – influencers
- Connected companies
- Regulatory regime – UK/Overseas
- Extent of outsourced function
- Advisers – lawyers/accountants/auditors/actuary/bankers
- Who is going to pull together the plan/budget/documentation?
- Brand strategy – Why is the business unique?

Notes

Step 2 – People

Your business will not success without the right people. Consider who will be responsible for the following key roles:

- CEO
- Chairman
- NED
- Underwriter
- Finance
- Compliance
- Risk/actuarial
- Claims
- IT
- Outsourcing relationships and what might be outsourced
- Conflicts of interest
- Constraints on time commitments
- Approved persons / Senior Manager and Certification Regime

Notes

Step 3 – IT

Good IT systems and processes are an essential part of any successful business, and can form the basis of a competitive advantage over your rivals. Consider the following:

- What data/functions – how complex
- What systems
- Data security
- Disaster recovery
- GDPR

Notes

Step 4 – Financial Plan

How are you going to finance your business during the planning phase, at launch and on an ongoing basis? Consider the following:

- 3 years – assumptions
- Underwriting results
- Staff costs – incentives
- Accommodation costs
- Marketing costs
- IT costs
- Outsourcing costs
- Expenses
- Regulatory fees
- Set-up costs
- Professional fees
- Financing costs
- Investment returns
- Dividend policy
- Taxation – corporate, personal, VAT, IPT
- Profit and loss/Balance sheet
- Cash flow
- Working capital
- Solvency calculations
- Stress testing
- Sources of additional capital/liquidity

Notes

Step 5 – Capital

In addition to covering your set-up and running costs, your insurance business will require adequate capital reserves. Consider the following:

- Regulatory requirement and modelling of capital
- Own capital assessment
- Acceptability for solvency
- Source

Notes

Step 6 – Governance, systems and documentation

Sound governance and risk management is vital for a business in a highly regulated industry such as insurance. Consider the following:

- Governance framework – committees – terms
- How systems will be created and documented
- Solvency II requirements and PRA/FCA
- External audit
- Internal audit
- Actuarial
- Risk management
- Compliance
- Claims administration
- Underwriting controls
- Financial controls
- Conduct risk
- Management information
- Capital monitoring
- ORSA document

Notes

Our expert team can help you understand the steps to becoming an approved insurer.

To find out more, please get in touch with your PKF Littlejohn partner or contact a member of our insurance team:



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