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Isle of Man Government
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# Protected Cell Companies (PCCs)

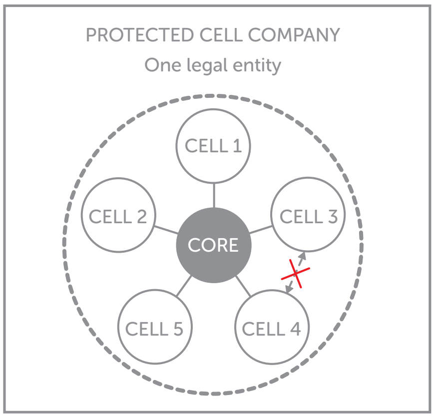
## Introduction

Most Protected Cell Companies (PCCs) have two distinct elements; a non-cellular part (also known as the "core"), typically owned by the sponsor, and a potentially unlimited number of cells.

A Protected Cell Company (PCC) is a single legal entity whose assets and liabilities are segregated and protected within one or more cells of the Company, and the Core. The assets and liabilities of one cell are legally ring-fenced from other cells and the Core. Creditors of a cell in a PCC only have recourse to the assets of that cell. Creditors have no rights against the assets of any other cell, nor any rights against the assets of the core if a cell limitation agreement is signed.

The PCC has one Board of Directors who manages the affairs of the PCC as a whole. The PCC typically undergoes one audit and makes one regulatory filing. As such, the operating costs of a cell within a PCC should be lower than for a similar standalone Captive.

A diagrammatic comparison is shown below.




## Key Features of the Core and the Cells

- The Directors are under a statutory obligation to keep the assets and liabilities of the Core and each Cell separately identifiable
- Typically a cell owner is required to enter into a Cell Management Agreement with the Core
- For many sponsored PCCs, each cell will generally be required to fully secure any risk or liability resulting from its insurance programme
- Each cell shareholder will be responsible for taking their own legal and taxation advice
- Under Isle of Man legislation, it is possible to convert a traditional Captive into a PCC
- The capital/solvency requirements are aggregated across the PCC
- A PCC must include the words PCC in its name

## Uses of PCCs

PCC's offer similar advantages to traditional Captives. They can also be used in a variety of ways, offering their owners substantial benefits. Some examples are:

- **Sponsored PCC Captives**

  The primary motive for these would be the reduced costs of operating a cell compared to a standalone Captive.

- **Segregation of different risks**

  A PCC structure typically facilitates separation of risks by subsidiary or division, regulated and non-regulated business, wholly owned entities and non-wholly owned, or customer insurance and self-insurance.

- **Association Captive and mutual insurance Captive**

  The PCC structure enhances what an association Captive or mutual Captive can provide its members, by ensuring that the adverse result of one member does not affect the results of other members.

- **Life insurance companies**

  The PCC structure would segregate the assets and liabilities of a policyholder from those of other policyholders.

- **Special Purpose/Transformer Vehicles (SPVs)**

  More recently, protected cell structures have been utilised as special purpose/transformer vehicles as they can facilitate the development of capital market transactions into insurance transactions or their use as risk transfer vehicles to enable the securitisation of future income streams.

## Isle of Man Legislation and Regulation

Protected Cell Companies Act and Regulations 2004 and Amendment Regulations 2005 and 2011.

Regulatory authorisation for the Core and each individual cell is required. To apply for authorisation, an application must be submitted including information such as the ultimate beneficial owner of the cell, a three year business plan and copies of relevant documentation.

Isle of Man Captive ASSOCIATION

## Contacts

For further details of Captive Insurance Services in the Isle of Man please refer to:

www.whereyoucan.im/captives
www.iomcaptive.com
www.gov.im/ipa