



Oslo, 13 January 2020

To member companies of the
Norwegian Natural Perils Pool

Circular 1/2020

CAPTIVES AND NATURAL PERILS INSURANCE

By a captive insurer, we mean a non-life insurance company that is owned by one or a small number of companies and writes insurance only for its owners and their group companies. In addition to writing insurance itself for its owners, it is our experience that the captive will often choose to place insurance for its owners directly with various other insurers. In these cases, the captive often has a role in the insurance offered by the other insurer, e.g. in the form of a reinsurance agreement. This means that the captive and its owners may, over time, have different insurers.

Section 1 of the Natural Perils Insurance Act states: "Property in Norway that is insured against fire is also insured against natural damage". This statutory natural perils insurance is a compulsory supplement to fire insurance, and an insurer that offers fire cover to a customer must also offer statutory natural perils cover for the same assets.

In cases where the captive itself is not the direct provider of fire insurance, this means that the insurer providing fire cover for the captive's owners must also provide statutory natural perils cover for the same assets. It is not possible to split fire and natural perils cover such that one company covers fire while another covers statutory natural perils.

It is the insurer that writes the fire insurance – and, as mentioned above, the statutory natural perils insurance – that is to be a member of the Pool and is to report sums insured against fire for inclusion in the basis for claims equalisation through the Pool. This is also the company that collects the natural perils premium and allocates any surplus as natural disaster capital, cf. section 4 of the Natural Perils Insurance Act and sections 1, 8 and 11 of the Rules for the Norwegian Natural Perils Pool.

If you have any questions about this matter, please contact us at pool@finansnorge.no.

Yours faithfully

For and on behalf of the Norwegian Natural Perils Pool

Synnøve Folkvord
Principal Adviser