



Swiss Re Corporate Solutions

Innovative Risk Solutions

Arm's Length Pricing

Swiss Re Corporate Solutions provides tailor-made solutions to large corporations and captives for their (re)insurance, fronting and alternative risk transfer needs.

Background

Quite often, tax authorities challenge the rationale behind the captive premium charged to their subsidiaries, especially if those are located in multiple countries with different tax codes and rates. In an effort to end tax avoidance, the Organisation for Economic Cooperation & Development (OECD) has issued new rules regarding financial cross-border transactions, including captives and their international insurance business. The rules address three dimensions of the captive: the commercial rationale, substance and the arm's length pricing principle. Regarding the latter – the so-called "comparable uncontrolled price" is one methodology to evidence Arm's Length Pricing. If an independent (i.e. uncontrolled) third party would underwrite and price the same risk, would it arrive at the same premium? If the third party is credible and arrives at a similar premium figure, there is evidence for arm's length pricing. The problem with getting independent

market quotes on a risk from credible insurers without having them bound on the risk afterwards, is that it would jeopardize the credibility of the quotes. Insurers do not want to go through an underwriting process without a chance to be bound and get paid on the risk. Arm's Length Pricing quota share addresses both, evidence on appropriate transfer pricing as well as its documentation.

Our Arm's Length Pricing Solution

We use our expert risk assessment technology to model and quote the risk transferred into a captive programme and offer to participate with a quota share on the captive programme at quoted terms. Participation percentage has no minimum or maximum.

In addition, Corporate Solutions provides a documentation of the approach and technology used for pricing of the risk transfer. This documentation is provided to the client in a form that can be shared with the tax authorities.

Key benefits

- **Covers all transfer pricing aspects in one solution:**
 - Third party pricing with commitment
 - Documented premium modelling from a technical insurer
- **Independent:** we receive no fees and usually provide no other services
- **No additional charges** for the provided documentation
- **High credibility**, also due to actual participation in the risk

Contact us today to learn more

To learn more about this product and the wide array of additional innovative risk solutions we can provide, please contact Swiss Re Corporate Solutions.

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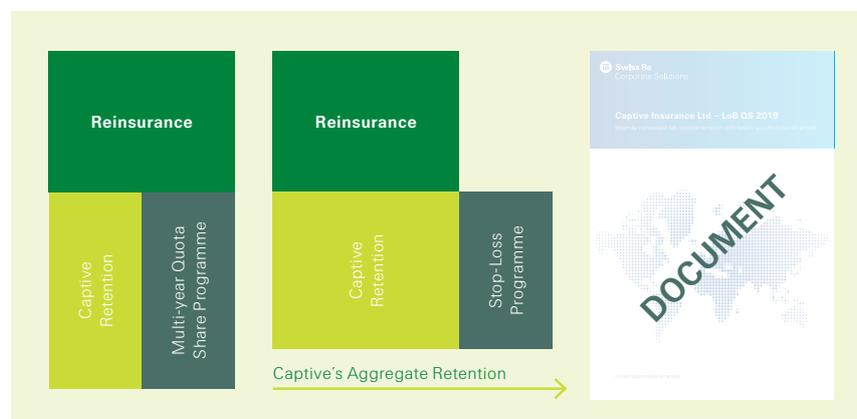
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Arm's Length Pricing Support

Illustrative



Swiss Re Corporate Solutions offers innovative, high-quality insurance capacity to mid-sized and large multinational corporations across the globe. Our offerings range from standard risk transfer covers and multi-line programmes, to highly customised solutions tailored to the needs of our clients. Swiss Re Corporate Solutions serves customers from offices worldwide and is backed by the financial strength of the Swiss Re Group. For more information about Swiss Re Corporate Solutions, please visit corporatesolutions.swissre.com or follow us on Twitter @SwissRe_CS.