

STUARTS WALKER HERSANT HUMPHRIES



Captive Insurance Overview

Stuarts Walker Hersant Humphries (“Stuarts”) has an experienced team of insurance attorneys who offer in-depth market knowledge in relation to the insurance market. We assist in all aspects of establishment, licensing, structuring, regulation and operation of insurance captives.

What is Captive Insurance?

Captive insurance companies usually insure or reinsure the risks of their parent and affiliates. In some cases however, captives are used to insure risks that are not related to their parent organisation. Captives can be used to provide coverage either directly or by providing reinsurance of a fronting insurer.

Captive Insurance in the Cayman Islands Overview

The Cayman Islands is the second largest captive insurance company domicile in the world and it is also the fastest growing. There are more than 760 active captives in the Cayman Islands, total premiums registered exceeds US\$13.6 billion; and total assets under management are in excess of US\$72.5 billion. It is the global leader for health care and medical malpractice captives. Captives are regulated by the Cayman Islands Monetary Authority.

Captive Structures

Although captives can be structured in many ways the following four captive structures are commonly used in the Cayman Islands:

Single parent captives

A single parent company captive is wholly owned and controlled by its parent and it will insure or reinsure the parent and possibly other group or affiliated companies.

Agency captives

An agency-owned captive is a reinsurance company owned by an agent or group of agents. By co-insuring certain risks which the agent may broker to underwriters the agency owned captive demonstrates that the agent is prepared to commit to the risk which it is broking.

Association or industry captives

The captive is not always owned by one individual or organisation and may be owned by a collection of companies in the same industry or belonging to the same association.



Key Contacts



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Rent-a-captives

Additionally, 'rent-a-captive' facilities are available in the Cayman Islands. They provide some of the benefits of a captive in situations where full ownership is not desired or where the programme is considered too small to justify the incorporation of a separate captive insurance company. A rent-a-captive could simply be a selection of companies wishing to self insure through a joint venture arrangement. The captive provides the regulatory capital to enable it to underwrite risk in the normal way and the entity being insured or reinsured by the captive may pay a fee to the captive for the services of the captive in addition to the insurance premium. In this structure the ring fencing of assets and liabilities of each participant can only be effected contractually rather than relying on the statutory separation provided by the Segregated Portfolio Companies.

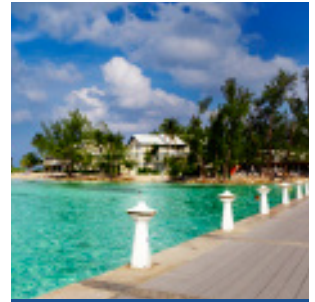
What are the benefits of forming a captive?

- Coverage tailored to meet your needs
- Risk retention, risk management and loss control
- Direct access to the reinsurance market
- Improved cashflow control
- Underwriting and retention funding flexibility
- Protection against price fluctuations
- Greater control over claims
- Investment income to fund losses

Why choose the Cayman Islands?

- Highly developed professional services capability
- Reasonable capital requirements
- Freedom from various state regulations
- Effective crime legislation
- The absence of exchange controls, and the opportunity to transact business in any major currency
- Absence of income capital gains or other taxes
- Access to the reinsurance markets either locally or in major insurance centers
- Strong infrastructure and easy access to the jurisdiction

Captives not only provide an excellent risk transfer mechanism but can be an additional profit centre for the shareholders of such company. The Cayman Islands therefore continue to flourish as a global leading domicile for captives.



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