

## Cayman -- A Well Regulated Domicile

### *Cayman regulators take control of captive manager*

by Christina Mancini, Partner and CEO, Captive.com, LLC, February 22, 2012

Captive.com recently learned from several captive managers who have operations in Cayman that the Cayman Islands Monetary Authority (CIMA) had appointed a Controller over a small, local insurance manager. To learn more about this action, we spoke with Clayton Price, Chairman of the IMAC Executive Committee, who graciously shared the following clarifying information:

"IMAC has been advised that on February 14, 2012, the Cayman Islands Monetary Authority (CIMA) the regulator has appointed a controller over a small insurance manager. While it is disappointing to learn that circumstances particular to the individual manager left CIMA with no other recourse, IMAC supports CIMA in taking decisive and appropriate action serving in the best interest of the Cayman Islands. Cayman has been a steady regulatory jurisdiction for close to 40 years and one can anticipate that, from time to time, a problem may occur. Indeed, it is reassuring that CIMA, has taken swift and remedial action in addressing the alleged inappropriate actions of this insurance manager.

"CIMA performs a series of annual on-site inspections, in addition to its already wide supervisory monitoring. If and when weaknesses are identified, the regulator works closely with a licensee to rectify matters. In almost all cases, this course of action is successful, but in very rare occasions, further action is necessitated.

"Whilst more severe action is not lightly taken by CIMA, after all reasonable options are exhausted, the move to a higher level of compliance is appropriate. This IMAC views as the benefit of a well-regulated jurisdiction to protect the sanctity of its policyholders and other key parties.

"In conclusion, we garner a sense of comfort that the regulatory structure works efficiently and effectively. The circumstances pertaining to this insurance manager, while regrettable, have been addressed swiftly with CIMA appointing a controller and notifying key stakeholders. The fact that there have been so few issues pertaining to more than 1,000 captives licensed in Cayman, spanning a period of more than 40 years, the infrequency of actions like this is a testament to the veracity of the Cayman captive sector."

So, what might we as an industry learn from this action? Is it time for captive jurisdictions to put policies or procedures in place that reasonably ensure the existence of appropriate internal controls within small management operations? If so, how might this be accomplished? What other governance-related changes should be considered at this point in the industry's evolution that will allow us to police ourselves and regulate ever more effectively?

We congratulate CIMA on taking this very positive and appropriate action, demonstrating that the captive insurance regulatory system in quality domiciles like Cayman does work well indeed.