

Cayman Islands Captive Industry Fact Sheet



Overview

In 1979, the Cayman Islands passed its first Insurance Law containing provisions for captive insurance companies. Since that time, several niche captive insurance/ alternative risk transfer markets have been created, including those for healthcare, groups and associations, Segregated Portfolio Companies (“SPC”) and Special Purpose Vehicles (“SPV”). With over 730 captive/ART insurance companies currently licenced in the Cayman Islands, there is a wealth of experience and intellect within the domicile, not only within the local network of service providers, but also within the insurance regulatory body, the Cayman Islands Monetary Authority.

(Visit www.cimoney.com.ky for additional information on the insurance regulator and insurance regulation in the Cayman Islands.)

Healthcare Captives

The healthcare captive industry in the Cayman Islands commenced with the formation of CRICO in 1976 serving Boston based medical institutions during a period of time when medical malpractice insurance was difficult to obtain at a reasonable cost. Other healthcare systems followed soon thereafter, and at the present time, over 1/3rd of all captives in the Cayman Islands are healthcare related, which is the largest class of captive business.

Sample Healthcare Industry Captives

- Catholic Health Initiatives
- Cleveland Clinic
- Trinity Health
- University of Pittsburgh Medical Center

<i>Business Class</i>	<i>Number</i>	<i>Premium (Billion)</i>	<i>Net Income (Billion)</i>	<i>Net Worth (Billion)</i>	<i>Total Assets (Billion)</i>
Medical Malpractice	263	\$3.1	\$.6	\$1.8	\$10.5
Others	475	\$5.6	\$.7	\$11.6	\$47.5
TOTAL	738	\$8.7	\$1.3	\$13.4	\$58.0

Group and Association Captives

Over 15% of the Cayman Islands captive insurance industry is structured as Group and Association captives. One of the most successful of these types of captives is Raffles Insurance Limited, which was formed in 1985 with an initial group of members drawn from the Young Presidents Organization, but has now grown to over 300 members in this heterogeneous captive. The success of this and other early Group and Association captives aided the growth and the innovative risk distribution structures of this sector.

Sample Group and Association Captives

- Raffles Insurance Ltd a group captive rated A- by A M Best.
- TanCayman Insurance Company SPC, Ltd a group captive for franchisees

Segregated Portfolio Companies (SPC)

Over 15% of the Cayman Islands captive insurance industry is structured as SPC’s, which were first introduced into the Cayman Islands in 1998.

The SPC structure allows a company to create separate Segregated Portfolios within one company that legally separate the assets and liabilities from each other. The Cayman Islands was the second domicile in the world to pass SPC legislation and continues to research innovative uses and legislative enhancements.

Sample SPC Captives

- Eastern Re Ltd SPC an AM Best rated rent-a-captive
- TanCayman Insurance Company SPC, a group captive for franchisees

<i>Business Structure</i>	<i>Number</i>	<i>Premium (Billion)</i>	<i>Net Income (Billion)</i>	<i>Net Worth (Billion)</i>	<i>Total Assets (Billion)</i>
Group	75	\$1.0	\$ -	\$ 1.4	\$ 1.8
Association	52	\$.4	\$.1	\$.6	\$10.5
SPC	119	\$.5	\$.1	\$.6	\$ 5.7
SPV	31	\$.4	\$ -	\$ -	\$ 5.7
Others	461	\$6.4	\$1.1	\$10.8	\$45.7
TOTAL	738	\$8.7	\$1.3	\$13.4	\$58.0

Special Purpose Vehicles (SPV)

Since the mid-1990's, major multinational insurers and reinsurers have utilized the capital markets for alternative risk solutions. This includes the issuance of Catastrophe Bonds from Special Purpose Vehicles (SPVs) licensed in the Cayman Islands. The first rated cat bond transaction was issued by Georgetown Re in 1996.

The SPV structures are created for a special defined purpose, which once fulfilled/expired results in the SPV being dissolved. These entities tend to have a limited life of approximately one to four years and often provide coverage for a multitude of locations and risk types. Examples of coverage types include: US Hurricanes, California Earthquake, Japanese Earthquake, California Wildfire and/or European Wind Storms.

Facts about the Cayman Islands

- 1. Transparency and integrity.** In February 2011, the Cayman Islands signed its 22nd Tax Information Exchange Agreement ("TIEA") with G-7, G-20 and other countries. The first TIEA was signed in 2000 with the United States.
- 2. International Involvement**
 - The Cayman Islands is a founding member of the International Association of Insurance Supervisors (IAIS) and is very involved with the Market Conduct and Pension Reform Subcommittees.
 - The Cayman Islands is a member of the Overseas Group of Insurance Supervisors (OGIS) and Chair of the OGIS Education Subcommittee.
 - In 2010, Cayman participated in discussions with the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), and presented at the European Captive Insurance and Reinsurance Owners' Association ("ECIROA") on the issue of Solvency II.

3. **Financial Stability.** Despite the recent worldwide economic turbulence, there were no bank failures in the Cayman Islands. In fact some of the best known banks worldwide are involved in the Cayman Islands captive insurance industry, including such names as CIBC, Deutsche Bank, HSBC and Royal Bank of Canada.

4. **Well Regulated Jurisdiction.** The Cayman Islands were one of eight countries – and among the first in the world – to be assessed under the Organisation for Economic Cooperation and Development (OECD) Global Forum's Peer Review Programme. The Cayman Islands Peer Review Report identified, "... a well developed legal and regulatory framework".

Educational Opportunity

The annual Cayman Captive Forum, hosted by the Insurance Managers Association of Cayman, is one of the most informative and educational conferences in the captive industry. For more details please visit www.imac.ky

Cayman 2011
Captive Forum

November 29th to December 1st

THE RITZ-CARLTON
Grand Cayman

Additional Resources

For information regarding a comparison of the Cayman Islands to other captive insurance domiciles, visit www.imac.ky

For additional information on the insurance regulator and insurance regulation in the Cayman Islands visit www.cimoney.com.ky