

INSIDE A CAYMAN CAPTIVE

JS de Jager of CSI provides an essential guide for setting up and managing a captive insurance company in the Cayman Islands

Captive Review (CR): Is it difficult to set up a captive insurance company in the Cayman Islands? How is CSI involved in the process?

JS de Jager (JDJ): In the modern, highly regulated international business environment, it comes as no surprise that setting up a new captive insurance company in the Cayman Islands is a process that requires high levels of due diligence, expertise and active involvement from all involved. For both the service providers here in Cayman and our international client base, it is comforting to know Cayman is at the forefront of international standards when it comes to due diligence and anti-money-laundering practices.

What we will usually do here at CSI is following the initial insurance programme planning discussions and feasibility studies, we will take in all the necessary information from you (the client) in rough draft format. Thereafter, we will work further with you and/or your chosen broker or programme manager/administrator to 'streamline' the business plan and other essential documents to a point where all parties are satisfied with the quality final product before filing with CIMA.

CR: What would be the duties of a Cayman Islands insurance manager?

JDJ: CSI, as a licensed insurance manager, is heavily involved in all aspects of any new insurance company from the very start of the process. Duties of the insurance manager (CSI), among others, will include:

- Incorporating the proposed company
- Providing registered office and corporate secretarial functions
- Preparing or assisting with the licence application
- Preparing or assisting with the preparation of the business plan of the company
- Preparing and maintaining accounting records
- Working with the captive's auditor to produce annual audited financial statements

JS de Jager



JS de Jager joined CSI International Underwriting (Cayman) Ltd. in 2007 and is directly responsible for the management and oversight of an extensive portfolio of captive insurance companies, investment companies and financial management companies. JS currently holds a range of directorships, including hedge funds and investment management companies.

- Monitoring investments of corporate funds
- Liaising with the Cayman Islands Monetary Authority, ensuring all regulatory filings are made
- Due diligence co-ordination and documentation management, including the provision of a money laundering reporting officer
- Ad hoc consultancy services
- Cash and banking services co-ordination, including letters of credit and timely payment of approved invoices
- Premium billing and tracking
- Preparing and co-ordinating meetings
- Co-ordinating with other service providers

For licensing and registration purposes we will work with you, the client, to develop a substantial three-to-five-year budget forecast including projected income and cost levels to cover all possible income and expense items arising from the insurance business activities.

CR: Please explain the typical steps in setting up a captive insurance company in the Cayman Islands.

JDJ: The following are the typical steps you will follow to set up a captive insurance or reinsurance company in the Cayman Islands:

1. Work with CSI on initial feasibility analysis for the new captive programme, including looking at variables needed for the business

2. Negotiate fronting and reinsurance arrangements (if necessary)
3. CSI meets with the Cayman Islands Monetary Authority (CIMA), if necessary, to discuss the proposed new captive programme
4. Licence application to be prepared with assistance from CSI.

The licence application will include the following:

- The completed licence application form
- Business plan including the risk management statement
- Financial projections for a three-to-five-year period
- Last two years' audited financial statements and/or notarised net worth statement of ultimate beneficial owners
- The acceptance letters from a Licensed Insurance Manager (CSI) and Approved Auditor in the Cayman Islands
- The acceptance letters from other crucial services providers, including but not limited to actuaries, third-party administrators etc
- A letter of undertaking as to the minimum capital (usually from shareholder)
- The personal questionnaire, references and due diligence documents as required for each manager, shareholder, director and officer
- A formal meeting with the Insurance Supervision Division of CIMA (client and insurance manager) to present and discuss the proposed captive/reinsurance programme.

The completed licence application will then be submitted to CIMA.

The Cayman Islands offering also includes the captive insurance company option of a segregated portfolio insurance company (more than one cell writing different types of insurance or for just separating the insureds in different cells).

CSI is well equipped with highly qualified staff that will look after all your needs on the ground here in the beautiful Cayman Islands. ☺