



CAPTIVES
INTERNATIONAL INSURANCE IN OUR BACKYARD





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Sagacious Group



Sagacious Group



- Formed in the 2020 lockdown
- 21 members ,all retired from the Guernsey International Insurance Sector
- Purpose
To provide a forum from which to offer guidance and support to the ongoing development of the Guernsey International Insurance sector

Currently working with the GTA creating the Guernsey International Insurance Management Course to be launch in 2022





Why “Captive”

- Fred Reiss – thought leader on self insurance
- Risk Manager at Youngstown Steel & Tube Company
- YST had their own coal mines and called them captives
- When forming their own insurance company they did the same
- IRMG was Fred's captive management company



Content

- **BENEFITS**

- For the owner
- For Guernsey

- **NATURE**

- Scale and type
- Use
- Developments

- **GOVERNANCE**

- GFSC
- Managers
- Board/ INED's



Benefits for owner



- Use the financial capabilities of the group to drive down the cost of risk
- Retain risk which the Group can afford to accept
- Formalise, centralise and focus the financing of risk internally
- Ability to provide for risks that might not otherwise be insurable



Benefits for owner



- Achieve savings through lower cost of insurance
 - Insurance market expenses (not claims) often 30% + of the premium
 - Captives expenses often 5% or less of the premium
 - Any improvement in claims becomes profit
- Direct access to the reinsurance market with its capacity and lower expense ratio
- Ability to create reserves in the captives balance sheet
- Capture investment income on premium and claims reserves



Benefits for Guernsey



- Provides a forth leg to the Guernsey finance sector
- Diversification
- Integration with banking and funds
- Substantial assets brought to the island
- High profile global companies
- Employs circa 350 people directly
- Tax on employees of Insurance Managers and 10% on those firms

- Supports many other businesses
 - ✓ Audit firms
 - ✓ Compliance firms
 - ✓ Banking sector
 - ✓ Hospitality



Benefits for Guernsey



- Assets (mainly cash) of circa GBP 35 bln
- Annual premiums of circa GBP 5 bln
- Fees paid to Insurance Managers estimated at GBP30m +
- Audit fees estimated at GBP 5m
- Bed nights estimated at 2,000
- Flights estimated at 2,000 seats



Size of the business



- 210 international insurers
- + 328 Cells in 68 PCC or ICC
- Fortune 500 - FTSE 100 & Medium size companies
- Insurance Managers – Aon –Marsh- Willis – Artex –Robus –ARM-SRS



Nature of the business

Used by Companies from all over the world



Insert Map of globe with these countries identified

Australia

Canada

Finland

Sweden Norway Denmark

UK

New Zealand

South Africa

Japan Singapore

China Indonesia

Saudi Arabia Israel





Nature of the business

Used by many commercial and industrial sectors

Airlines

Banks

Chemicals

Construction

Manufacturing

Mining

Onshore & offshore oil and gas

Pharmaceuticals

Retail

Shipping

etc etc



Companies with Guernsey captives



Nature of the business



Classes of insurance written

PD/BI/ CAR

Employers & Public and Products Liability

Aviation & Marine Hull

Cargo

Cyber

Professional Indemnity

Employee Benefits

Mortgage Indemnity

Misc others



Developments



Other types of international insurance business

- Pension Longevity Hedging
- International Life business
- Managing General Agents
- Insurance Linked Securities (ILS)
- Rated Re
- Catastrophe Bonds
- Commercial Insurers and Reinsurers



Governance



GFSC

The GFSC recognise Captives as being low risk

Regardless there is a plethora of Law, Regulations, Rules, Codes and Guidance that must be applied and followed. Currently 1,850 pages

The GFSC approve a licence application and business plan and then receive an annual return confirming compliance, solvency and providing audited accounts

They can make onsite visits and inspections



Governance



Insurance Managers role

The appointed Insurance Manager is effectively providing the staff of the captive insurer. As such they undertake all the functions required to run an insurance company

- Underwriting
- Claims
- Accounting and finance / treasury
- Management reporting
- Company secretarial
- Registered office
- Books and records of the company



Governance



Insurance Managers role

They are usually also appointed as Compliance Officer, MLRO and General Representative of the captive

As such they report the compliance status of the insurance company to the board at each directors meeting and must inform the GFSC of any compliance breaches

They are also responsible for filing the annual return and any material changes to the business plan

Their license to trade can be revoked if they have a systemic failure in compliance



Governance



Board and INED

The board of directors is responsible for the governance of the company and compliance with all applicable Laws and Regulation

The board must have one INED (Independent Non Executive Director) . The GFSC put considerable onus upon the INED to keep the captive board compliant and to protect Guernsey's reputation

The board must review all information and reports provided to it by the Insurance Managers and its auditors and assess the captives compliance at all times

The board should also consider the ethical and fair treatment of all parties that the captive deals with



Summary

Captives are real insurance companies albeit with a single customer

- They provide access to the world of international insurance and reinsurance from your home base
- Require a wide range of skills and offer career and job opportunities
- There is variety by industry sector, geographically and by class of insurance
- Opportunity to rub shoulder with very senior staff from major corporations
- A very varied and interesting field to work in which can include considerable travel

