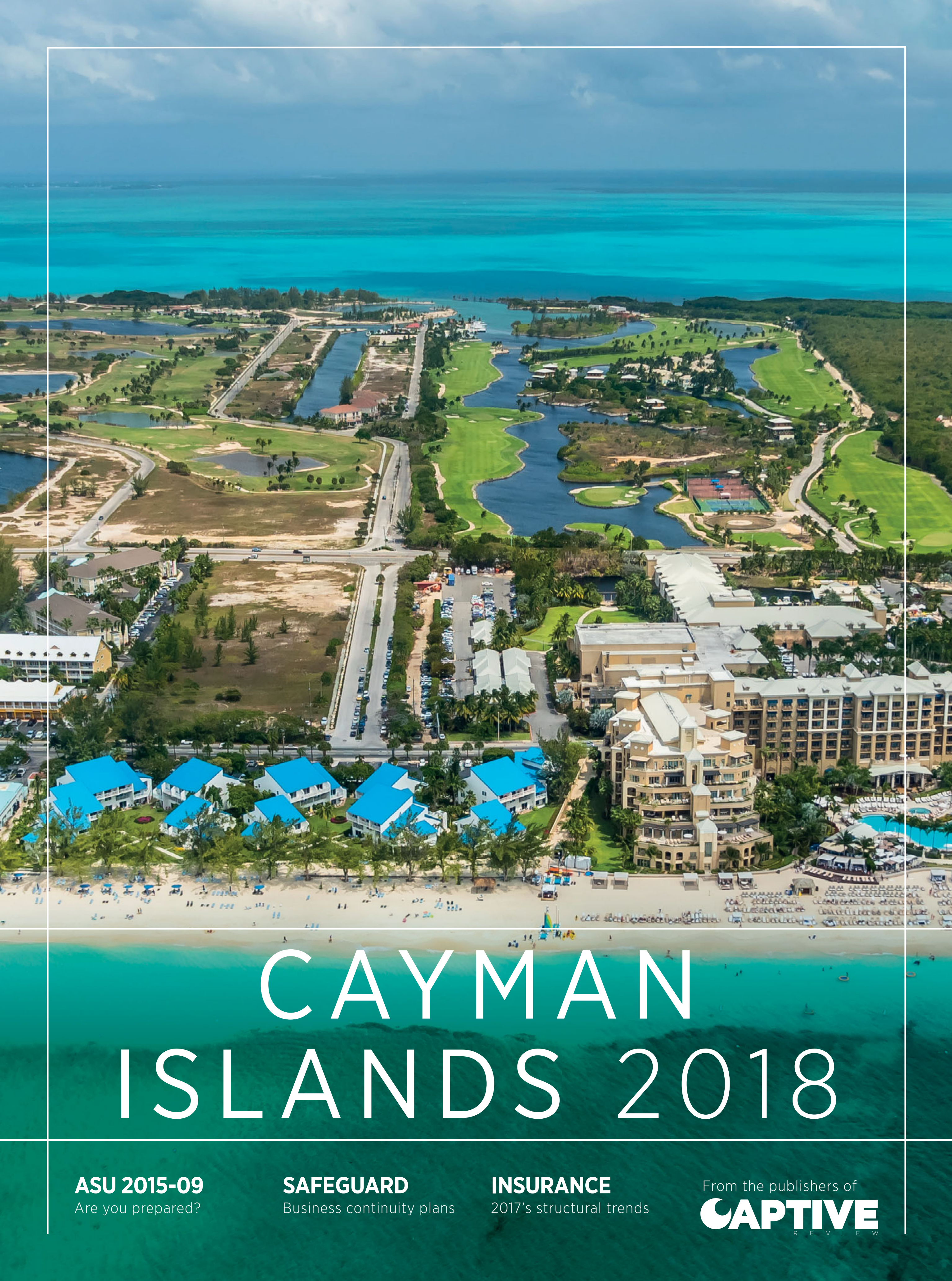

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FOREWORD

The industry experts featured in the *Captive Review* Cayman Report reflect on the jurisdiction's successes in 2017, recent areas of increased focus, and new disclosures firms must adhere to.

In 2017, Cayman's captive insurance sector continues to thrive. Under analysis is the continuing popularity of group captives for healthcare firms, in lieu of the continued move towards consolidation, SPCs, the steady growth of PICs, Cayman's viability for insurance-related entities, and more.

With the Caribbean buffeted by several hurricanes during the third quarter of 2017, the matter of business continuity management for Cayman-based firms becomes a matter of amplified importance. When a force majeure event occurs, many firms with poorly defined business continuity plans, those which cannot be implemented in a timely, effective manner, will perish.

Finally, the steps firms must take to comply with the Financial Accounting Standards Board's (ASU) 2015-09 are also broken down.

We hope this report covers the key issues in Cayman and gives readers a sense of what trends and opportunities are liable to come to fruition as we move into 2018.

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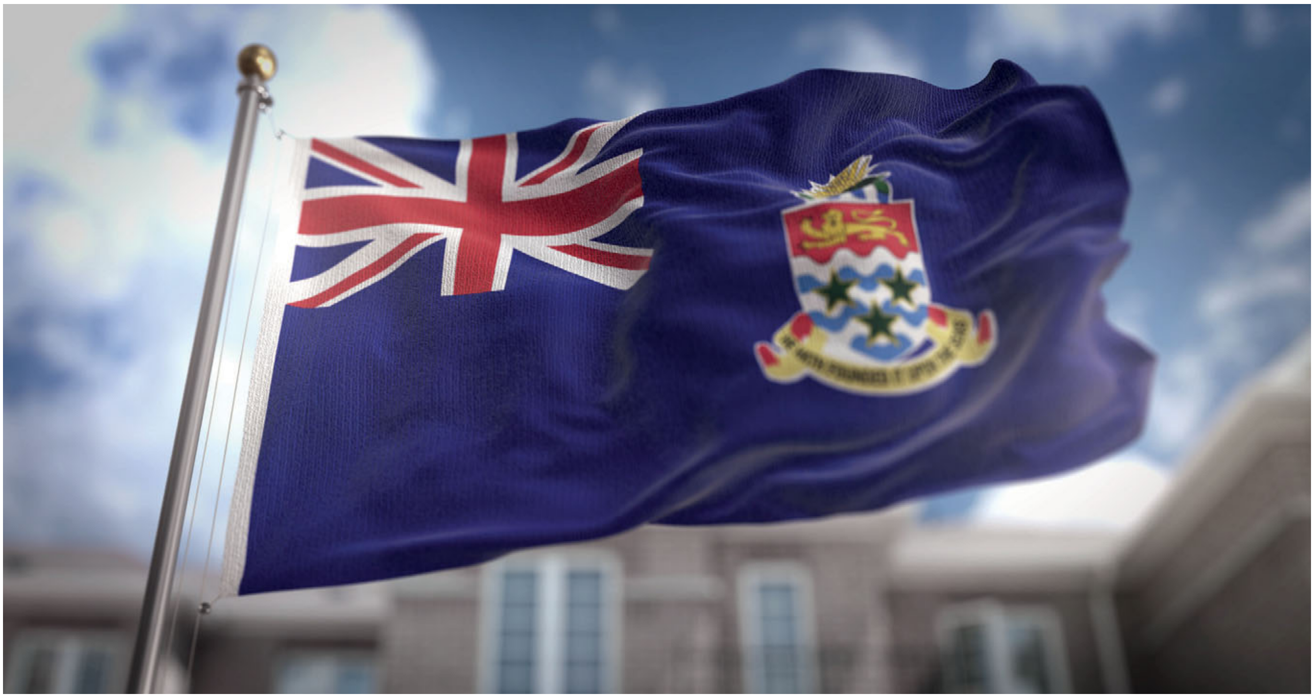

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Ernst & Young LLP (EY US) Captive Services Team — *Innovating Risk Management*

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CAYMAN: EVOLUTION AND FINANCIAL REINSURANCE

David Towriss, CEO of Aureum Re, provides an insight into the genesis of a significant new Class D reinsurer in Cayman along with trends in the life and annuity reinsurance market

Captive Review (CR): First of all, congratulations on the launch of Aureum Re which has been a success story for the Cayman Islands reinsurance industry. Can you provide some background on the company and its strategy?

David Towriss (DT): Aureum Re launched in late 2016 with our first reinsurance transaction effective 31 December. We are a Class D reinsurance company which primarily reinsures fixed and indexed annuities from US carriers. We felt that there was a growing need for additional annuity reinsurance capacity and we have a compelling reinsurance solution to fill that gap. There has been considerable M&A activity over recent years resulting in a number of reinsurers leaving the US market and the subsequent reduction in counterparties. Being a well-capitalised and privately-owned company makes us flexible and nimble – we offer a true partnership and collaborative approach. This is fundamental to our ethos and the way that Aureum Re delivers our product to clients. We work very closely with our customers to ensure they get the full benefits of reinsurance such as unlocking capital to optimise allocation and reducing volatility of their financial results. We're delighted to have all of our management team and operations based in Cayman and have seen pleasing results to date. Aureum Re currently reinsures approximately $2.75bn of annuity reserves and are targeting significant near-term growth.

David Towriss

David Towriss is the CEO of Aureum Re. He is a Fellow of the Society of Actuaries and has more than 25 years of international insurance and reinsurance experience. Most recently Towriss was vice president and chief risk officer for Latin America for Aegon and Transamerica from 2007-2016. In this role, Towriss was a member of the senior team as well as a member of the Board of Directors of Aegon's Latin American operations.

CR: How did the name Aureum Re arise?

DT: People often ask me about the choice of name – we wanted this to represent our philosophy of strength, commitment and dependability. Aureum, which is a Latin derivative meaning gold, was eventually decided upon. My daughter, who is a graphic designer, actually designed our logo and colour scheme. Maybe you have seen our name and logo on our new offices in Camana Bay, which is a great location. Since moving into our new space, we have increased our recruitment and are building a talented team which will help augment our value proposition and support our growth trajectory. It's an exciting time for the team as we look to grow our company and achieve our goal of becoming one of the premier annuity reinsurers.

CR: Presumably, Bermuda would have been the usual destination given their volume of established reinsurance companies. What were the main reasons for choosing Cayman?

DT: Our shareholders recognised several advantages in choosing to license Aureum Re in Cayman. Our target market is US annuity writers and there are material benefits from Cayman not seeking Solvency II equivalency given that our clients are more aligned with the National Association of Insurance Commissioners regulatory regime and the risk-based capital model. We also prepare our financial statements under US statutory accounting principles, which is accepted by the Cayman regulator and is consistent with how our clients report their financial results. As part of our due diligence, we reviewed a number of criteria and Cayman compared very favourably. We looked at its reputation and credit rating along with the quality of the local infrastructure. Cayman also has a deep and talented employee pool, as well as a strong regulatory authority with a vision to grow Cayman's reinsurance market. Our experiences over the last year have confirmed our initial decision. We have been greatly supported by the Cayman government along with our local stakeholders and service providers. We've found the regulator (CIMA) to be highly accessible and responsive – we have regular meetings and open dialogue

which has helped as we look to grow our company. Cayman is also a fantastic place to live. I moved here with my wife Karen and we felt at home very quickly. It is such a beautiful and friendly place – we've been inundated with visits from our friends and family. One of my passions is water and marine life – it has been amazing to dive regularly and spend weekends on the ocean. Karen and I, along with the rest of the Aureum team, already feel part of the community and we look forward to supporting local initiatives as part of our CSR philosophy.

CR: You mentioned briefly some of the Aureum differentiators – please can you expand?

DT: The team and I talk regularly about the Aureum difference and what this means to our customers. While Aureum is in its infancy as an organisation, our staff has a long professional history in the reinsurance market and specialises in the valuation of US-issued insurance products. Our team of actuarial, accounting and investment professionals has held senior executive positions at a variety of global reinsurance companies with over 100 years of collective experience.

One of our key differentiators is our breadth of knowledge and flexible company structure. This cultivates a tailored reinsurance solution for each client and an efficient speed to close. Our shareholders have made a significant commitment to Aureum Re which means that clients have confidence that we are a long-term partner. Aureum Re has a targeted Risk Based Capital (CAL) of 400% which is consistent with A-rated reinsurers. This is important for our clients when they are assessing the credit risk of an offshore reinsurer. Assets are held in trust so that our customers receive full reserve credit. We also have an investment strategy which gives our clients and their domestic regulators peace of mind when considering Aureum as a reinsurance partner. We work within a low operating cost base which allows Aureum Re to offer competitive terms to our clients. We were particularly pleased that our latest transaction is on a full 100% coinsurance basis with all the assets being ceded to Aureum (as opposed to funds withheld or modified coinsurance where the underlying assets are retained on the balance sheet of the cedant). This is good evidence of the high regard and trust which clients place in our organisation.

> "Aureum Re has a targeted Risk Based Capital (CAL) of 400% which is consistent with A-rated reinsurers"

CR: What are the primary benefits of a direct annuity writer obtaining reinsurance from a provider such as Aureum?

DT: Low interest rate environments are having a significant impact on life portfolios. Many legacy blocks are at their guaranteed minimum floor crediting rate. This is encouraging carriers to seek solutions in the reinsurance market. Direct writers are also looking to lay off certain risks in order to redeploy capital, diversify their portfolios and reduce concentration exposure. This helps them manage capital as they target new business growth. Reinsurance can also have a positive impact on credit agencies' ratings.

CR: How do you see the life and annuity market at the moment?

DT: L&A carriers face a number of challenges including relatively modest economic growth, low interest rates and regulatory uncertainty. Interest rate hikes are likely to be small and spread out. This can make it difficult for insurers to generate the returns they need to attract and retain customers. The life insurance market in the United States continues to grow with annual premium of approximately $800bn (an increase of 18% from 2010). The US is seeing a continued shift in population dynamics with people living longer and having to plan for a lengthy retirement. Direct writers of annuities will likely need continued capital support given the increase in premium with demand likely to continue to rise. Aureum Re is bullish about the prospects of the offshore annuity reinsurance market given that insurers are under continued pressure to offload longevity risk and the challenges to achieve sufficient investment returns.

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ASU 2015-09 – ARE YOU READY?

Andrew Bellfield, Nathan Robnett and Ian Lomas, of EY, break down the requirements of (ASU) 2015-09

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-09, seeking to increase disclosures about the liability for unpaid claims and claim adjustment expenses for short-duration insurance contracts, as defined in Topic 944, Financial Services – Insurance. The intent of the new disclosures is to increase the transparency of significant estimates made in measuring those liabilities, improve comparability by requiring consistent disclosure of information, and provide financial statement users with additional information to facilitate analysis of the amount, timing and uncertainty of cash flows arising from contracts issued by insurance entities and the development of loss reserve estimates. The guidance is effective for non-public entities for annual periods beginning after 15 December 2016.

Some of the new disclosures are considered supplementary information, which may be presented within the footnotes to the financial statements or in separate schedules outside of the financial statements. Whether the new disclosures are Required Disclosure (RD) or Required Supplementary Information (RSI) is important for audit reporting purposes, and insurance entities should understand these distinctions. Failure to present RD might lead to a modified (qualified) audit report, whereas failure to present RSI is unlikely to. Regulatory scrutiny is likely, among other factors, to be proportionate to the level of audit report modification.

New RD disclosures involve the breaking out of incurred and paid claims development information by accident year, on an undiscounted basis, net of reinsurance, for the current reporting year. In addition, the same disclosure is required for each of the prior reporting years (not to exceed 10 years, and less if typical claims' duration is less than 10 years). The prior reporting years' disclosures are considered RSI.

These disclosures need to be on an accident-year basis, so for a Cayman captive, the actuary will need to perform a conversion exercise from the current policy-year basis. This "cutting" of loss data differs depending on the policy basis of claims recognition (e.g., claims made versus occurrence) and on the coterminous or non-coterminous nature of the policy periods against the reporting periods.

ASU 2015-09 defines accident year as the year in which a covered event (as defined by the terms of the contract) occurs. For a claims-made policy, that will be the year in which the claim is made, even if the loss being claimed occurred in an earlier period.

Clearly, additional complexities arise if management books a different estimate to that indicated by the actuary, if the actuary uses loss data extracted before the year-end or if the captive is not using an actuary. For example, this may be relevant for an extreme short-tail programme, or for programmes that are pure quota share reinsurance, with the ceding carrier providing reporting period-end incurred but not reported (IBNR) estimates without any of the back data.

ASU 2015-09 also requires insurance entities to aggregate or disaggregate the new disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have significantly different characteristics. In the Background Information and Basis for Conclusions in the ASU, FASB observed that useful disaggregation of information depends on the characteristics of the contracts that an insurer writes and on various entity-specific factors.

Because insurance contracts have different characteristics, the guidance does not prescribe how the disclosures should be

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disaggregated, but rather, specifies a principle for providing disaggregated information. The ASU provides the following examples of categories that might be appropriate to use for aggregation or disaggregation:

1. Type of coverage (e.g., major product line)
2. Geography
3. Reportable segment as defined in Topic 280 on segment reporting
4. Market or type of customer (e.g., personal or commercial lines of business)
5. Claims duration (e.g., claims that have short settlement periods or claims that have long settlement periods)

The significance of certain lines of coverage within a captive's programme will bear heavily on the decision to aggregate or disaggregate. For many Cayman captives, disaggregation will mean that not only will existing disclosures be blown out by accident year, but they will also now be blown out by disaggregation.

The other principal new disclosures include:

1. **Reconciliation (RD)** – A reconciliation of incurred and paid claims development information to the aggregate carrying amount of the liability for unpaid claims and claim adjustment expenses, with separate disclosure of reinsurance recoverable on unpaid claims for each period presented in the statement of financial position
2. **IBNR (RD)** – For each accident year presented of incurred claims' development information, the total of IBNR liabilities, plus expected development on reported claims included in the liability for unpaid claims and claim adjustment expenses, accompanied by a description of reserving methodologies (as well as any changes to those methodologies)
3. **Claims count (RD)** – For each accident year presented of incurred claims development information, quantitative information about claim frequency (unless it is impracticable to do so), accompanied by a qualitative description of methodologies used for determining claims frequency information (as well as any changes to these methodologies)
4. **Claims duration (RSI)** – For all claims except health insurance claims, the average annual percentage payout of incurred claims by age (that is, history of claims' duration) for the same number of accident years as presented for IBNR and claims count above. The claims' duration disclosures are considered RSI.

Health insurance claims are scoped out of the claims' duration disclosure requirement due to the short-tail settlement nature of the coverage. A number of Cayman captives participate in medical stop loss contracts, which are considered health insurance, and so this dispensation will apply to those contracts, assuming they are significant enough to warrant separately disaggregated disclosure need. In such cases, the health insurance incurreds and paids will need to be broken out separately in the current loss rollforward disclosure in the footnotes to the financial statements.

> "The guidance is effective for non-public entities for annual periods beginning after 15 December 2016"

Some captive programmes might participate in higher layers of claims exposure, for example, a $4m layer excess of the first $7m of auto liability coverage. The insurance entity will have to consider whether to include a reported claim in its claim count, even though the claim might not yet have breached the captive limits on a reported basis. This is contemplated by the ASU, which accepts the variety in which insurance entities might track and analyse claims' frequency information. The ASU does not require a particular methodology, but does require qualitative description of the methodologies used to determine the quantitative claim frequency information presented.

Clearly, there are many ASU 2015-09 considerations needed as Cayman captive insurance entities approach their upcoming year-ends. Early consultation with service providers, notably the Cayman insurance manager, the actuary and the auditor, is critical if you have not done so. Many of the key decisions can be made before year-end reserves are available, and the conversion to accident year should be thoroughly thought through and budgeted for with the provider of the captive's loss estimates. Decisions on RSI are needed, not just as to extent of disclosure, but also whether the audit of that data is desired. Captive stakeholders should not underestimate the impact of ASU 2015-09 on upcoming reporting year-ends – collaboration with your service providers is vital.

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BUSINESS CONTINUITY MANAGEMENT IN FOCUS

Liam Fleming, of Advantage International Management, reflects on business continuity management and its increased attention in light of a tumultuous hurricane season

Those of us lucky enough to call the Cayman Islands our home enjoy a high standard of living, sunshine, secluded beaches and a finely tuned financial services industry all year round. However, the recent trail of devastation across the Caribbean and the United States caused by hurricanes Harvey, Irma and Maria has brought business continuity and disaster recovery planning for our industry into sharp focus.

Severe operational disruptions pose a material threat to an insurance manager's operations and particularly so in situations where multiple operating units could potentially be impacted by one catastrophic event. As an industry so intently focused on delivering quality, responsive and value added service to our captive insurance clients it seems imperative that operational continuity remains front and centre at all times.

Insurance managers with operations in jurisdictions like Puerto Rico and the British Virgin Islands now know how their respective business continuity and disaster recovery plans have fared under extreme pressure this hurricane season, and for those who have not been impacted it seems an optimal time to revisit continuity and recovery strategies to ensure that personnel and assets are protected and continue to function during and after catastrophic events.

Liam Fleming

Liam Fleming is a director of Advantage International Management (Cayman), Ltd. and is responsible for developing Advantage's captive insurance business in the Cayman Islands. Fleming has over 11 years' experience in the captive insurance industry in Cayman and his experience includes working with single parent healthcare captives, large reinsurance captives and group captives. Fleming is a qualified Chartered Accountant being a Fellow member of the Institute of Chartered Accountants in Ireland.

The Cayman Islands government and business community have shown tremendous support and solidarity to our neighbours in the Caribbean at their time of need. A large number of evacuees have been provided refuge in the Cayman Islands with the assistance of the Department of Immigration which has facilitated business continuity efforts for organisations with operating units in impacted areas.

From a regulatory perspective there's likely to be heightened awareness and renewed interest in business continuity management across the Caribbean region. The Cayman Islands Monetary Authority (CIMA) recently issued a notice to licensees under supervision, recognising the need to support its licensees and regulatory counterparts in their disaster recovery initiatives and requesting that licensees with operations across the region who activated some aspects of their business continuity plan to provide an update including:

- Details of operations being relocated to the Cayman Islands as part of business continuity efforts
- The number of foreign office staff being accommodated
- The expected duration of temporary arrangements to support impacted operating units
- Consultation on any potential business plan changes as a result of continuity and recovery efforts.

Licensees under supervision need to ensure that their operations continue to be conducted in compliance with all of the laws and regulations of the Cayman Islands, particularly the regulatory laws as defined in the Monetary Authority Law (2016) when activating their business continuity and recovery plans.

The cost of catastrophe

The insurance industry continues to assess the losses associated with the recent catastrophes that decimated several Caribbean Islands and had a major impact on the United States. One need look no further than AIG, who recently announced it expects to incur losses in the region of $3bn mainly related to hurricanes Harvey, Irma and Maria.

Recovery initiatives should require a detailed expert analysis of insurance policies in place. Claims for losses caused by hurricanes present significant challenges for policyholders who may have little or no coverage in certain circumstances.

Poor planning coupled with a major operational disruption can not only impact captive management operations but can also affect the ability of other financial services providers to continue their normal operations. Insurance mangers should perhaps be cognizant of how a disruption to their day-to-day business operations impacts other captive industry service providers with a nexus to their own operations and vice versa.

What good planning looks like

Comprehensive continuity and recovery plans provide a blueprint for continued operational functionality and the restoration of mission-critical captive management functions. The plans should be clear, exhaustive in terms of scope and logical with buy-in from senior management. CIMA's statement on business continuity management encourages licensees to adopt a process-orientated, risk-based approach incorporating all of the following:

Business impact analysis

The business impact analysis stage is concerned with the identification of potential impacts of uncontrolled, non-specific events on business processes and client service. The process should identify those components of the business that may be vulnerable, yet potentially critical to the continued functioning of the business in the event of a disruption.

Risk assessment

The risk assessment stage involves stress testing various business processes with identified threat scenarios. The probability of occurrence of different disasters should be evaluated and rated on a scale of high, medium or low. The safety of critical processing documents and vital records and the loss impact on systems, personnel and facilities should be considered.

Risk management stage

The risk management stage involves the establishment of the business continuity plan itself. The business continuity plan should be written and disseminated so that various groups of personnel – particularly senior management – can implement it on a timely basis. It should be specific with respect to the conditions that would prompt the implementation of the plan and with respect to the immediate plans in respect to a disruption. The board of directors and senior management of licensees are collectively responsible for business continuity and for developing appropriate polices to promote resilience to and continuity in the event of a disaster.

> "Severe operational disruptions pose a material threat to an insurance manager's operations"

Risk monitoring and review stage

The business continuity plan should be tested regularly, subject to independent audit if necessary and updated upon changes to internal and external environments.

Mobility through cloud-computing

Perhaps one of the most significant contributions an organisation can make towards business continuity initiatives is a move to a cloud-based IT environment. The cloud utilises a network of remote servers hosted online to warehouse, manage, and process data as opposed to a physical local server. The introduction of cloud-based computing allows captive insurance professionals the flexibility to access their remote desktop and client files from any geographical location and provides a boost to continuity efforts during and after an event in situations where key employees have been successfully relocated from the threat zone in advance of a disaster.

Communications

Communications during and after a disaster represent a challenging proposition. Business continuity plans can quite easily become rather redundant without the inclusion of a realistic and extensive emergency communications plan. The plan should be logical, well organised and outline a step-by-step approach for internal and external communications post disaster. The plan should be stress-tested regularly to ensure it remains current and makes sense.

Final thoughts

Inadequate business continuity and disaster recovery planning can be fatal. The Federal Emergency Management Agency has previously estimated that 40% of businesses fail to reopen after a disaster, and another 25% close within 12 months.

The underlying problem is a lack of preparedness and perhaps in some instances a basic misunderstanding of the scope of insurance coverage.

From a purely Cayman perspective, licensees under supervision should adopt a risk-based and process-orientated approach to business continuity management to ensure minimal disruption to client service when disaster strikes.

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Our Cayman Islands captive insurance specialists have advised more than 130 captive companies providing audit services, tax consultancy, and compliance to serve the needs of this growing industry.

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THE CAYMAN CAPTIVE SECTOR IN 2017

Rob Humphries and Richard Addlestone, of Solomon Harris, take a look at what has been happening in Cayman's captive insurance sector this year

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The Cayman Islands' captive insurance industry ended 2016 on a strong note with record attendance of approximately 1,500 delegates at the world's largest captive insurance conference, the Cayman Captive Forum, and the strongest year for new captive formations in the world's second largest captive domicile since 2013. The number of new formations remains very positive with 17 new licences having been issued up to the end of June alone, with a number of further license applications currently under consideration. That's slightly down on the same period for 2016 which had 23 new licences, but still significantly up on the same periods for 2014 and 2015. Of the new entrants, four are classified as Class B(i) (captives), nine fall within the Class B(iii) designation (captives and reinsurers writing 50% or less related party business) and four are Class C insurers (special purpose or fully collateralised – CAT Bonds).

Cayman's appeal as a leading captive domicile now extends well beyond its traditional client base of US healthcare captives. Indeed, there are now about 730 insurance related licensees conducting international business from Cayman. At 31 June 2017 there was a total of 701 Class "B", "C" and "D" insurance companies with no less than 29 licensed insurance managers to service their needs. Total premiums across the board came to $13.5bn and total assets were $57.9bn. Pure captives and group captives represented the two main categories, with 327 and 117 companies respectively. 145 of those companies have been set up as segregated portfolio or "cell" companies (SPCs) with no less than 603 segregated cells among them, a significant number of which will each house completely separate captive insurance programmes.

SPCs seem to be of ever increasing popularity and formations appear to have been boosted by the growing awareness of the additional benefits that portfolio insurance companies can provide. There can be a number of reasons why an SPC is seen as an attractive proposition. Cost saving through the economy of scale that a cell captive can offer is one obvious reason, however, a common theme that we currently see is a desire to maximise the use of a captive by being able to write a level of third-party business without the risk of financially impairing the sponsor's existing programme(s). In many instances, the third-party business may not be truly "third-party". So, for example, as was the case with one of our clients that recently converted to an SPC, the segregated programme to be established, and the driver for an SPC structure, was for the hospital system's self-employed physicians. Another type of "third party" might be a joint venture partner or another affiliated entity. Even where there is no immediate prospect of separate cells being required but the potential for them is definitely on the radar, a sponsor will frequently form an SPC from the outset to avoid the costs and administration involved in a subsequent conversion of a regular captive to an SPC.

The steady rise of PICs

As expected, there has been a slow but steady growth in the number of portfolio insurance companies (PICs) – Cayman's version of the incorporated cell company. There are currently nine PICs registered with the Cayman Islands Monetary Authority, three more than the same time last year, with our firm currently advising on another three more. Solomon Harris was closely involved in the development of the PIC legislation so it comes as no surprise that we have advised on eight out of the nine PICs incorporated so far! PICs have been useful in addressing some of the limitations of the popular SPC structure. An unincorporated cell of an SPC is not a legal entity in its own right and therefore cannot contract with other cells of its SPC (e.g. for risk pooling or quota sharing purposes) or have its own board of directors.

There is also a level of uncertainty as to the US tax status of an unincorporated cell. A PIC overcomes these limitations because it is a company in its own right, albeit for regulatory reasons it must at all times be under the control of a parent SPC. We continue to identify other useful applications for PICs which extend beyond the core benefits of intra-cell contracting, tax certainty and the ability for participants in sponsored programmes to control their own board. Examples include the novation of a cell programme from one SPC to a new SPC without the complications of having to work through the usual loss portfolio transfer. We've also advised on another matter where the use of a PIC will enable a Bermuda captive in run-off to be amalgamated with a Cayman SPC in circumstances that would otherwise not have been legally possible.

The continued popularity of group captives

Group captives remain very popular with some well-established groups experiencing significant further growth in member numbers and premium volumes – a testament to the many benefits of a properly operated group captive programme. At 30 June this year there were approximately 117 group captives licensed in Cayman with total premiums of just over $2.5bn and total assets in excess of $7bn. There were at least two new group captives licensed up to 30 June but our firm has just advised on the formation of two further group captives with several more planned as part of an innovative new reinsurance structure, of which more news will follow.

We also continue to advise on the formation of new group captives through sponsored cell programmes which can offer some cost and administrative advantages for smaller programme participants whose premium volume does not justify the formation of their own standalone captive programmes. Group captives continue to add significant value to the Cayman Islands' insurance industry and the wider economy as they require specialist expertise and generally involve significantly more work for insurance managers, auditors, lawyers and other service providers when compared to the traditional single parent captive. There is also the not insubstantial trickle down benefit for the Cayman tourism sector as large groups meeting on-island inevitably provide a welcome boost for hotels, restaurants and other businesses.

> "Cayman's appeal as a leading captive domicile now extends well beyond its traditional client base of US healthcare captives"

Consolidation is expected to continue in the US healthcare industry on the back of the Affordable Care Act – neither repealed nor replaced – and the ever increasing costs of US medical care and related health insurance. Although we have seen a slowdown in significant US healthcare mergers over the last year, the perception in the industry is that there is some more consolidation yet to come. Subsequent to the onshore merger at the parent level during the post-merger integration, attention turns to the captives of the enlarged group. In many instances, it is concluded that those captives need to be amalgamated on grounds of efficiency and cost saving. Frequently, the underlying captives will be Cayman-domiciled and the best way to amalgamate them will be to utilise the statutory merger provisions of the Cayman Islands Companies Law. This statutory process has proved to be a very effective way to achieve the amalgamation and a significant number of captive mergers have been completed in Cayman over the last few years. Solomon Harris has acted on no less than 13 of them since 2014. The same process can work equally well where one of the merging captives is not Cayman-domiciled as long as there is no prohibition under the laws of the jurisdiction where the overseas captive is domiciled.

Conclusion

So, where does all that leave Cayman as the leading domicile for healthcare captives? Cayman retains its position as the leader in this space with healthcare captives representing almost half of all captives currently under licence, and at least four new healthcare formations for the year to date. Cayman also continues to see some very welcome diversification in terms of primary lines of cover being written and the industries where the underlying risk resides. New licensees for the year to date come from industries like financial services, agriculture, auto, healthcare, property, telecoms, trucking and logistics.

Significant primary lines of cover include general liability, auto, professional liability, life, property and an increasing incidence of workers compensation. This does not take into account the numerous other industries and lines of cover which are reinsured through an ever increasing number of Cayman Islands reinsurance companies. The reinsurance market continues to show significant growth with almost 70% of new Class B licensees being licensed as subcategory B(iii) insurers where 50% or more of net premiums written may relate to third-party business. There are currently about 54 reinsurance companies licensed in Cayman writing in excess of $3bn of premiums, with assets in excess of $20bn. That represents just under a quarter of total premiums and more than a third of total assets for Cayman's international insurance sector!

The captive insurance industry continues to grow and evolve in order to meet the risk management requirements of its many participants in a changing economic, political and regulatory landscape. New solutions will need to be found for new problems and international captive domiciles will need to adapt to make sure they remain part of the solution. Cayman is no exception as it continues to respond to market demands with the introduction of new legislation, like the Insurance (Portfolio Insurance Companies) Regulations, in a business friendly legal and regulatory environment which has proved flexible enough to allow for the continued growth and diversification of new licensees which are writing and reinsuring new lines of cover, for new industries, in innovative new structures. The numbers and trends remain encouraging and bode well for Cayman as a leading captive and (re) insurance jurisdiction for the future.


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