

GUIDE TO ESTABLISHING INSURANCE COMPANIES IN THE CAYMAN ISLANDS

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PREFACE

This Guide is a summary of the requirements for setting up of insurance companies in the Cayman Islands.

We recognise that this Guide will not completely answer detailed questions which clients and their advisers may have; it is not intended to be comprehensive. If any such questions arise in relation to the contents, they may be addressed to any member of our Insurance & Reinsurance Team, using the [contact information](#) provided at the end of this Guide.

Unless otherwise indicated, all amounts are given in Cayman Islands (CI\$1.00 = US\$1.22).

Appleby Cayman Ltd.

Cayman Islands

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1. TYPES OF LICENCE

A company requires a licence from the Cayman Islands Government to carry on insurance business in or from the Cayman Islands.

Under the Insurance Law, 2010 (as amended) of the Cayman Islands (the **Law**), there are four types of licences:

1.1 Class A Licence

This type of licence permits a local or external insurer to carry on domestic insurance (or limited reinsurance business approved by CIMA) in or from within the Cayman Islands. Domestic business means in general terms, insurance of persons or property resident or based in the Cayman Islands.

1.2 Class B Licence

This type of licence permits the carrying on of insurance business other than domestic business from within the Cayman Islands. It must, therefore, be offshore insurance or reinsurance business.

The following sub-classes of Class B Licence exist:

- (a) Class B(i): at least 95% of the net written premiums will originate from the insurer's related business;
- (b) Class B(ii): over 50% of the net written premiums will originate from the insurer's related business;
- (c) Class B(iii): 50% or less of the net written premiums will originate from the insurer's related business and annual net earned premiums are less than US\$20 million; and
- (d) Class B(iv): 50% or less of the net written premiums will originate from the insurer's related business and annual net earned premiums are equal to or greater than US\$20 million.
- (e) The Class B(iv) licence was introduced pursuant to recent amendments to the Law and, as of this date, the regulations concerning this new sub-class have not yet been enacted.

1.3 Class C Licence

This type of licence permits the issuance of "cat bonds", namely, the carrying on of insurance business involving the provision of reinsurance arrangements in respect of which the insurance obligations of the Class C insurer are limited in recourse to and collateralised by the Class C insurer's funding sources or the proceeds of such funding sources.

1.4 Class D Licence

This type of licence was created specifically for the carrying on of reinsurance business and such other business as may be approved in respect of any individual licence by CIMA.

2. GOVERNMENT LICENCE FEES

These fees are payable on the granting of the licence and annually thereafter prior to 15 January as follows:

Class A (Locally incorporated)	CI\$75,000	(US\$91,463.41)
Class B(i)	CI\$8,500	(US\$10,365.85)
Class B(ii)	CI\$9,500	(US\$11,585.37)
Class B(iii)	CI\$10,500	(US\$12,804.88)
Class B(iv)	TBD	
Class C	CI\$5,000	(US\$6,097.56)
Class D	CI\$84,000	(US\$102,439.02)

3. NAME

The name must be approved by the Monetary Authority. It is prohibited to use in the name of any Cayman Islands company the words "Insurance", "Indemnity", "Casualty" or any other word which connotes insurance business without the approval of the Governor or without an insurance licence.

4. TYPE OF COMPANY

4.1 In the case of a branch operation, the branch will need to be registered as a foreign company with a place of business in the Cayman Islands. In other cases a Cayman Islands company is incorporated and in most cases of licensed insurers this will be an exempted company or segregated portfolio company (**SPC**) under the Companies Law of the Cayman Islands. A Class A licensee other than a branch operation will normally be incorporated as an ordinary resident company to permit it to carry on business locally.

4.2 Recent amendments to the Law introduced the concept of portfolio insurance companies, or **PICs**, within SPCs. PICs offer four main advantages over existing SPCs:

- (a) A PIC is a separate legal entity, whereas a segregated portfolio of an SPC is not. This means the PIC may have greater ease in dealing with counterparties than a segregated portfolio of an SPC.
- (b) Unlike a segregated portfolio of an SPC, a PIC can contract with another cell of its controlling SPC, or with the SPC itself.
- (c) Because each PIC is a separate legal entity, there should be less risk of inadvertent comingling of assets.
- (d) A single PIC can be wound up without affecting its controlling SPC or other PICs; this is not possible within an SPC structure.

5. AUDITORS

5.1 An insurance company must appoint independent auditors whose written acceptance to such appointment must be included in the application for the licence. Audited accounts must be submitted to the Monetary Authority annually. The law does not stipulate that local auditors must be appointed although the Monetary Authority has indicated that such appointment of a local firm approved by the Monetary Authority is recommended.

5.2 Amongst the firms represented on the Island are the following:

- (a) Deloitte
- (b) Ernst & Young
- (c) KPMG
- (d) PriceWaterhouseCoopers
- (e) Rothstein Kass & Company (Cayman)

5.3 The law requires that the accounts be prepared in accordance with generally accepted accounting principles. Canadian, United States or United Kingdom accounting principles or International Accounting Standards are generally accepted.

6. **MINIMUM CAPITAL REQUIREMENTS**

Licensees are required by statute to maintain the following minimum paid-up capital:

6.1 **Class A:**

- (a) General business – greater of \$300,000 or $\sqrt{(\text{prescribed capital requirements} + \text{margins})}$
- (b) Long term business – greater of \$300,000 or $\sqrt{(\text{prescribed capital requirements} + \text{margins})}$
- (c) Long term and general business (combination) - greater of \$300,000 or $\sqrt{(\text{prescribed capital requirements} + \text{margins})}$

6.2 **Class B(i):**

- (a) General business - \$100,000
- (b) Long term business - \$200,000
- (c) Long term and general business (combination) - \$300,000

6.3 **Class B(ii):**

- (a) General business - \$150,000
- (b) Long term business - \$300,000
- (c) Long term and general business (combination) - \$450,000

6.4 **Class B(iii):**

- (a) General business - \$200,000
- (b) Long term business - \$400,000
- (c) Long term and general business (combination) - \$600,000

6.5 **Class B(iv):**

- (a) TBD (regulations not yet amended)

6.6 **Class C:**

- (a) General business - \$500
- (b) Long term business - \$500
- (c) Long term and general business (combination) - \$500

6.7 **Class D:**

- (a) General business - \$50 million
- (b) Long term business -\$50 million
- (c) Long term and general business (combination) - \$50 million

7. **MINIMUM MARGIN OF SOLVENCY**7.1 **Class A:**

- (a) General business –

	Margin on Net Unearned Premiums	Margin on Net Unpaid Claims and IBNR	Net Premium Deficiency Reserve
Property	10%	10%	10%
Liability	10%	20%	10%
Motor vehicle	10%	10%	10%
All other	20%	20%	20%

Class A insurers writing general business are required to apply a risk margin for all business exposed to catastrophe risks, the default percentage of which is 30% or as otherwise determined by CIMA from time to time.

Forex margin of 5% is required to be applied to the net assets or liabilities of insurers denominated in a currency other than Cayman Islands dollars, United States dollars or any other currency that has a fixed rate of exchange against the United States dollars.

- (b) Long term business – minimum of 2.5% of discounted policy liabilities excluding pension and annuity reserves.
- (c) Long term and general business (combination) - varies

7.2 **Class B(i):**

General business - \$100,000

Long term business -\$200,000

Long term and general business (combination) - \$300,000

7.3 **Class B(ii):**

- (a) General business –
 - (i) 10% of Net Earned Premium (**NEP**) to first US\$5,000,000;
 - (ii) 5% of additional NEP up to US\$20,000,000; and
 - (iii) 2.5% of additional NEP in excess of US\$20,000,000
 - (iv) Long term business -\$300,000;

- (v) Long term and general business (combination) - amount required to support the general business plus \$450,000.

7.4 **Class B(iii):**

- (a) General business –
 - (i) 15% of Net Earned Premium (**NEP**) to first US\$5,000,000;
 - (ii) 7.5% of additional NEP up to US\$20,000,000; and
 - (iii) 5% of additional NEP in excess of US\$20,000,000
 - (iv) Long term business -\$400,000;
 - (v) Long term and general business (combination) - amount required to support the general business plus \$600,000.

7.5 **Class C:**

- (a) General business - \$500
 - (i) Long term business -\$500
 - (ii) Long term and general business (combination) - \$500

7.6 **Class D:**

Calculated as 100% of total of:

- (a) Premium: (except catastrophe risk):
 - (i) Non-life and Life Premiums: 15.0% of Net Written Premiums
- (b) Reserve:
 - (i) Non-life Reserves: 10% of Gross Life Reserves
 - (ii) Life Reserves: 5.0% of Gross Life Reserves
- (c) Asset:
 - (i) Class 1 assets: 0.0%
 - (ii) Class 2 assets: 0.5%
 - (iii) Class 3 assets: 2.0%
 - (iv) Class 4 assets: 4.0%
 - (v) Class 5 assets: 5.0%
 - (vi) Class 6 assets: 10%
 - (vii) Class 7 assets: 15%
 - (viii) Class 8 assets: 35%
- (d) Reinsurance:
 - (i) 5.0% of Total Ceded Unearned Premium Reserve

- (e) Catastrophe:
 - (i) 20% of a 1 in 100 year event; and
 - (ii) 100% of a 1 in 10 year event

Long term business can be broadly summarised as life insurance, annuities on life and personal injury and general business is classified as insurance business other than long term business.

It should be noted that the above are minimum net worth requirements and that the Monetary Authority may require additional injections of capital to increase the minimum net worth depending on the volume of annual premium anticipated, the level of risk to be assumed and the nature of any reinsurance as set out in the business plan referred to below. The statutory minimum net worth is usually satisfied by paid in capital. Any additional net worth requirements imposed by the Monetary Authority can sometimes be satisfied by means of letters of credit and in exceptional circumstances by promissory notes or other security but the Monetary Authority's approval to such alternatives is becoming rare. Any letters of credit, promissory notes or other security must be in a form acceptable to the Monetary Authority.

8. OFFICERS, DIRECTORS AND SHAREHOLDERS

- 8.1 All Officers and Directors (including changes after licensing) must be approved by the Monetary Authority. The following must be supplied in respect of each Officer and Director:
 - (a) Name, address and nationality.
 - (b) *Curriculum Vitae* or résumé with particular emphasis on insurance experience.
 - (c) Evidence of no previous criminal convictions.
- 8.2 All shareholders (including any new shareholders or any changes in shareholding after licensing) must be approved by the Cayman Islands Government. Where the shares are held by a company, the chain of connection to the ultimate individual owner must be shown except in the case of substantial companies acceptable to the Monetary Authority. The following information must be supplied for each individual shareholder:
 - (a) Three references including one from an insurer or re insurer and one from a bank.
 - (b) Evidence of no previous criminal convictions in the case of individuals.
 - (c) In many cases especially of corporate shareholders, financial statements or other evidence of financial standing.

9. LOCAL MANAGEMENT

A Cayman insurance company must have a registered office in the Cayman Islands at which the statutory corporate records are kept. This service can be provided by a local law firm, accounting firm, trust company, insurance manager or other corporate management company. Each licensee that is required to have a place of business in the Islands must maintain in the Islands such resources, including staff and facilities, books and records as CIMA may consider appropriate, having regard to the nature and scale of the business.

Each application for a licence must designate a locally licensed insurance manager at whose office full business records will be kept. This requirement can be waived only in exceptional circumstances, usually where the insurer maintains permanently in the Cayman Islands a principal office and staff.

Every licensed insurer is also required by law to nominate at least one individual resident in the Cayman Islands to accept service of legal proceedings on behalf of the insurer. This service can be provided by a representative of a law firm, accounting firm, trust company, insurance manager or corporate Management Company.

10. BUSINESS PLAN

10.1 Each application for a licence must include a business plan which must give the fullest possible information with regard to the proposed activities of the licensee. In particular this should cover for the ensuing three year period the following:

- (a) Classes of business to be written.
- (b) Premium volumes.
- (c) Proportion of business to be reinsured.
- (d) Nature of reinsurance program and details of reinsurers.
- (e) Retention of net premiums and maximum liability per risk and in aggregate.

10.2 Any change after licensing in the business proposed in such business plan requires the prior approval of the Monetary Authority. A licensed insurer is required every year to provide the Government with a certificate certifying compliance with the business plan and Insurance Law and regulations. Such certificate is generally signed by the auditors, local insurance managers or such other person as may be approved by local authorities.

11. DISBURSEMENTS ON ESTABLISHMENT

In addition to the licence fees covered above corporate disbursements are as follows:

- | | | |
|-----|--|--------------|
| (a) | Registration as a Foreign Company with a place of business in the Cayman Islands | |
| | Government registration fee | US\$1,646.34 |
| (b) | Exempted Company | |
| | Minimum Government incorporation fee | US\$853.66 |

This allows an authorised capital of the equivalent in any foreign currency of up to approximately US\$50,000. If the authorised capital exceeds the equivalent of US\$50,000 additional fees are payable. Please see our company brochure for full details.

12. CORPORATE ANNUAL DISBURSEMENTS

- | | | |
|-----|---|--------------|
| (a) | Foreign Company | |
| | Government Annual Return Fee | US\$1,646.34 |
| (b) | Exempted Company | |
| | Government Annual Return Fee | US\$731.71 |
| | For minimum authorised capital as above | |
| | Maximum Annual Return Fee | US\$3,131.71 |

13. CORPORATE MAINTENANCE

Our corporate management company, Appleby Trust (Cayman) Ltd. can provide a registered office and basic corporate services for on-going maintenance of companies p.a. US\$1,680.00

Sundry Disbursements US\$100.00

For more specific advice on insurance companies in the Cayman Islands, we invite you to contact:

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For the convenience of clients in other time zones, a list of contacts available in each of our jurisdictions may be found [here](#).