



## THE CAYMAN ISLANDS

### **Statement from the Cayman Islands**

#### **Introduction:**

Over the last 35 years the Cayman Islands have matured into one of the world's largest international financial centres and the second largest captive insurance domicile.

As the primary financial services regulator, the mission of the Cayman Islands Monetary Authority ("The Authority") is to enhance the economic wealth and reputation of the Cayman Islands by fostering a thriving and growing, competitive, and internationally recognised financial services industry, through appropriate, responsive, cost-effective and efficient supervision and a stable currency.

To this end, the Authority enforces robust regulatory laws along with working closely with home supervisors on regulatory co-ordination and implementation of pragmatic and effective regimes for group supervision and coordinated crisis management. Thus, the framework within which the Authority operates addresses key elements and principles as outlined by the IAIS as well as by maintaining active membership with international standard setters in the insurance sector in particular;

- International Association of Insurance Supervisors (IAIS) since 1995
- Offshore Group of Insurance Supervisors (OGIS) since 1993
- International Organisation of Securities Commissions (IOSCO) 2009
- Caribbean Association of Insurance Regulators (CAIR) 2009

Additionally, the Cayman Islands holds the number one position worldwide for healthcare captives; this sector continues to be the primary class of business, while the second largest sector provides workers' compensation coverage. The Cayman Islands captive insurance industry is composed mainly of companies emanating from North America. Nonetheless, the next most important geographical source is the Caribbean and Latin America, collectively.

Enhanced international cooperation and collaboration will undoubtedly continue to assist in safeguarding the interest of the jurisdictions which fall within the "offshore sector" and "the Caribbean" and as this is of paramount importance to the Cayman Islands, the Authority consistently commits both time and resources to actively participate in international initiatives.

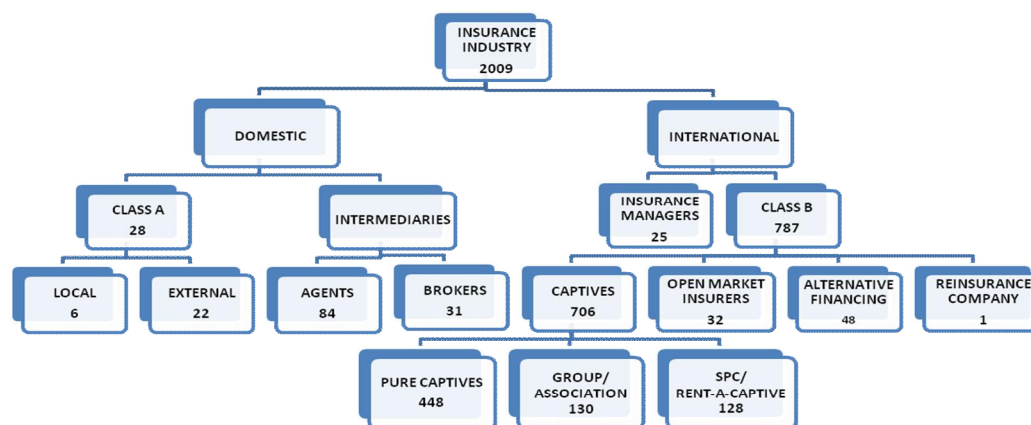
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## MARKET SIZE

**The insurance industry in the Cayman Islands has two distinct sectors:**

- 1. The Domestic Market: (The insurance of local risks by locally incorporated or registered insurers) consisting of 26 companies of which 6 are local and 20 are Approved external insurers.<sup>1</sup>**
- 2. The International (captive) Market: (The insurance of foreign risks by insurers from within the Cayman Islands) consisting of 780 insurers of which 706 are captives.**

### Chart Illustrating the Structure of the Cayman Islands Insurance Sector



The majority of the approved external insurance companies are of Caribbean origin, while some are based in the USA, Guernsey and the UK.

The Local companies are incorporated in the Cayman Islands and have their Head Offices there. While some of these companies are totally owned by local shareholders, others are owned by a mixture of local and foreign persons and one is 100% owned by foreign interests.

The External Companies have their Head Offices and home supervisors in other countries. Of the 22 External Companies, 5 operate as branches of their Head Offices whilst 11 are represented by Insurance Brokers, 4 by Insurance Agencies and 2 by Insurance Managers.

For the year ended 31st December 2008, the Island's insurers reported aggregate gross premiums of CI\$346 million, surpassing the CI\$275 million written the prior year.

The vast majority of Class B insurance companies in Cayman are captives of one type or another. A small number, however, are actually engaged in open market operations, providing insurance or reinsurance coverage to non-related entities.

The Cayman captive insurance market is quite varied, with prominent risk types including healthcare, workers' compensation, property and general liability. More recently, Alternative Financing Vehicles (also called Special Purpose Vehicles (SPVs)) have been formed to allow reinsurers access to capital markets for catastrophe cover. Segregated Portfolio Companies (SPC's), also called Protected Cell Companies, that typically provide captive products for smaller organizations, are also a major part of the market; as at June 30, 2009 there were 126 licensed SPC's. Cayman has developed particular expertise in Medical insurance and 37% of the captive market is healthcare related.

<sup>1</sup> Approved External Insurer has its principal or registered office in a place outside the Islands where the legislation for the regulation and supervision of insurers is acceptable to the Authority.

## REGULATORY FRAMEWORK

The Cayman Islands Monetary Authority ("CIMA") bases its regulatory regime on the core principles issued by IAIS. These principles are applied in the context of the risk profile of the particular licensee such that the regulation is appropriate to the risk of the business undertaken. CIMA's regulatory framework consists of the Insurance Law (2008 Revision), regulations and various statements of regulatory policy and guidance. In addition, all relevant financial services business in Cayman must adhere to internationally accepted standards with respect to anti-money laundering and combating terrorist financing as specified in the Proceeds of Crime Law, 2008 and the Money Laundering Regulations, 2008.

CIMA recently issued Rules & Statements of Guidance to the insurance industry on Risk Management for Insurers as well as on Market Conduct for Class A Insurers, Agents and Brokers. The measures are directly in keeping with the IAIS Core Principles and specifically deals with the areas of market conduct, internal controls, insurance policy wording, disclosure and assessing customer needs, and enforcement. Among other stipulations, it requires that agents and brokers have internal controls and/or protection to safeguard customer assets and only act within the limits of personal competence and authorisation.

### The Insurance Division of CIMA is responsible for the regulation and supervision of the insurance industry

#### Key Skills of Insurance Division

- Review and understand the business conducted by all licensees;
- Ensure a consistent and systematic approach to supervision of licensees;
- Detect early signs of potential problems and recommend remedial action; and
- Ensure that all licensees are in compliance with the relevant laws, applicable instruments issued by CIMA and any conditions or enforcement directives issued to the entity

### International Cooperation and exchange of Information

In an effort to enhance mutual cooperation and information exchange in the carrying out of various functions and duties in accordance with the Monetary Authority Law and other regulatory laws, the Cayman Islands Monetary Authority has entered into memoranda of understanding such that effective communication can be made with even non-OGIS members. The list on MoUs signed is as follows:

Multilateral Memorandum of Understanding . IOSCO	24Mar-2009
Memorandum of Understanding- Securities Commission of Brazil	26Feb-2009
Memorandum of Understanding - Malta Financial Services Authority	18Feb-2009
Memorandum of Understanding - Financial Services Authority UK	21Feb-2008
Memorandum of Understanding-Superintencia de Entidades Financieras y Banco Central Argentina	13Feb-2008
Memorandum of Understanding - Office of Insurance Commissioner of the State of Washington	31Jan-2008
Memorandum of Understanding - Jersey Financial Services Commission	21Aug-2006
Memorandum of Understanding - Office of the Superintendent of Financial Institutions Canada	16May2006
Memorandum of Understanding . Banco Central de Brazil	7-Mar-2006
Undertaking for Sharing Information-US Commodity Futures Trading Commission	11Jan-2006
Memorandum of Understanding - Isle of Man Financial Supervision Commission	30Jun-2005
Memorandum of Understanding - Bermuda Monetary Authority	30Jun-2005
Undertaking for Sharing Information-US Securities & Exchange Commission	23May-2005
Memorandum of Understanding - Bank of Jamaica	10Oct-2003
Multilateral Memorandum of Understanding - The Regional Authorities for the Exchange of Information and Co-operation and Consultation	30Nov-2004

## **PREVIOUS IAIS EXPERIENCE**

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- ✓ CIMA is a founding member of the International Association of Insurance Supervisors (IAIS) and has been a full member of IAIS since inception.
- ✓ CIMA is a member of the insurance sub-committee of the IAIS on Market Conduct.
- ✓ CIMA was a member of the insurance fraud sub-committee of the IAIS and has also actively participated in other IAIS subcommittees.
- ✓ CIMA acts as an IAIS MMoU Validator and is involved in the current evaluations of applications by The Netherlands, BVI, UK and Australia.
- ✓ CIMA attended the IAIS MMoU Workshop where 2 CIMA staff members were nominated as Validator.
- ✓ CIMA has submitted application for accession to IAIS MMoU in December 2008 & has 1 Board member as a Distinguished Fellow of IAIS

### **OGIS Experience:**

- ✓ CIMA has served as Secretary of the Offshore Group of Insurance Supervisors 1997 to 2006 and has been a full member since inception.
- ✓ CIMA has served as chair of the education committee of the Offshore Group of Insurance Supervisors.

## **QUALIFICATIONS OF REPRESENTATIVES**

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CIMA has the full support of the Management Committee and Board of Directors. In conjunction with the wealth of experience to be offered by our designated representative, CIMA's resources include:

**MS. CINDY SCOTLAND –Managing Director of CIMA** has represented the jurisdiction extensively on regulatory matters to organisations including the Offshore Group of Banking Supervisors, the International organisation of Securities Commissions, the International Monetary Fund and the FATF, Caribbean Financial Action Task Force, as well as on a regulator-to-regulator basis.

Mrs Scotland holds a number of board and committee posts. She is chairman of the Cayman Islands Guidance Notes Committee, a member of the Cayman Islands Stock Exchange Authority board, and the Anti-Money Laundering Steering Committee of the Private Sector Consultative Committee.

**MR. LANGSTON SIBBLIES – Deputy Managing Director/General Counsel; IAIS Validator** is a lawyer with over 30 years' experience practising in a number of Caribbean jurisdictions and in Ontario, Canada, in both the private and public sectors. In the public sector he served as Crown Counsel (Cayman Islands), Senior Crown Counsel (British Virgin Islands), Legislative Policy Counsel (Ontario), and Director of Public Prosecutions (Grenada). In the private sector, he has worked as a law editor with a leading Canadian tax and business law publisher and practised as a private lawyer in Jamaica and in Toronto, Ontario.

He has represented the Cayman Islands and the Authority in various meetings with regional and international bodies such as the OECD, the FATF, the CFATF, the IMF and IOSCO and delivered relevant papers relating to the regulation of the financial industry in the Cayman Islands at several local and international forums.

**MR. HOWARD BLACKER – Deputy Managing Director** has served as a regulator in the USA and several other countries. Most recently, he spent 16 months as the International Banking Advisor to the Reserve Bank of Malawi through the US Treasury's Office of Technical Assistance. While there, he developed and implemented a risk based supervision examination manual and provided associated on-the-job training. Prior to this, he was the Manager of the OCC'S Foreign Technical Assistance Programme (FTA).

Mr. Blacker's prior appointments have included positions with the United States Treasury, Office of the Comptroller of the Currency (OCC), Federal Home Loan Bank of Dallas, Resolution Trust Corporation and the International Monetary Fund (IMF). As an IMF technical expert, Mr. Blacker was project manager, at the Malaysian central bank, for the development and implementation of examination manuals that the central bank examiners used for the supervision of the Malaysian system.

**MR. MITCHELL SCOTT – Head of Policy & Development of CIMA** was appointed Acting Inspector of Financial Services in October 1996. He held the position of (interim) Managing Director of the Monetary Authority on its establishment in January 1997 before heading up the newly formed Policy & Research (now Policy & Development) Division in July 1997.

In addition to being the Secretary of the (Financial Secretary's) Private Sector Consultative Committee for a number of years, Mr. Scott has represented the Monetary Authority at local and international conferences and on a number of committees with industry participation, including the (Anti-Money Laundering) Guidance Notes Committee and the Funds Industry Steering Committee.

**MR. GORDON ROWELL - Head of Insurance Supervision Division of CIMA** is a lead validator for IAIS MMoU Validation Team and is a former technical assistant to the International Monetary Fund ("I.M.F.") in the Monetary and Exchange Affairs Division based in Washington, D.C. He has assisted in the design of the insurance templates used by the I.M.F. in reviewing offshore jurisdictions.

He is a former director of several offshore insurance and mutual fund licensees and has Authored articles and has appeared as a keynote speaker on captive regulation for OGIS, Global Reinsurance, A.M. Best's Review, Captive Review, Captive Insurance Company Reports, Offshore Finance Canada and other industry publications on topics including insurance regulation, taxation, money laundering and trends in the captive industry.

**MR. STEVE BUTTERWORTH; Distinguished Fellow of the International Association of Insurance Supervisors (IAIS)** was contracted to assist the World Bank and the IAIS as author of the Core Curriculum training modules for Fraud (ICP 27) and AML/CFT (ICP 28) and held the following positions:

- Executive Committee member of the IAIS (Member of Technical and Emerging Markets Committee, Core Principles Methodology and Assessment and Reinsurance and Securitisation and several other sub-committees);
- Founder Chair (1993-1998) of the IAIS Education Committee which brought out the first training manual for insurance regulators/supervisors.
- Founder Chair (1998-2002) of the IAIS Insurance Fraud Sub – Committee;
- Founder Chair (1993-2000) of the Offshore Group of Insurance Supervisors – and from 2000 to 2003, the Executive Committee member responsible for international representation of the Group. From 2004 to 2007 he was the Honorary Executive Director;

Given the volume and nature of the insurance services provided in and from the Cayman Islands, The Authority believes that we have a valuable perspective and are in a position to make a useful contribution to IAIS's work.

Our commitment has been evidenced by:

- a) Our drive to increase regulators' understanding of the principles, and the regulatory issues surrounding sound corporate governance, internal controls, and risk assessment and management for captive insurance entities in September 2008, the Authority hosted over 31 jurisdictions at a workshop organised by the OGIS, IAIS and The Authority.
- b) Our willingness to participate in various IAIS subcommittees
- c) Full support of our Executive and accessibility to technical resources and to persons who possess the requisite qualifications to assist if and when necessary.
- d) A comprehensive commitment to international cooperation and experience.

**Signed :** \_\_\_\_\_

**Cindy Scotland**  
**Managing Director**  
**On behalf of the Cayman Islands Monetary Authority**

