



# A Study to Assess the Economic Impact of the Insurance and Reinsurance Sectors on the Cayman Islands Economy<sup>2</sup>

March 2025<sup>1</sup>



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<sup>1</sup> Source: FTS Economic Impact Report - August 2024

<sup>2</sup> This study is restricted to an economic impact analysis using the widely accepted Keynesian Model which is applicable to relatively free economic systems as typically found in most advanced countries. The study was based on detailed information on revenues and expenditures provided by IMAC members, a select group of reinsurance companies from CIRCA and data from the Economics and Statistics Office (ESO).



This study assesses the economic impact of the international captive insurance and reinsurance industry in the Cayman Islands, excluding retail insurance activities. In December 2023, there were over 683 international captives in the Cayman Islands according to the Cayman Islands Monetary Authority (CIMA). Reinsurance in the Cayman Islands has grown significantly over the past decade with 8 Class D insurance companies with a physical presence on island (a growth of almost 100% since 2019) and approximately 75 Class B(iii) captive reinsurers.

The sector's impact is assessed both directly and indirectly across the following key areas:

1. The direct economic impact of operational expenditure within the domestic economy.
2. Payments to local service providers and contributions to government revenue through fees.
3. Influence on business travel due to industry meetings.
4. Charitable donations to local causes.
5. Employment impact, including salaries and qualitative aspects such as training.

**The full economic impact of the insurance sector is summarised in Table 1 below, indicating a combined direct and indirect economic impact of over \$233 million per year.** Expenditures on services and payroll that were identified as local, represent the direct expenditure in the economy, whilst the indirect impact focuses on the multiplier effect of spending a percentage of income from the insurance sector elsewhere in the economy.

Table 1 - Summary of Economic Impact	Direct Impact	Indirect/Induced Impact	Total Impact
Operational Expenditures	9.69	5.33	15.02
Fees paid to Cayman based service providers	88.10	48.44	136.54
Expenditure on Client Meetings (Hospitality Impact)	16.35	8.99	25.34
Charitable Donations in Community	0.25	0.14	0.39
Fees paid to the Government	11.80	6.49	18.29
Employment Impact	24.70	13.59	38.29
<b>Total Economic Impact (\$m)</b>			<b>233.85</b>

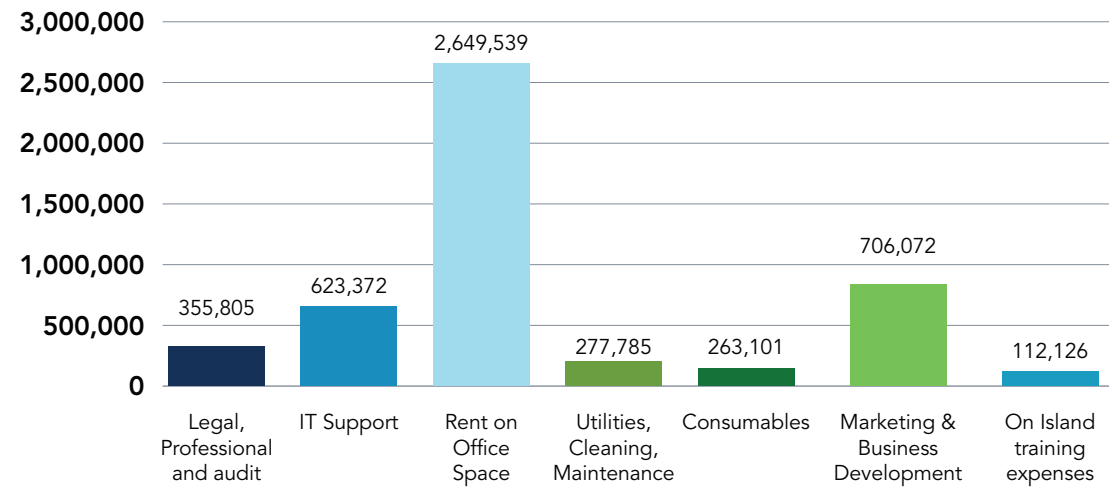
FTS was been engaged by Cayman Finance to assist the Insurance Managers Association of Cayman (IMAC), in carrying out a study of the economic impact of the international insurance sector on the Cayman Islands economy. This study is based on a substantial survey conducted by IMAC, and supplemented through interviews with a select group of captive insurance managers (IMAC members) with the full support of Cayman International Reinsurance Companies Association (CIRCA), the newly established industry body representing the jurisdiction’s reinsurance sector. The IMAC survey had a 79% response rate. In addition, 2 of the 8 CIRCA members (25% sample) were also surveyed by FTS to obtain data comparable to that of the IMAC survey.



## Operational Expenditures

**Figure 2 below provides a breakdown of operational expenditure of the international insurance sector within the local economy. The largest category of expenditures is rental costs at \$2.6 million, followed by marketing and business development and IT support.** Operational expenditures cover legal, professional and audit, IT support, office rental, utilities, cleaning, maintenance, consumables, client entertainment, office socials and all expenses incurred relating to staff training carried out on island.

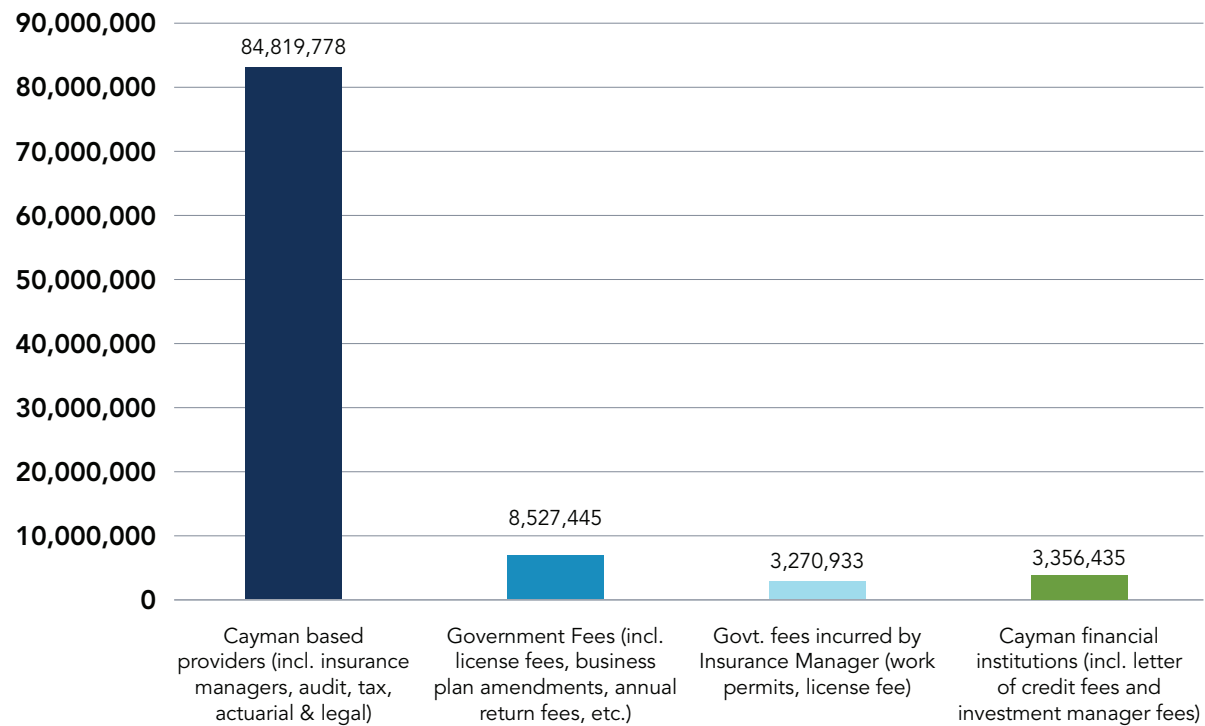
**Figure 2. Operational Expenditures by the International Insurance sector**



## Fees Paid to service providers and Government

**Figure 3 shows that over CI\$88 million is paid to local based companies (service providers and financial institutions) providing a significant impact in the local economy.** Fees paid to government and other public sector bodies includes licence fees, business plan amendments, work permit fees, annual return fees. Fees paid to other service providers includes legal, accounting and other services fees for providers based locally.

Figure 3. Insurance Sector’s Estimated Payments in Fees to Local Service Providers and Government



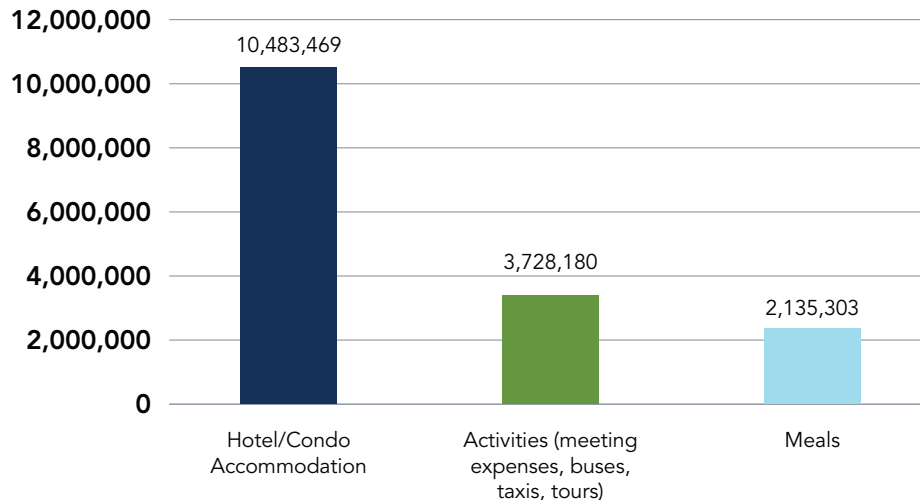




## Expenditure on Client Meetings

**Almost 40,000 stayover days are generated by insurance sector related business tourism each year, resulting in CI\$16.3 million in expenditure.** Figure 5 shows that approximately 10.4 million of the expenditure relates to accommodation. Each year IMAC organises the Cayman Captive Forum which is attended by over 1,500 professionals, and is one of the most successful financial services conferences in the Cayman Islands, as well as the largest captive forum in the world. This conference is a great example of the strong synergies between the insurance industry and tourism in the Cayman Islands.

**Figure 5. How business visitors from the international Insurance Sector spend their money in the local economy**





## Charitable Donations

**The industry contributes over CI\$250,000 each year to charitable causes.** In addition, firms in the international insurance industry donate 3,235 hours of their staff's time to aid numerous local charitable causes and initiatives.

## Employment Impact

**The international insurance sector currently employs around 256 persons directly;** 49% of employees are Caymanians or spouses of Caymanians and 28% are work permit holders. The sector also contributes over \$200,000 towards training of Caymanians overseas each year, in addition to a budget of \$112,000 allocated to local based training.

## Conclusion

**The international insurance sector contributes significantly to the Cayman Islands economy, with an annual impact of over \$233 million in direct and indirect impacts and employment of 256 persons.** Policymakers should take note of strong synergies with the tourism sector, with firms who took part in the survey supporting over 40,000 stayover days of tourism.

The estimated economic impact is likely underestimated due to three main data limitations:

- The estimated annual average salary per person is based on the ESO's 2018 compensation report and these numbers are likely to have increased due to inflation.
- Figures provided by a small sample of firms in the industry indicated higher average salaries than the ESO report. If a larger sample was obtained, there is a possibility that this may reveal a larger economic impact.
- The survey did not capture most of the reinsurance firms who operate in the Cayman Islands. Capturing all reinsurance firms would have resulted in additional economic impact.

The Economics and Statistics Office (ESO) does not provide a direct measurement of the financial services sector's contribution to GDP. Using data from a range of studies, this report estimates the economic impact of the insurance sector to be almost 5% of GDP.