Guernsey International Insurance Association

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PRESS RELEASE

Guernsey welcomes HM Treasury's response to the UK captive regime consultation.

The emergence of captive insurance regimes in domiciles such as France, Italy and now the UK recognises that captive insurance is a key component of modern risk management and risk financing for many corporations.

Having been at the forefront of the captive industry for over 100 years, and as the leading captive domicile in Europe with 326 licensed captives (both cellular and non-cellular), Guernsey's captive insurance companies have enabled their owners to better manage their overall cost of risk, regardless of insurance market conditions.

Captives are increasingly used to help corporate insurance buyers strategically take control of their insurance programmes, incubate emerging risks, and support parent business initiatives such as sustainability projects.

Each captive has its own individual strategy and risk profile, and captive owners will carefully assess the benefits and drawbacks of their captive domicile, both at inception and on an ongoing basis.

A captive insurer, insuring only the risks of its parent, has a very different risk profile to a large commercial insurer. An effective regulatory regime will understand this and apply regulation that is proportionate to that risk.

Selecting a domicile where the industry is supported by other professional service providers such as bankers, auditors, lawyers, independent directors, actuaries and consultants who understand and care about captives is important.

Continued political and public understanding and support of the captive industry is required to ensure stability of the regulatory regime, as this is critical for a captive insurer as a long-term strategic investment by its parent.

The Guernsey insurance industry continues to expand and diversify, having a long history of innovation most notably highlighted through the creation of Protected Cell Company Legislation. In recent years, the fastest growth has been in commercial insurance and reinsurance companies, which provide greater market capacity and reduce costs for (re)insureds. These innovations include humanitarian catastrophe bonds to allow people to recover from volcanic activity, longevity swaps and pension buyouts amongst many others.

Note to editors

The Guernsey International Insurance Association (GIIA) was formed in 1983 to represent the combined interests of both Guernsey insurers and Guernsey insurance managers.

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