

The Isle of Man Captive Industry

By Derek Patience, Chairman of the Manx Insurance Managers Association ("MIMA")

The captive concept is a long established one and one that is accepted in most developed countries. At the last count, at least 67 countries and states around the globe have some form of captive legislation and the number of captives worldwide has grown steadily and surely over the years to the current number of approximately 5,000, regardless of insurance market conditions.

The captive concept, initially single parent captives writing the risks of their parents and fellow subsidiaries, has developed over the years and has become much more sophisticated. Those wishing to establish a captive are now offered a wide variety of captive options, including group captives, association captives, rent-a-captives, protected cell company (PCC) captives and incorporated cell company (ICC) captives amongst others.

Both the level of sophistication and the numbers of captive will continue to grow, and grow significantly.

Captives in the Isle of Man have also come a long way since the first captive licence was issued here in 1981. The Isle of Man is now a well established captive domicile with over 160 captive's resident here, many of whom are owned by blue chip companies around the world. In 2006, these captives wrote annual premiums in excess of £1bn and had assets under management of more than £5.5bn. A sovereign rating of triple A and a zero percent tax on captive are amongst the many benefits of establishing a captive in the Isle of Man.

'Quality and balance' are definitely the key words when describing the captive sector in the Isle of Man. There's quality and balance in the Isle of Man insurance legislation which provides an easy to understand but very effective regulatory framework for captive insurers. The same can be said of the Insurance Regulator who gets the balance right with an approachable, pragmatic style but who also ensures that captives are regulated properly and sufficiently and are not subject to over-burdensome regulation.

There's also quality and balance in the area of captive management with the presence of a number of both global and independent captive managers which offers captive owners a wide range of options. Most of these managers are members of the Manx Insurance Managers' Association (MIMA) which results in a great deal of co-operation between the managers which is healthy for the Isle of Man as a whole.

The captive industry in the Isle of Man is also well supported by experienced and knowledgeable service providers such as auditors, lawyers, banks, other financial service providers, non executive Directors, many of whom are also Associate Members of MIMA.

The Isle of Man is set at the heart of the British Isles and has extensive air links, and contrary to what some people would have you believe, the Isle of Man is a very easy place to get to. There are eight daily flights to and from both Gatwick and London City, as well daily flights to 13 other airports in the UK and Ireland.

MIMA recently hosted a very successful captive insurance seminar with over 150 delegates in attendance. An independent review of the captive sector, chaired by ex-AIRMIC Chairman, Norman Bennet has just commenced and this review should be complete by the end of September.

To conclude, it is believed that the captive sector will continue to grow, and whilst the Isle of Man will face greater competition from the ever-increasing number of domiciles offering captive legislation, this should be more than offset by the number of opportunities for further captive business, especially from emerging markets, such as China and India. The review of the captive sector will help ensure that the Isle of Man is well positioned at the forefront of this field in order to take full advantage of these positive opportunities.