

Bahamas hopes to 'recapture' captive insurance business

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By Alison Lowe

Nassau Guardian Business Editor

NASSAU, Bahamas -- Predicting that a new captive insurance management company will set up shop in The Bahamas “within months”, the minister of financial services has advanced competitiveness-building legislative amendments that will allow the country to “re-establish” and grow its captive insurance sector.



Minister of Financial Services, Ryan Pinder

Addressing Parliament on Monday, Ryan Pinder said that technical amendments to the International Business Companies (Amendment) Bill and the Segregated Accounts Companies (Amendment) Bill would make The Bahamas “that much more competitive, and that much better” when it comes to attracting captive insurance business to this nation.

The amendments are being moved forward in light of “conversations with the private sector and the BFSB,” Pinder told Guardian Business.

While the amendments do not address the capacity for Bahamian companies to set up domestic captives, creating the legislative framework for this to take place is a matter the government is “pursuing right now,” the minister added.

Pinder told Parliament the amendments are particularly timely given recent interest from captive insurance management companies who are exploring whether to establish a presence in The Bahamas.

“In the last three weeks, I have had correspondence with senior executives of two of the most significant captive insurance managers, if not in the region, then in the world, who have travelled to The Bahamas to speak with us about advancing and putting together our strategy for captive insurance. In that regard I also have lunch this week to attract more captive insurance management companies from the Cayman Islands,” Pinder told Parliament.

A captive insurance company – or “captive” -- is an insurance subsidiary set up by a parent company to underwrite the insurance needs of the other subsidiaries. An example is that of UK-listed British Petroleum, which created a “captive” to provide environmental insurance to its operating units.

Pinder said the plan is to see The Bahamas “re-establish” its presence in the captive insurance industry, after losing business to Bermuda and the Cayman Islands over the years.

The Cayman Islands and Bermuda have seen their captive insurance sectors boom in recent times. As of June 2013, The Cayman Islands' captive insurance industry reported a record high of \$13.5 billion in total premiums and \$82.8 billion in total assets. The figures represent a year-on-year rise of 52 percent and five percent respectively.

The amendments will bring The Bahamas' legal framework with respect to captive insurance in line with international standards.

Pinder said: "With respect to segregated accounts companies, it allows for the ease of processing of a segregated accounts company, making it more marketable."

A segregated accounts company is a statutory vehicle in The Bahamas utilized by captive insurance managers.

"You can establish (the captive) in different forms. You can have a different company for each captive insurance product, or you can have one segregated accounts company that has segregated accounts under it. It's easier to administer and cleaner from a corporate structure point of view, though it is not the only way to do it," said Pinder.

The government has been trying to fashion the Bahamian legislative environment into an attractive form for captives business to take place for some time. Pinder called these amendments another "significant" step in this regard.

"I see significant opportunities for companies looking to find new options apart from the UK dependencies, especially Bermuda and Cayman. I also see opportunities to have captive insurance work in line with our current private wealth management framework. Private banking institutions and advisory institutions continue to look to offer different products to their clientele and we believe especially in the international life insurance segment that this could be a significant aspect of our established private wealth management offerings. We've had expressions of interest from leaders worldwide to utilize The Bahamas as a jurisdiction to deal with Latin America in particular."

On the subject of domestic captives, Pinder added: "We've had discussions on it and we are advancing a position now. We believe there might need to be a small revision to allow for it. I look forward to forwarding that to the attorney general."

The proposed legislative amendments must now undergo a parliamentary debate.

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