



The Insurance Law, 2010

Class "B" Insurer Frequently Asked Questions (FAQ)

1. What is The Insurance Law, 2010:

The Cayman Islands Insurance Law, 2010 (the Law) came into force on 1 November 2012. The Law, derived from significant public and private sector consultation, represents a comprehensive modernization of the prior Insurance Law in alignment with international standards. Principally, the Law strengthens the regulatory powers of the Cayman Islands Monetary Authority (CIMA), enhances protection for policyholders in Cayman's domestic market and facilitates Cayman's further development of reinsurance and insurance linked securities (ILS) business. The practical impact of the new Law on the captive insurance industry will not be significant because many of the new provisions simply introduce into law existing practice of CIMA that was not previously enshrined in legislation.

2. Are there any Insurance Regulations?

Yes, these have also been derived from significant public and private sector consultation and will likely be enacted circa November 20th, 2012.

3. What are the Insurance Regulations:

The Insurance Regulations are divided into four areas as follows:

- a. Application Forms;
- b. Reporting Forms;
- c. Capital and Solvency for Class A licensees;
- d. Capital and Solvency for Class B, C and D licensees;

4. Where can I find the reporting forms?

The Insurance Law, 2010 and the new Insurance Regulations can be found on the Cayman Islands Monetary Website at www.cimoney.com.ky.

5. What is covered by the Law?

Any organization that was, or plans to be, licensed under the Insurance Law. This includes:

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| a. Domestic Insurance Companies; | e. Reinsurance Companies; |
| b. Captives; | f. Insurance Brokers; |
| c. Commercial Insurers; | g. Insurance Agents; |
| d. Insurance Linked-Securities; | h. Insurance Managers; |

6. Is there a transition period?

Yes, there will be a period of 18 months from November 1st, 2012 which will allow existing licensees to come into compliance with provisions of the new Law and supporting Regulations. Therefore, full compliance with The Insurance Law, 2010 is required no later than April 30th, 2014. Upon approval by the Cayman Island Monetary Authority, the Class B insurer will be deemed validly relicensed.

7. What happens if I do not transition within the 18 month period?

If a captive fails to make an application during this 18 month period, its old licence will expire, it will cease to be licensed and it will no longer be able to conduct insurance business.

8. What are the most significant provisions affecting Class B insurers?

The most significant change for captives is the fact that the Class B licence is no longer divided into restricted and unrestricted sub-divisions. That distinction has been eliminated. Instead, a Class B licence is now sub-divided into a Class B(i), a Class B(ii) and a Class B(iii) . Which sub-class applies depends upon the percentage of related business that the captive writes.

9. How do I determine what Subcategory of License I should be?

The Monetary Authority will be contacting your Insurance Manager who, in turn will assist the directors of the Class B Insurer to identify unrelated business, and recommend the proposed sub-category of licensee based upon the amount of related and unrelated business. Once determined the Insurance Manager will notify the Authority accordingly in writing and subject to written approval from the Authority the Class B insurer will be deemed validly licensed under the new Law. This process will be part of the 18 month transition.

10. Are there new Minimum Capital Requirements (“MCR”)?

Yes, depending on the subcategory of Class B Insurer, the minimum capital for business will be:

	<u>General</u>	<u>Long-Term</u>
i. Class B(i)	US\$100,000	US\$200,000
ii. Class B(ii)	US\$150,000	US\$300,000
iii. Class B(iii)	US\$200,000	US\$400,000

11. Are there other Capital and Solvency Requirements?

Yes, depending on subcategory of Class B Insurer, there may be new Prescribed Capital Requirements (“PCR”) which will be strictly based on the amount of unrelated business, if any. The purpose of the MCR is the minimum capital required to run off any technical provisions. Furthermore, under certain circumstances, CIMA will also recognize equity built into prudently valued technical provisions, and which will be factored into determining each Class B insurer’s prescribed capital requirement (“PCR”).

12. What is Related and Unrelated Business?

“Related Business” means business which will originate from the insurer’s members or the members of any group with which it is related through common ownership or a common risk management plan, or as determined by the Authority.

13. What happens if I already write Unrelated Business?

First of all, all Class B(i) insurers are allowed to write up to 5% of Unrelated Business with no impact. Further, if business falls under a common risk management plan, this will not be treated as Unrelated Business. However, if Unrelated Business does not fall into any of these categories, you may wish to discuss the matter with your Insurance Manager and the Cayman Island Monetary Authority.

14. Are there any other provisions to which I should be aware?

Yes, there are many provisions in the new Law which will affect Class B insurers and it is important that you address these matters with your Insurance Manager. A summary of these include, where applicable:

- New Reporting Requirements;
- Threshold for a change of control has been raised to 10%;
- Increased Duties of Insurance Managers/Auditors
- Enhance Powers For CIMA; e.g. action against a cell as opposed to an SPC;
- Requirement to have effective governance risk management systems appropriate to the size, nature and scale of your business;

15. Is there new Segregated Portfolio Company (“SPC”) Legislation?

It is anticipated that as part of the new Insurance Law (2010), new Portfolio Company Legislation will also be rolled out as an amendment to the new Law by the end of 2012.

16. What is the Portfolio Company Legislation?

Portfolio Insurance Company ("PIC") legislation will allow for a segregated portfolio company to incorporate one or more of its segregated portfolios.

17. What are the Advantages of a PIC?

The particular advantages of being able to incorporate segregated portfolios are the capacity for segregated portfolios within the same captive to have a:

- i. Clear Separate Identity: which allows for all the privileges of a company including a certificate of registration;
- ii. Appoint a Board of Directors which can differ from the SPC;
- iii. Contract with each other PIC's within the SPC;

18. Where can I find more information on the Insurance Law, Regulations and PIC's?

The Law and supporting regulations can be found on the Cayman Islands Monetary Authority website at www.cimoney.com.ky. Information can also be provided by your insurance manager and finally, the Authority would be more than happy to schedule a meeting to discuss any matters relating to the Law.