

# Registering a Captive Insurance

## What are Captive Insurance Companies?

Captive Insurance Companies are established by corporations and/or their affiliated businesses to provide insurance coverage where it was either unavailable or unreasonably priced. Basically, these captive insurance companies provide self-insurance to its owners.

## Types of Captive Insurance Companies

**A Pure Captive Insurance Company** insures the risks of its parent and affiliated companies or controlled unaffiliated businesses.

**An Association Captive Insurance Company** insures the risks of member organizations of its association and their affiliated companies.

**A Group Captive Insurance Company** insures the risks of its parent, owners and affiliated persons; the risks insured of its unaffiliated persons should not be more than one-third.

The above mentioned types of captive insurance companies can be placed into two (2) categories:  
- Small captive insurance company - a captive insurance company with annual net written premiums, or if greater, direct written premiums, not exceeding EC\$4,050,000.

- Captive insurance company, other than a small captive insurance company.

All licensed captive insurance companies are managed by an Insurance Manager licensed under the Financial Services Regulations Order, Cap 21.03 (Seventh Schedule).



## Benefits of establishing a Captive Insurance Company

Corporations or affiliated persons may form a captive insurance company for the following reasons:

- \* Minimizing costs by eliminating a large percentage of traditional insurance company overheads;
- \* Access to the lower-cost reinsurance market;
- \* Retaining profits that would otherwise have been paid to commercial insurers (premiums in excess of amounts repaid to cover losses);
- \* Earning additional income on funds it controls by choosing lucrative financial instruments in which the company's premiums may be invested in;
- \* Reducing risk by choosing insured parties with a low risk profile;
- \* Have control over the design of the company's policies, as well as, the ability to repay losses incurred;
- \* Ability to insure risks which would otherwise be uninsurable.

## Topics Discussed:

- \* *What are Captive Insurance Companies?*
- \* *Types of Captive Insurance Companies*
- \* *Benefits of establishing a Captive Insurance Company*
- \* *Licensing Requirements for Captive Insurance Companies*
- \* *Licence Process*
- \* *Submission of Statement of Financial Condition*
- \* *Legislative References*

## Licensing Requirements for Captive Insurance Companies

When submitting an application for a captive insurance company to be licensed in St. Kitts, the following documentation should be submitted:

Type of Captive Insurance Company	Application Fee (non-refundable)	Licence Fee
Small Captive Insurance Company	US\$ 200.00/EC\$ 540.00	US\$ 800.00/ EC\$ 2,160.00
Captive Insurance Company, other than a Small Captive Insurance Company	US\$ 600.00/ EC\$ 1,620.00	US\$ 3,000.00/ EC\$ 8,100.00

- \* The names of at least two (2) directors or managers;
- \* A certified copy of the captive insurance company's organizational documents, a statement under oath of its president and secretary, or, if none, its directors or managers, showing its financial condition;
- \* A description of the captive insurance company's three-year business plan including coverages, deductibles and coverage limits, together with such additional information as the Registrar may reasonably require to enable him to assess and approve the business plan;
- \* Due diligence information on all beneficial owners, directors and major shareholders of the company (notarized copy of identification, reference letters and copy of a utility bill);
- \* Evidence of the following:
  - The amount and liquidity of its assets relative to the risks to be assumed;
  - The adequacy of the expertise, experience and character of the person or persons who will manage it;
  - The overall soundness of its plan of operation;
  - Adequacy of the loss prevention programs of its insured;
  - Minimum unimpaired capital and surplus
    - A. Pure captive insurance company—EC\$607,000.00
    - B. Association captive insurance company—EC\$810,000.00
    - C. Group captive insurance company—EC\$1,080,000.00
    - D. Small pure captive insurance company—EC\$54,000.00
    - E. Small association captive insurance company—EC\$67,000.00
    - F. Small group captive insurance company—EC\$81,000.00
- \* Such other information and any other statements or documents required by the Registrar.

### Licence Process

Upon completion of the application process and the adequacy of all relevant information, the licence is granted by the Registrar of Captive Insurance Companies.

Licences for the captive insurance companies expire at two (2) times during the course of a calendar year:

- \* If the licence is granted between January 1 and June 30, it shall expire on December 31 of the same year.
- \* If the licence is granted between July 1 and December 31, it shall expire on June 30 of the following year.

Thereafter, licences are renewed annually (either June or December, where applicable).

### Submission of Report of Financial Condition

In accordance with Section 19 (1) of the Captive Insurance Companies Act, each captive insurance company is required to submit a report of its financial condition to the Registrar prior to March 1 of each year after one (1) full year of operation.

### CELEBRATE WITH THE FINANCIAL SERVICES REGULATORY COMMISSION



#### Legislative References:

- \* *Captive Insurance Companies Act, No. 12 of 2006*
- \* *Financial Services Regulatory Commission Act, No. 22 of 2009*
- \* *Financial Services (Implementation of Industry Standards) Regulations (FSR) , No. 51 of 2011*