

Guernsey Captives

Guernsey is Europe's leading captive insurance domicile and number four in the world, with more than 650 international insurance entities (captives/PCCs&ICCs/cells) and premium written in excess of £4bn (US\$6bn).

Approximately 40% of the FTSE 100 and 95 of the global 1500 companies have captives domiciled in the Island. In addition to UK companies a number of firms in Europe, USA, Middle East, Asia, South Africa, Australia and the Caribbean have established captives in Guernsey.

A catalyst in this growth has been that in 1997 Guernsey pioneered the Protected Cell Company (PCC) and since also introduced the innovative Incorporated Cell Company (ICC).

Guernsey hosts a range of providers from the major players such as Aon, JLT, Marsh and Willis to independent, boutique operators.

Potential benefits of a Captive

A captive, in its purest form, is a company set up by its owners primarily to insure the risks of its parent and/or subsidiaries. This can offer several advantages in comparison with insuring through the commercial market:

- The insuring of unusual or catastrophic risks or multiple small risks
- Avoid paying large overheads and profit margins
- Premiums relate to the insured's previous claims record
- Direct access to the wholesale reinsurance market
- Benefit from the investment return on retained premiums
- The retention within the group of the excess of net premiums over claims
- Taxation efficiencies – the payment of insurance premium is deductible in arriving at profits and receipt is at the group's offshore captive
- Improved risk management and understanding of the cost of risk

Establishing a Guernsey Captive

The salient issues to be considered when establishing a Guernsey captive include:

Legislation – The Insurance Business (Bailiwick of Guernsey) Law 2002, as amended, and associated Codes, Rules, Regulations and Guidance.

Regulation – Insurance regulation has been in place since 1986. Details of regulatory requirements, fees and application documents are available on the website of the regulator, the Guernsey Financial Services Commission.

Solvency Requirements

Minimum Margin of Solvency	
18% of the first £5m. of net earned premium plus 16% of any excess or 5% of the loss reserves, whichever greater	

Capitalisation

Minimum Capital Requirement	
Non-life Business	£100,000
Life Business	£250,000

Company Formation

Incorporation	From £100
Annual Filing Fee	From £250*
Tax Rate	0%
Minimum Shareholders	1

Regulatory and Supervisory Body

Guernsey Financial Services Commission
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 Guernsey, GY1 3HQ

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*From £250, although the standard fee for a captive is £500 except if a PCC/ICC where the cost is £750.