

Introducing Portfolio Insurance Companies - Cayman Islands

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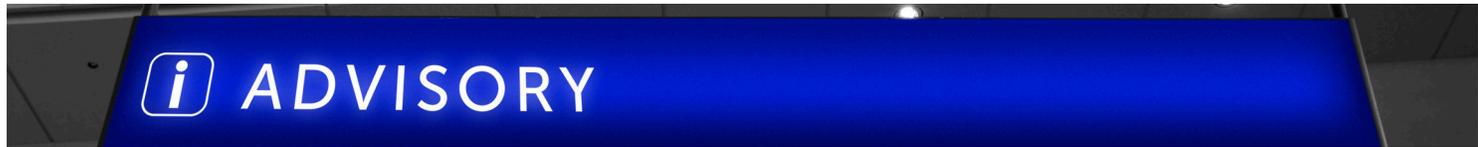
On 16 January 2015 The Insurance (Portfolio Insurance Companies) Regulations, 2015 of the Cayman Islands were enacted and related sections of The Insurance (Amendment) Law 2013 commenced. The changes permit licensed insurers established as segregated portfolio companies (SPC) to incorporate one or more of their cells as "portfolio insurance companies" (PIC). This innovative development to the insurance statutory framework further enhances the risk management options available to insurance participants in the Cayman Islands.

Executive Summary

- › the PIC initiative has been insurance sector led and the PIC Legislation has been specifically designed for SPC insurers;
- › a PIC will be incorporated as a Cayman Islands exempted company and will be a subsidiary of its controlling SPC but will be related to a particular cell of the SPC;
- › the insurance programme of an existing cell (including assets and liabilities) will be the subject of a statutory novation from the relevant cell to the PIC as part of a fast track registration procedure with the Cayman Islands Monetary Authority (CIMA);
- › although a PIC will be regulated by CIMA (with initial and annual filings and registration fees payable) it will not be separately licenced and instead will fall under the licence of its controlling SPC;
- › PICs can contract with another cell of its controlling SPC, or with the SPC itself (this was not previously possible);
- › the risk of inadvertent comingling of assets among SPC cells is reduced;
- › a PIC can have a different board of directors to that of its controlling SPC, thus allowing for greater governance flexibility;
- › greater recognition by counterparties that are unfamiliar with unincorporated cells;
- › the ability to easily transition to a standalone captive/insurer;
- › an existing Cayman Islands insurer incorporated as an exempted company may utilise the PIC Legislation by converting into an SPC;
- › recognition as a separate legal entity for US tax purposes, allowing tax elections to be made under its own federal tax identification number; and
- › a single PIC can be wound up without affecting its controlling SPC or other PICs.

Incorporation, Registration and Continuing Obligations

- › the incorporation of the PIC is simple (can be achieved within 24 hours) - all the voting shares of the PIC must be held by the SPC and the name of the PIC must include the letters "PIC, "P.I.C." or the words "Portfolio Insurance Company";
- › registration of the PIC with CIMA will be largely the same as the current procedure for creating a new cell of an SPC and will involve, among other things, the submission of an application with prescribed particulars, including written consent from the SPC, due diligence materials on proposed



directors and officers (if different to those of the SPC), a business plan and the required filing fee;

- » if satisfied with the application, CIMA will issue a Certificate of Registration (no licence required) and the assets and liabilities of the relevant cell will be the subject of a statutory novation to the PIC;
- » the PIC will have ongoing obligations to, among other things, carry on its business only in accordance with the application submitted to CIMA, maintain a margin of solvency and capital in accordance with the requirements prescribed in the PIC Legislation and make annual regulatory filings with CIMA.

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