

ADVISORY
Industry Information

CIMA Issues New Licensing Policy for Class B Insurers

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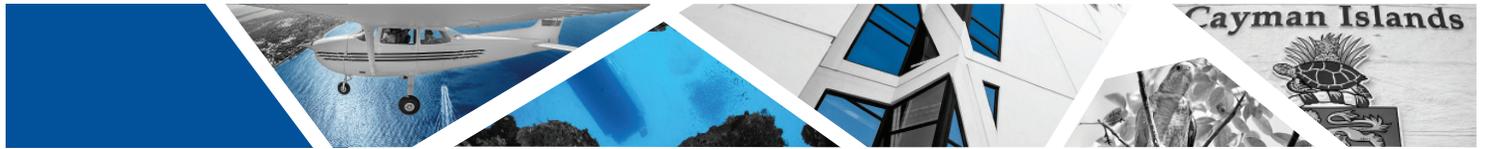
The Cayman Islands Monetary Authority (“CIMA”) has issued a new *Regulatory Policy on Licensing for Class B Insurers* (the “Licensing Policy”) which sets out CIMA’s expectations and licensing requirements for applicants of class B insurer’s licences (effective immediately). This advisory provides a summary of the key practical points.

The class B insurer’s licence is intended for captives seeking to carry on non-domestic insurance or reinsurance business in the Cayman Islands. Captive insurers and reinsurers, including those formed as segregated portfolio companies, need to carefully consider the assessment criteria in section 7 of the Licensing Policy, when applying for a new class B licence or changing class B licence subcategory. These requirements apply to captives who write long-term and/or general insurance.

Key licensing criteria

CIMA provides increased clarity and detail on its licensing requirements for class B licence applicants with focus on four key areas as briefly summarised below.

Criteria	Key Points
Fitness and proprietary	CIMA will apply its <i>Regulatory Policy and Regulatory Procedure on Fitness and Propriety</i> in assessing whether directors, officers, managers and persons responsible for controlled functions (where applicable) are fit and proper.
Business plan	CIMA requires a detailed business plan as part of the licence application. CIMA significantly expands the details that must be included in the business plan to cover at a minimum specified areas including business strategy, ownership structure, governance, policies relating to reserving, investment and dividends and the (re)insurance program, rationale for establishing the business, details of structural arrangements and legal purpose, lines of business, underwriting process and transaction flows. CIMA also clarifies the documents it expects to receive in support of the business plan.



Criteria

Key Points

Funding and collateral arrangements

In addition to existing requirements, CIMA clarifies the documentary evidence an applicant must submit to demonstrate it has met the prescribed capital requirements such as share capital and letter(s) of credit. At a minimum it requires the draft of the Memorandum of Association to support the capitalisation.

Evidence of source of wealth and source of funds for applicants who are individual owners/controllers of 10% or more of shares in a legal entity or subject to enhanced due diligence by CIMA must also be provided to CIMA.

Compliance obligations

Applicants must demonstrate compliance with the Insurance Act (as amended) of the Cayman Islands, its regulations and the insurance regulatory measures including in relation to outsourcing, corporate governance, cybersecurity, and requirements in respect of (i) combating money laundering, terrorist financing and proliferation financing; and (ii) sanctions monitoring.

The applicant's proposed policies, procedures and systems should be appropriate for the size, nature and complexity of its operations to ensure compliance with all applicable legislative and regulatory requirements.

Practical impact and next steps

In providing more specific guidance around licensing class B (re)insurers in the Licensing Policy, CIMA aims to make the licensing process more streamlined and consistent.

The business plan is the principal focus for CIMA and is a fundamental document for the approval of the licence application. CIMA expects applicants to have a clear and detailed rationale for setting up a captive insurance business in Cayman Islands with specific details on most if, not all, aspects of its operations. Applicants will need to ensure that there is sufficient flexibility in the business plan to ensure that further regulatory approvals do not need to be sought for any later changes. In addition, applicants will need to consider how it will comply with all its legal and regulatory obligations in its proposed compliance programme, not only at establishment but on an ongoing basis. All policies and procedures required to comply with these obligations will need to be in writing at the time of the application and implemented and effective upon the granting of the licence. The necessary supporting documentation will depend on the class B licence category being applied for.

Walkers' multidisciplinary insurance and reinsurance practice group comprises specialist lawyers with in-depth industry experience and unparalleled expertise to advise on all insurance and reinsurance matters. Our dedicated Regulatory & Risk Advisory group has extensive experience of assisting with licence applications and preparing or reviewing supporting documents, including the business plan and any proposed written compliance policies and procedures. We advise on all aspects of insurance regulation and compliance including AML/CTF/PF, sanctions, corporate governance, AEOI, beneficial ownership, economic substance and data protection. We also assist with conducting independent regulatory and compliance reviews and testing, remediation following CIMA inspections and other regulatory matters.

Contacts

For further information please speak with your usual Walkers contact or one of the following:

Legal Services



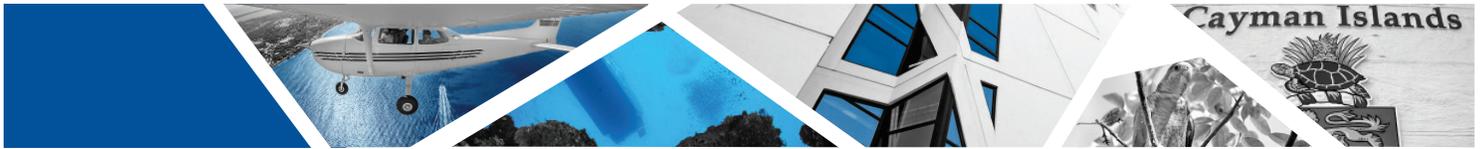
Lucy Frew
Partner - Cayman Islands
T: +1 345 814 4676
E: lucy.frew@walkersglobal.com



Barnaby Gowrie
Partner - Cayman Islands
T: +1 345 914 6365
E: barnaby.gowrie@walkersglobal.com



Philip Paschalides
Partner - Cayman Islands
T: +1 345 814 4675
E: philip.paschalides@walkersglobal.com



Tony De Quintal
Senior Counsel - Cayman Islands
T: +1 345 914 6388
E: tony.dequintal@walkersglobal.com



Juliana Tang
Senior Counsel - Cayman Islands
T: +1 345 814 4612
E: juliana.tang@walkersglobal.com



Daniel Wood
Partner - Dubai
T: +971 4 363 7912
E: daniel.wood@walkersglobal.com



Alice Molan
Partner - Hong Kong
T: +852 2596 3425
E: alice.molan@walkersglobal.com



Sara Hall
Partner - London
T: +44 (0)20 7220 4975
E: sara.hall@walkersglobal.com



John Rogers
Managing Partner - Singapore
T: +65 6595 4673
E: john.rogers@walkersglobal.com

Professional Services



Anne Dolan
Director - Corporate Services
T: +1 345 814 7620
E: anne.dolan@walkersglobal.com



Steven Manning
Director - Fiduciary Services
T: +1 345 814 7612
E: steven.manning@walkersglobal.com



Dorothy Scott
Managing Director of Compliance
& Regulatory Services
T: +1 345 914 4202
E: dorothy.scott@walkersglobal.com



Nicholas Quin
Managing Director, Corporate Services
T: +1 345 914 4295
E: nicholas.quin@walkersglobal.com