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# Statement of Guidance

## Licensing – Insurance Companies

### 1. Statement of Objectives

In order to ensure that the Cayman Islands retains its reputation as a leading and well regulated international financial centre it is imperative that all entities required to be licensed under the regulatory laws are licensed in accordance with a firm and clearly defined licensing criteria. The Authority recognises that high standards of licensing are the necessary foundation for effective regulation and supervision. Therefore there is a need for rigorous criteria to be applied when processing all applications for licenses.

### 2. Fit and Proper Direction and Management

2.1. It is a requirement of applicants to show that they are controlled and managed by persons that are fit and proper. In determining whether a person is fit and proper all relevant circumstances will be considered and will include that persons possess:

- a) Honesty, integrity and reputation;
- b) Competence and Capability
- c) Financial Soundness

2.2. Applicants should refer to the Statement of Guidance on Fitness and Propriety for further details on the criteria used by the Authority when determining whether persons are fit and proper.

### 3. Ownership and control

A minimum of two executive directors is required on all entities except approved external insurance companies. Any change in directors, officers and managers must be approved by the Authority.



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## 4. Financial resources

- 4.1. The importance of the capital strength of financial services providers is assessed in terms of both capital adequacy and availability of operational capital.
- 4.2. Every insurance company shall commence operations with a minimum level of capital as required by the applicable Insurance legislation. Where appropriate the Authority may require additional capital.
- 4.3. Class 'A' applicants should provide details of the amount of the deposit/letter of credit to support Liabilities Support provisions.
- 4.4. The Authority must be satisfied that the insurance company presently has, and will continue to have, financial resources (whether actual or contingent) that are adequate for the nature and scale of the business.

## 5. Internal Systems and Controls

All insurance companies or their respective management companies must have in place compliance and procedural manuals and internal controls to ensure effective management and compliance with the law.

## 6. Record Keeping

- 6.1. Management information should be both timely and accurate and supported by full and accessible records. Such records should be accessible by the Authority. Approval is required by the Authority to locate records overseas. Applicants should refer to the Authority's Statement of Guidance on the Nature, Accessibility and Retention of Records.
- 6.2. The following books and records are required:
  - a) policy register;



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- b) current insurance policies – direct policies, inward reinsurance agreements, outward reinsurance agreements;
  - c) statutory records – board meeting minutes, shareholder meeting minutes, up to date business plan;
  - d) other agreements – management, claims service, investment management, custodian, other service agreements;
  - e) service providers.

## 7. Know Your Customer Policy

All licence holders must comply with the Money Laundering Regulations, 2000.

## 8. Compliance with industry standards

All licensees are expected to be in compliance with their respective industry standards, where such standards exist. This will assist in ensuring that business is carried out in conformance with the professional standards normally expected of a licensee in that particular sector.

## 9. Track Record and Viability

### 9.1. Business plan

9.1.1 A detailed business plan covering the first three years of business is required. The information should identify assumptions and qualify accordingly. Any changes therein must be notified to the Authority.

9.1.2 The business plan should contain details of the reasons for the business to establish an operation in the Islands, the short and long-term objectives and how these will be achieved. The applicant must be able to demonstrate that it has adequate resources, in terms of manpower, systems and expertise, to meet its objectives.

9.1.3 Class 'A' applicants should also provide details of:

- a) dividend and investment policy;



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- b) actuarial services, if any;
  - c) proposed reinsurance structure;
  - d) business continuity plan procedures,;
  - e) due diligence procedures, and
  - f) other outsourcing arrangements of significance E.g claims management, loss adjusting services, surveyors, lawyers etc.
  - g) copies of the policy form.

9.1.4 Class 'B' companies should include where applicable:

- a) details of the proposed fronting company and rating by a recognised rating agency;
- b) details of the investment policy;
- c) proposed reinsurance structure for each line of business;
- d) the levels of retention, cession and aggregates by line of business;
- e) reinsurance company and rating by a recognised rating agency;
- f) brief history of the previous insurance programme;
- g) loss history;
- h) third party administrator, actuarial services, and other outsourcing arrangements of significance E.g claims management, loss adjusting services, surveyors, lawyers etc.

9.2. Financial statements

All licensees are required to have their accounts audited annually by an auditor approved by the Authority.

## 10. Consolidated Supervision – Class A

Where the insurance company is a branch or subsidiary of a financial institution overseas, it must provide approval from the parent supervisory Authority and an assurance from the parent supervisory Authority of consolidated supervision and good standing of the applicant, where appropriate. In assessing the adequacy of



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supervision exercised by the home supervisor, the Authority will take account of:

- (a) the legal and administrative powers of the home supervisor;
- (b) the supervisory framework of the home supervisor;
- (c) the method of supervision adopted by, and the resources available to, the home supervisor; and
- (d) past experience in dealings with the home supervisor.