ADGM CAPTIVE INSURANCE REGIME

A COMPREHENSIVE & EFFICIENT JURISDICTION
FOR THE CAPTIVES INDUSTRY

FINANCIAL SERVICES REGULATORY AUTHORITY

ABU DHABI GLOBAL MARKET
سوق أبوظبي العالمي

ADGM – THE WORLD'S NEWEST INTERNATIONAL FINANCIAL CENTRE

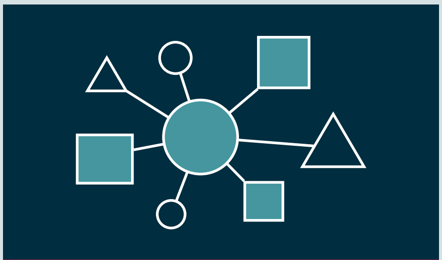
Abu Dhabi Global Market, an International Financial Centre (IFC) in the capital of the United Arab Emirates, fully opened for business on 21st October 2015. A Financial Free Zone, ADGM is an independent jurisdiction regarding civil and commercial law encompassing the entire 114 hectares (1.14 sq km) of Al Maryah Island with rules and regulations aligned with international best practice. ADGM's three independent authorities (Registration Authority, Financial Services Regulatory Authority and the ADGM Courts) provide a holistic environment enabling companies to conduct business and operate with confidence.


MARKET

ADGM, A BUSINESS-FOCUSED REGIME FOR CAPTIVE INSURANCE

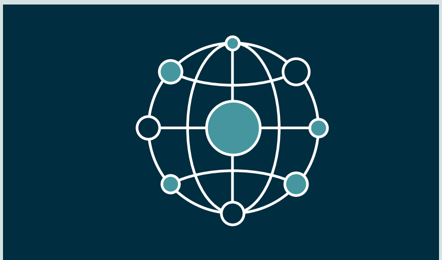
DIRECT APPLICATION OF COMMON LAW

0% TAX ENVIRONMENT TILL 2065

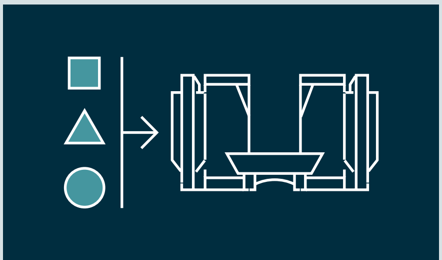


FLEXIBILITY OF OWNERSHIP & CORPORATE STRUCTURES

NO RESTRICTION ON REPATRIATION OF PROFITS



100% FOREIGN OWNERSHIP



FLEXIBILITY TO RELOCATE EXISTING CAPTIVES TO ADGM

INDEPENDENT RISK-BASED FINANCIAL SERVICES REGULATOR

THE RELEVANCE & BENEFITS OF CAPTIVES IN TODAY'S BUSINESS ENVIRONMENT

Captive Insurers are insurance companies formed by a parent company, group or groups with the specific purpose of covering the risks to which they are exposed. They are a form of self-insurance, but also an effective risk and treasury management tool, whereby the parent can cover risks that cannot be insured in the market, or manage its insurable risks in a more cost-effective manner.

The risk management characteristics of captives can provide numerous financial benefits, not only by reducing the cost of their owners' insurance programmes, but also through access to international reinsurance markets at a discount.

Businesses can take advantage of captive insurance to achieve a variety of benefits and business efficiencies.

1
COST BENEFITS

- Reduces overheads
- Premiums linked directly to claims history
- Direct access to reinsurance
- Potential for cost centre to become a profit centre

2
RISK MANAGEMENT

- Improves understanding of risk impacts
- Bespoke risk management capability
- Optimisation of risk management related financial flow
- Improves control of risk

3
MARKET EFFICIENCIES

- Reduces vulnerability to market fluctuations
- Provides investment return where premiums exceed claims
- Solves commercial market deficiencies

ADGM, AN EFFICIENT & ROBUST BUSINESS PLATFORM FOR THE CAPTIVES INDUSTRY

As an IFC, ADGM offers an attractive, flexible, responsive and efficient captive insurance framework, and a vigorous business environment that adheres to international standards such as those of the International Association of Insurance Supervisors (IAIS) and the International Organization of Securities Commissions (IOSCO).

ADGM's captive insurance framework will be of interest and benefit to Captive Managers and a broad range of industry entities such as commercial groups, major corporate entities, and governmental and quasi-governmental organisations, seeking to optimise their risk coverage to achieve their business strategy and growth.

KEY FEATURES OF ADGM CAPTIVE INSURANCE PLATFORM

PRO-BUSINESS AND COMPREHENSIVE FLEXIBLE STRUCTURES	• Limited Companies (LC) • Incorporated Cell Companies (ICC) • Protected Cell Companies (PCC)
FLEXIBLE OPERATIONAL ENVIRONMENT	ADGM allows for self-managed and outsourced management captive models.
PRUDENTIAL AND SOLVENCY REQUIREMENTS BASED ON INTERNATIONAL PRACTICE	ADGM's regime is aligned with international standards and compares favourably to other international captive jurisdictions.
ADAPTABLE STAFFING REQUIREMENTS	• Licensed directors and senior executive officers must be approved by the Financial Services Regulatory Authority of ADGM. • Staffing can be provided by outsourced Captive Insurance Managers.
COMPETITIVE REGULATORY FEES	**US$5,000** per captive and **US$1,000** per ICC/PCC individual cell.
COMPETITIVE REGISTRATION FEES FOR ALL VEHICLES	**US$1,000** per initial registration and **US$1,200** per annual renewal.

AN OPEN AND FLEXIBLE ENVIRONMENT FOR CAPTIVE OPTIONS

ADGM's framework allows for a wide and comprehensive range of captive insurance vehicles and corporate structures to allow and support captive owners to optimise their risk coverage and achieve cost efficiencies.

SINGLE PARENT CAPTIVE

"Pure Captive" provides insurance coverage for a single owner. Risk managers or financial officers at the parent company can monitor the firm, or management can be outsourced to a Captive Manager.

ASSOCIATION CAPTIVE

Formed by an established trade association or members of an industry to provide insurance coverage for members. A financial officer or an outsourced Captive Insurance Manager can manage the captive.

INDUSTRY CAPTIVE

Owned by organisations within the same industry coming together to resolve a specific insurance need. Stockholders appoint a board of directors to whom the management of the captive reports.

RENT-A-CAPTIVE

Provides access to captive insurance advantages without the user needing to capitalise its own captive.

AGENCY CAPTIVE

Formed by insurance brokers or agents to allow them to participate in high-quality risks, which they control.

DIVERSIFIED CAPTIVE

Diversified captives underwrite unrelated risks in addition to those of the parent organisation's business.

SPECIAL PURPOSE VEHICLES (SPVs)

Used for alternative risk transfers. Insurers can use SPVs to establish captive reinsurers that can securitise risk by issuing reinsurance contracts to the parent insurers and facilitate the transfer of risks to the capital markets.

PROTECTED CELL COMPANY OR INCORPORATED CELL COMPANY

Incorporated entities that are divided into legally distinct sections (cells).

ADGM CORPORATE VEHICLES

ADGM offers the widest range of corporate vehicles for the benefit of Captive Insurers not limited to standard corporate structures, such as Limited Companies, but including Protected and Incorporated Cell Companies, providing maximum flexibility:

LIMITED COMPANIES (LC)

A Captive Insurer may be established under a standard Limited Company structure, as a subsidiary of the owner. The ADGM offers:

- A bespoke, efficient authorisation process
- Fast and responsive processes for incorporation and commercial business licence
- Competitive fees
- Legal certainty

PROTECTED CELL COMPANY (PCC)

A PCC is a single legal entity, with a central core and a number of ring-fenced, protected cells, with each cell potentially insuring or reinsuring the risk of a different cell owner. Advantages include:

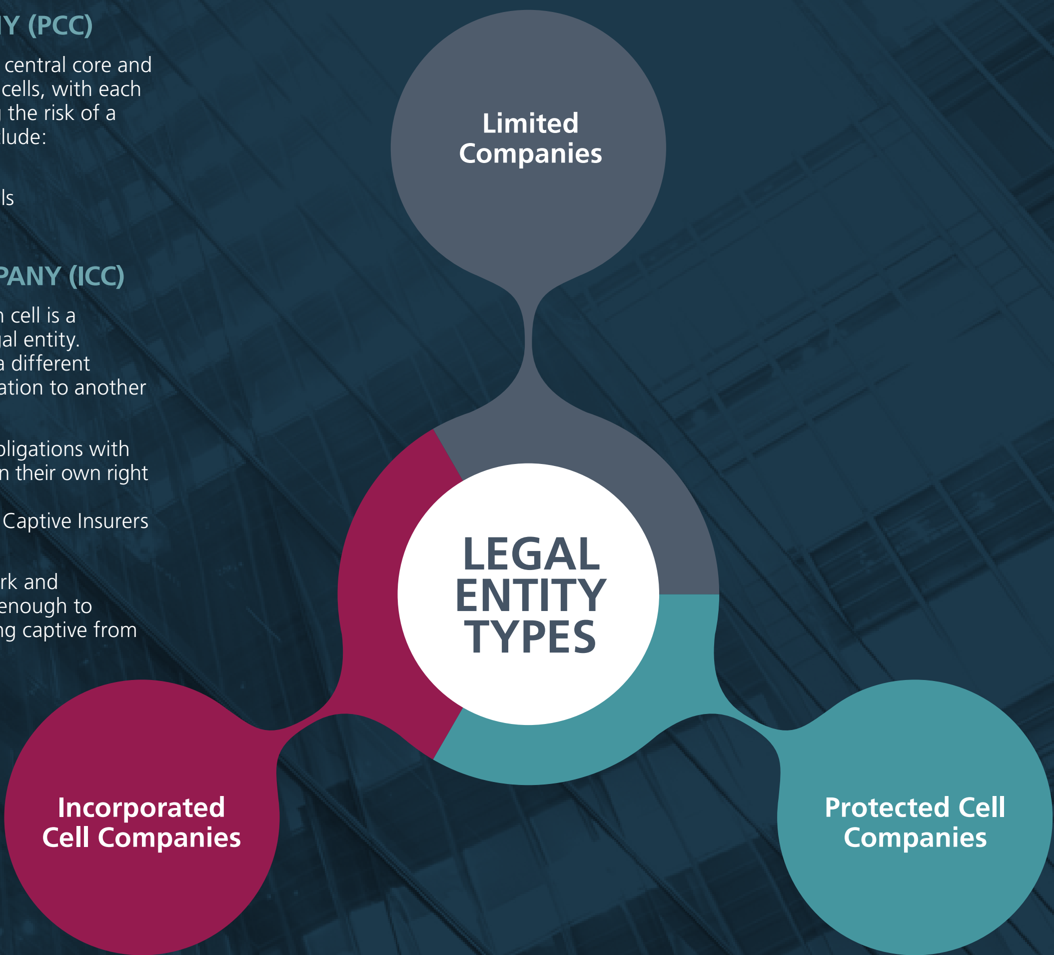
- Avoidance of contagion risk
- Lower cost of establishing new cells
- Faster regulatory consent

INCORPORATED CELL COMPANY (ICC)

An ICC has cells like a PCC, but each cell is a separately incorporated, discrete legal entity. Unlike a PCC, an ICC cell may have a different memorandum and articles of association to another cell. Advantages include:

- Cells may enter into contractual obligations with each other, and with third parties, in their own right
- Reduced costs, including audit
- ICCs can act as incubators of new Captive Insurers
- Bankruptcy remoteness

ADGM's captive insurance framework and Companies Regulations are flexible enough to allow for the transfer-in of an existing captive from another jurisdiction.



ADGM CAPTIVE CLASSES

The ADGM captive insurance regime allows for a comprehensive range of captive insurance business, offering four classes of Captive Insurers to address a wide variety of business needs. A dedicated captive insurance rulebook reflects a risk-based approach and business-focused ethos.

CLASS 1

A Class 1 Captive Insurer is permitted to effect or carry out Contracts of Insurance for risks related to or arising out of the business or operations of the Group to which the Captive Insurer belongs. In other words, this is a 'pure' captive. No 3rd Party Risk.

CLASS 2

A Class 2 Captive Insurer is permitted to obtain up to 20% of its Gross Written Premium from third party risks arising from business or operations that are closely linked to the business or operations of the Group to which the Captive Insurer belongs.

CLASS 3

A Class 3 Captive Insurer is (a) permitted to effect or carry out Contracts of Insurance only for risks related to or arising out of the business or operations of persons who engage in similar, related or common: (i) business; (ii) activities; (iii) trade; (iv) services; or (v) operations; and (b) is owned by the persons mentioned in (a) or by a body corporate of which all such persons are members. No coverage for unrelated 3rd-party risk.

CLASS 4

An entity that does not meet the requirements of Classes 1, 2, or 3 may be deemed by the FSRA to be a Class 4 Captive Insurer. The FSRA can take into account matters such as the business rationale, the extent to which the vehicle is to be used as a risk management tool, the appropriateness of the structure for the proposed activities, the nature of the interests of the shareholders, and whether the entity provides insurance to policyholders in relation to activities connected with the shareholders.

ADGM CAPTIVE PRUDENTIAL REQUIREMENTS

ADGM's framework addresses a wide range of captive insurance needs, including the coverage of third party risks, providing a competitive and flexible environment for business. ADGM is open to considering all proposals and applicants will receive a timely and constructive response.

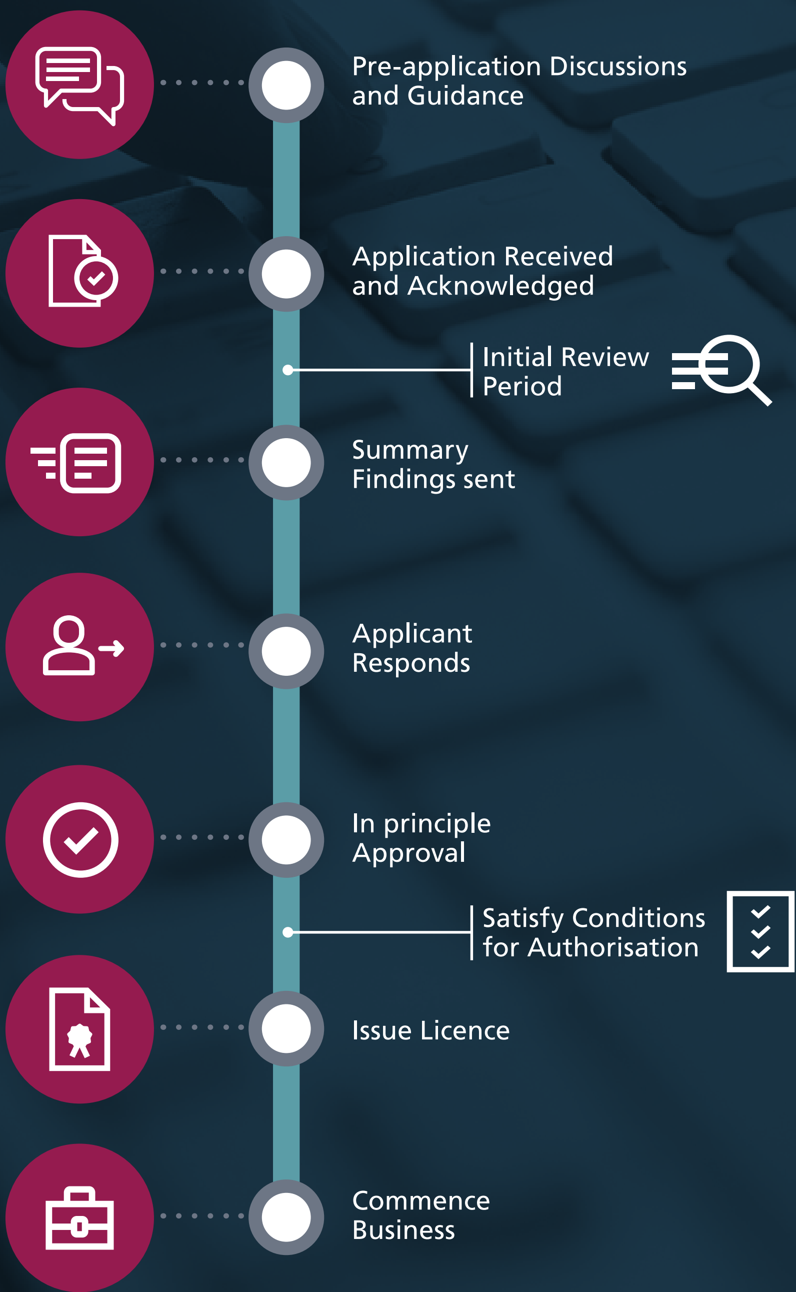
TYPE OF LICENSE	CLASS 1	CLASS 2	CLASS 3	CLASS 4
MINIMUM CAPITAL REQUIREMENT IS THE HIGHEST OF:				
A. BASE CAPITAL REQUIREMENT; OR	US $150,000	US $250,000	US $500,000	US $1 million
B. PREMIUM RISK COMPONENT; OR	• 18% x Net Written Premium up to US$5 million + • 16% x Net Written Premium in excess of US$ 5 million			
C. TECHNICAL PROVISION RISK COMPONENT	For **General Insurance Business**, 5% x net claims reserve For **Long-Term Insurance Business**, 2.5% of policyholder liabilities			

TRANSPARENT & EFFICIENT CAPTIVE APPLICATION PROCESS

A STREAMLINED APPROACH TO CAPTIVES AUTHORISATION

ADGM offers an efficient and responsive application process*, based on a tailored Rulebook. Key features include:

- An environment compatible with a wide variety of business and risk management requirements
- Speed of decision-making
- Competitive application and subsequent annual authorisation fees
- A flexible approach to staffing requirements, including outsourcing to a Captive Insurance Manager
- A willingness to consider realistic capital funding and solvency structures, including loan backs, letters of credit and sweeping arrangements, while recognising international standards



*Kindly contact bankingandinsurance@adgm.com for the application form and more details.

CAPTIVE OUTSOURCING OPPORTUNITIES AT ADGM

CAPTIVE INSURANCE MANAGEMENT

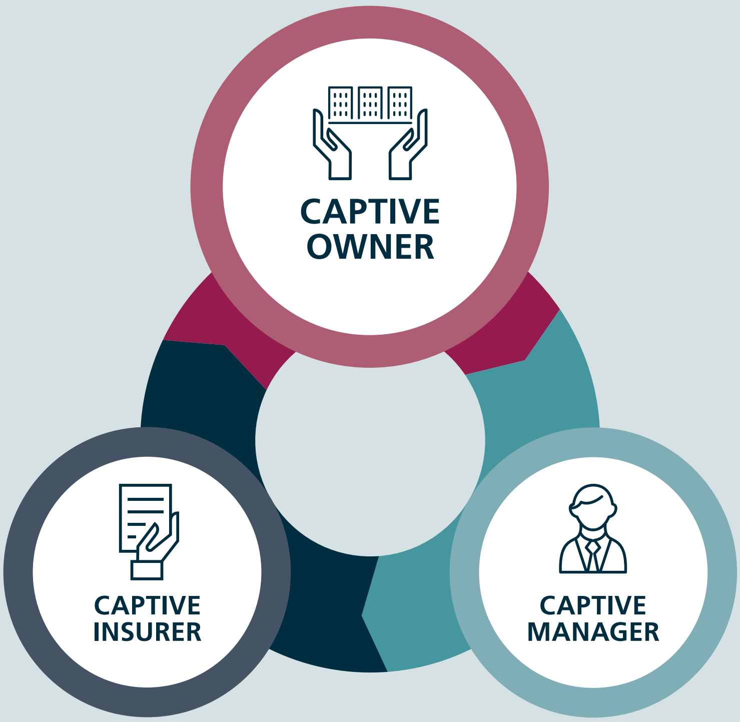
Captive Insurance Management is a Regulated Activity in ADGM, requiring a Financial Services Permission for Insurance Management from the FSRA, as defined in the Financial Services and Markets Regulations.

Operational management of captives can be provided either by:

A. An officer in the parent company; or
B. A specialist third party Captive Manager who is domiciled in the ADGM.

A Captive Manager is able to administer and execute all of a captive's managerial and operational functions, including the administration of contracts of insurance, as well as functions such as compliance, anti-money laundering, risk management and finance.

As such, the Captive Manager can provide Approved and Recognised Persons for the captive on an outsourced basis.



AUTHORISATION CRITERIA: CAPTIVE MANAGER

As an authorised firm conducting insurance management business, a Captive Insurance Manager requires a physical presence in ADGM and only authorised Captive Insurance Managers may manage a Captive Insurer in ADGM.

Captive Insurance Managers:

- The minimum capital requirement is the higher of the base capital requirement of US$10,000; and
- An expenditure based capital minimum of six weeks' annual audited expenditure (where the Captive Manager does not hold insurance monies).

Require more information?

The FSRA Banking & Insurance Authorisation team is available to provide more information and assist you in understanding the captive insurance regime. Please contact the team to arrange for a discussion and better understand the application process.

CONTACT US

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