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**Mixed response to IAIS captive paper**

Tags: [IAIS](http://captivereview.com/tag/iais/), [Regulation](http://captivereview.com/tag/regulation/)

The full list of industry comments received on the International Association of Insurance Supervisors’ (IAIS) captive paper have been published on the IAIS’ website.

The Application Paper on the Regulation and Supervision of Captive Insurers was [published in July](http://captivereview.com/news/iais-presents-captive-guidance-paper-for-consultation/) and aims to provide guidance to insurance supervisors on regulation of captive insurers and reinsurers.

One response which perhaps best highlights the challenges the IAIS will face on this paper is from the Spanish regulator, Direccíón General de Seguros y Fondos de Pensiones.

Concerning the paper’s definition of diversified captives – “captives writing a limited proportion of unrelated business in addition to the risks of their owner and/or affiliates – the regulator said it and other jurisdictions would not consider classifying such an insurance company as a captive at all.

A significant and growing number of captives in American, European and offshore domiciles do write a portion of third party risk.

The response from brokers Willis includes a suggestion that the paper should go a step further and recommend the regulation of captive managers.

The Willis submission states: “We would like to see a recommendation in the paper that outsourced captive managers should be regulated. This is the regulatory model that is adopted successfully in established domiciles and we believe it would benefit emerging captive domiciles too.”

In AIG’s submission, the carrier expresses concern that while the point outlined in a paragraph six of the paper – “Supervisors should recognise that the regulatory risk inherent in a captive insurer can vary substantially” – is welcome, that theme does not run through the entire report and so the paper should be “reconsidered with this in mind”.

“Specifically, we believe the rest of the paper does not develop supervisory approaches that match the inherent risk of the varying risks of the captives to the marketplace, but rather treats all captives the same,” AIG stated.

The Guernsey Financial Services Commission (GFSC) and the Group of International Insurance Supervisors (GIICS) both support the paper, with the latter stating it “demonstrates that captive insurers are legitimate insurance or reinsurance vehicles”.

Guenter Droese, chairman of the European Captive Insurance and Reinsurance Owners’ Association (ECIROA), firmly welcomed the paper and in particular the fact it is “principle based”.

Many in the US captive marketplace, including the National Association of Insurance Commissioners (NAIC) and the Vermont Captive Insurance Association (VCIA), were defensive of their system of regulation and highlighted that the majority of regulators already carry out many of the practices outlined in the paper.

As with AIG, however, the NAIC and VCIA were keen to point out the majority of captives in the US only write the parents’ or affiliates’ risk and so “do not require the broad regulation discussed in the paper”.

The NAIC and the global carrier Zurich were also in agreement with [Delaware’s point](http://captivereview.com/news/delaware-calls-on-iais-to-address-series-captives-in-application-paper/) regarding the suggestion that management of a captive’s operations should reside within the same jurisdiction that it is licensed.

Zurich’s submission describes this as “excessive”, while the NAIC said it “would often not be a reasonable requirement for certain types of captives or its management”.