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# IFSD Committee



**Captive Insurance Company Presentation  
by the  
New Zealand Captive Insurance  
Association**



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# What is a Captive?

## **Definition:**

A captive insurance company is a special purpose insurance entity designed to underwrite the risks of the parent corporation.

**Or**

A closely held insurance company whose insurance business is supplied and controlled by its owner and the original insureds are the principal beneficiaries and the shareholders-insureds actively participate in decisions influencing underwriting, operations and investments.

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# Characteristics of Captives

- Licensed Insurance Company
- Formed to insure or reinsure the risk of its owner or members
- Regulated by insurance legislation
- Requires capital contribution

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# Reasons for Forming a Captive

- Financial
- Risk Management
- Strategic
- Administrative

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# NZ Captive Insurance Association

- Incorporated Society
- Formed in 1995
- Promote New Zealand as a captive domicile

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# NZ Captive Insurance Association

## Members:

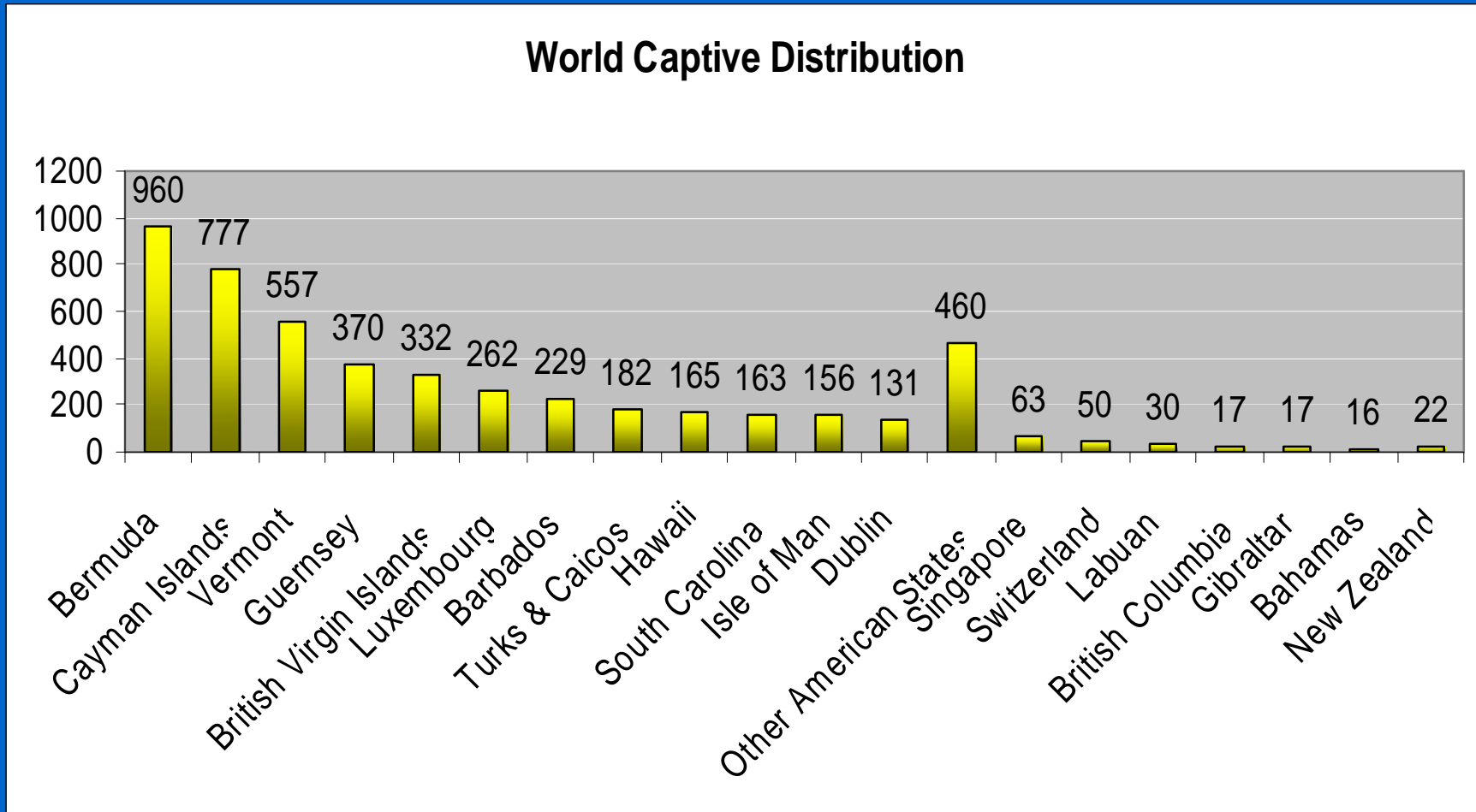
- ABB Grain
- Air New Zealand
- Aon
- AWB
- Ballance Agri-Nutrients
- C&G Rothbury
- Carter Holt Harvey
- Cunningham Lindsay
- Erikson & Associates
- Fonterra
- Fraser MacAndrew Ryan
- Godfreys
- I C Firth
- Jardine Lloyd Thompson
- KPMG
- Maritime Mutual
- Marsh Ltd
- Melville Jessup
- Meridian Energy
- Minter Ellison
- Ravensdown
- Riskman
- Scales Group
- Solid Energy
- Staples Rodway
- Tatua Co-operative
- Transpower
- Trustpower
- Unison Networks
- Willis New Zealand

# NZ Captive Insurance Association

## Captives:

- ABB Grain
- Air New Zealand
- AWB
- Ballance Agri-Nutrients
- Carter Holt Harvey
- DB Breweries
- Dyno Noble
- Fonterra
- I C Firth
- Maritime Mutual
- Meridian Energy
- NZ Architects Association
- PaperlinX
- Ravensdown
- Resident Doctors Association
- Scales Group
- Solid Energy
- Tatura Co-operative
- Telecom
- Transpower
- Trustpower
- Unison Networks

# Distribution



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# Economic Benefit

## **State of Hawaii** (started in 1991)

- Direct spend US\$15.4 million
- Indirect spend US\$1.74 million
- Hotel room nights 1,700
- Total assets US\$6.4 billion
- Investment in Hawaii Institutions US\$1.1 billion
- Number of Captives 175

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## Economic Benefit

### **Dublin** (started in 1989)

- Gross Written Premium € 3.5 billion
- Tax Paid € 58 million
- Number of Captives 131

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# Economic Benefit

## New Zealand

• Total assets	\$198 million
• Gross Written Premium	\$71 million
• Number of Captives	22
• Income Tax paid	\$ 8 million
• Capital & Surplus	\$155 million

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# Economic Benefit

## New Zealand 10 Year Plan

- Assets \$685 million
- Number of captives 100
- Income tax paid \$50 million

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# What does New Zealand Need?

## **New Regulations in New Zealand**

- Insurance (Prudential supervision) Bill
- Solvency Standards for non life insurers
- In their current form these new regulations will:
  - Force foreign owned captives to leave
  - Stall development of domicile
  - Create an unregulated insurance market
  - Most captives will be insolvent under new standards

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## What does New Zealand Need

- Government recognition of benefits from an attractive captive industry with support for it to develop and grow
- Reserve Bank delineation between commercial insurers and captives with appropriate treatment for each
- Regulatory environment for captives along similar lines to other offshore domiciles
- Solvency Margins applicable for Captives
- Open market for foreign (Australian) companies