



Finance Select 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

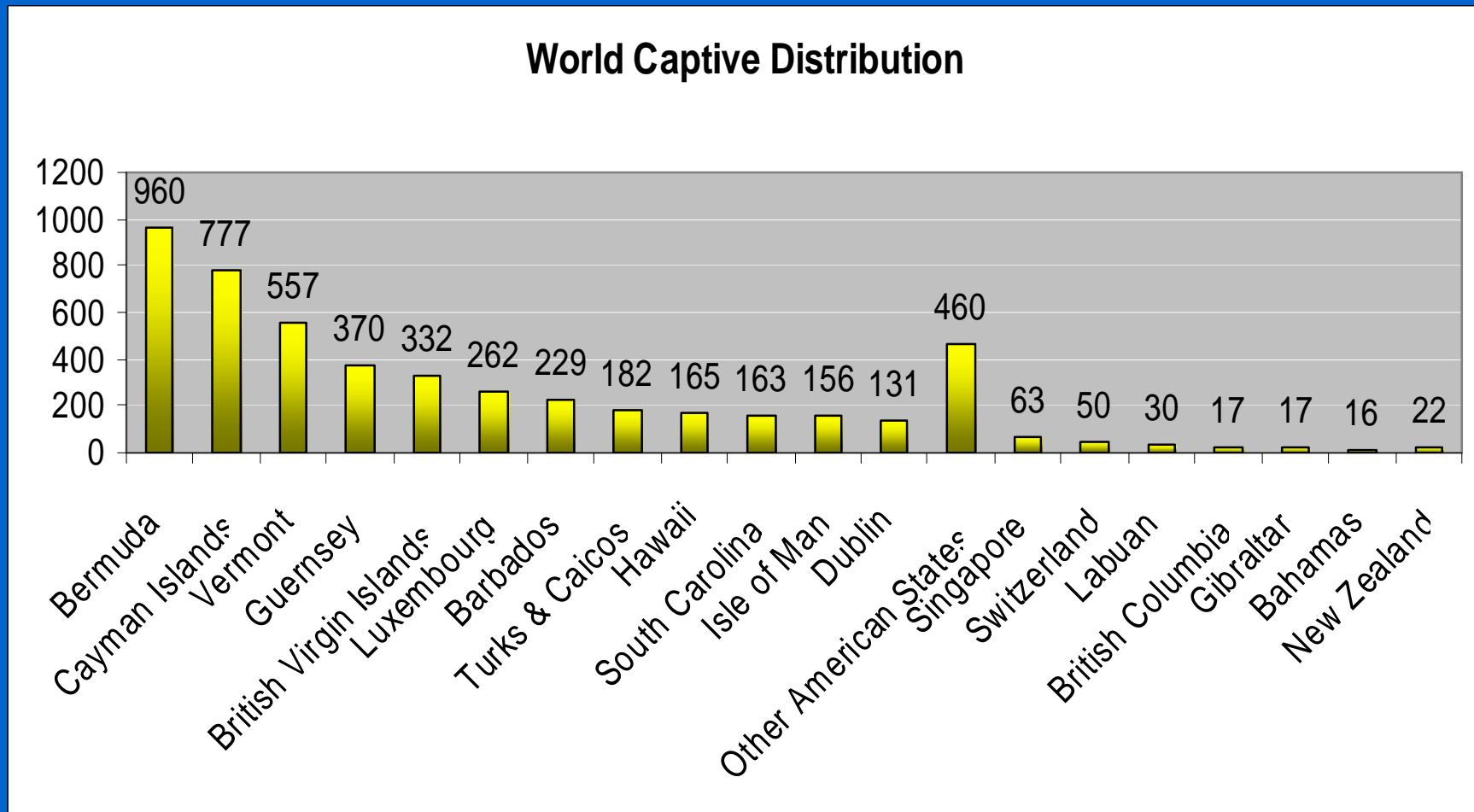
- Financial
- Risk Management
- Strategic
- Administrative

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Captive Development

- Growth Rate
 - Numbers
 - Premiums
 - Direct Employment
 - Global Economic Value

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
- Economic Benefit US\$43.75 million

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Economic Benefit

- New Zealand
- Total assets \$137 million
- Number of Captives 20
- Income Tax paid \$7 million
- Economic Benefit \$6.25 million (before income tax)
 - Employment
 - Accommodation
 - Facilities

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Economic Benefit

- New Zealand 10 year plan
- Assets \$685 million
- Number of captives 100
- Income tax paid \$35 million
- Economic Benefit \$31.25 million (before income tax)
 - Employment
 - Accommodation
 - Facilities

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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.
- Non discriminatory approach to captive approvals