

Consultation Paper

AFSA-P-CE-2020-0007

Proposed Enhancement of AIFC Regulatory Framework for Captive Business

Unrestricted

October 26, 2020

Introduction

1. The Astana Financial Services Authority (AFSA) has issued this Consultation Paper to invite public comments on the proposed policy for captive insurance business.
2. The proposals in this Consultation Paper will be of interest to current and potential AIFC participants who are interested in exercising business activities in or from the AIFC.
3. All comments should be in writing and sent to the address or email specified below. If sending your comments by email, please use “Consultation Paper AFSA-P-CE-2020-000X” in the subject line. You may, if relevant, identify the organisation you represent when providing your comments. The AFSA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise. Comments supported by reasoning and evidence will be given more weight by the AFSA.
4. The deadline for providing comments on the proposals is 25 November 2020. Once we receive your comments, we shall consider if any refinements are required to this proposal.
5. Comments to be addressed by post:
Policy and Strategy Division

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or emailed to: consultation@afsa.kz
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6. The remainder of this Consultation Paper contains the following:
 - (a) Background to the proposal
 - (b) Annex 1: Policy paper on Enhancing the Regulatory Framework on Captive Insurance Business

Background

1. A captive insurance is a risk management vehicle used by companies to cover risks that cannot be efficiently insured in the market or to manage risks in a more cost-effective manner. Captive insurers mainly underwrite risks related to or arising out of the business or operations of the group to which they belong or third-party risks arising in related businesses.
2. Captive insurance allows a company to insure its industry-specific risks which would otherwise be overpriced by commercial insurers. The cost savings would result not only from a more tailored risk assessment but also from avoidance of marketing and administration costs. In addition, captives are uniquely positioned to manage their own risks as they can make more precise forecasts based on their own historical data as opposed to commercial insurers who rely on industry averages.
3. The following summarizes the proposed amendments to the AIFC Insurance and Reinsurance Prudential Rules (PINS) that aim to provide a competitive and clear risk-based regulation for full-fledged and effective operation of captive insurers.
 - (1) Introduce three classes of captive insurers differentiating on the amount of third-party risk allowed to be written.
 - (2) Set prudential requirements for each class of captive insurers based on the level of risk the scope of their license assumes.
 - (3) Explicitly state that an AIFC captive insurer can be either self-managed or managed by an AIFC insured Insurance Manager
 - (4) Expand the functions of the AIFC Captive Insurance Managers.
 - (5) Provide AIFC Guidance on Captive Insurance Business aimed at providing guidance to potential and licensed AIFC captive insurers and insurance managers and includes a general overview of captive insurance business, classes of captives, responsibilities and expectations to Insurance Managers or Captive Insurers (in case self-managed) for managing a captive insurance business. This Guidance will be designed to be read in conjunction with all other relevant AIFC rules.
4. As a result of introduction of these changes, AFSA aims to further develop the insurance market in the AIFC and Kazakhstan.
5. The key objectives of the proposed amendments include:
 - Make the AIFC jurisdiction suitable for different types of captive insurers;
 - Increase the number of captive insurers and insurance managers in the AIFC;
 - Alignment of captive insurance classification with international standards;
 - Add clarification and precision to the requirements to captive insurance managers;
 - Provide additional guidance document describing high level information for captive insurers and insurance managers.
6. Annex 1 includes the Policy paper on Enhancing the Regulatory Framework on Captive Insurance Business in the AIFC.

**POLICY PAPER ON
ENHANCING THE REGULATORY FRAMEWORK
FOR CAPTIVE BUSINESS IN THE AIFC**

2020

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EXECUTIVE SUMMARY

1. A captive insurance is a risk management vehicle used by companies to cover risks that cannot be efficiently insured in the market or to manage risks in a more cost-effective manner. Captive insurers mainly underwrite risks related to or arising out of the business or operations of the group to which they belong or third-party risks arising in related businesses.
2. Captive insurance allows a company to insure its industry-specific risks which would otherwise be overpriced by commercial insurers. The cost savings would result not only from a more tailored risk assessment but also from avoidance of marketing and administration costs. In addition, captives are uniquely positioned to manage their own risks as they can make more precise forecasts based on their own historical data as opposed to commercial insurers who rely on industry averages.
3. This Policy paper on Enhancing the Regulatory Framework for Captive Business in the AIFC discusses the following suggestions that are aimed at attracting captive insurers and insurance managers to the AIFC by providing a competitive and clear regulatory framework:
 - (1) Enhancing Prudential Requirements for Captive Insurers in the AIFC;
 - (2) Enhancing the Regulatory Framework for Captive Insurance Managers in the AIFC.
4. The first policy proposal suggests introducing two more additional types of captive insurers, allowing them to underwrite certain amounts of third-party risk and adjust prudential requirements according to the level of risk of each class.
5. According to the IAIS paper (2015) on Regulation and Supervision of Captive Insurers, the regulatory risks inherent in a captive insurance can vary substantially and therefore the level of regulation that is necessary shall vary accordingly. A pure captive represents the lowest regulatory risk because there are no unrelated party policyholders or potential third-party beneficiaries. However, captives underwriting risks for unrelated party policyholders or underwriting compulsory third-party liability risks represent the highest regulatory risk. Therefore, with introduction of classification of captive insurers, a tailored set of prudential requirements is needed.
6. The second proposal introduces clarification to existing rules making it explicit that an AIFC Captive Insurer can be either self-managed or managed by an AFSA authorised Insurance Manager and can appoint the Insurance Manager to perform its controlled and designated functions. To further enhance the utilization of Insurance Managers, it is proposed to develop additional documented guidance, following best practice jurisdictions.
7. The best practice analysis has been performed comparing such jurisdictions as Qatar Financial Centre Regulatory Authority, Abu Dhabi Global Market Registration Authority, Dubai Financial Services Authority and Cayman Islands Monetary Authority. Cayman Islands, in particular, provide a success story of captive insurance market, that among other factors is a result of a developed and clear jurisdiction.

I. ENHANCING PRUDENTIAL FRAMEWORK FOR CAPTIVE INSURERS IN THE AIFC

Status quo

8. The AIFC Insurance and Reinsurance Prudential Rules No.FR 0030 of 2018 (PINS) set out the prudential framework for commercial insurance and captive insurance business in the AIFC. PINS contains a standalone Chapter that provides the definitions of “Captive Insurer”, “Captive Insurance Business” and types of Captive Insurance Business, sets the requirements for captives and specifies what other PINS chapters are applicable to captive insurers.
9. According to Chapter 14 of PINS:
- A Captive Insurer is an Authorised Firm with a Licence to carry on Insurance Business (Effecting Contracts of Insurance and/or Carrying out Contracts of Insurance) only for the business or operations of the Group to which it belongs.
 - Captive Insurance Business may be carried out in relation to General Insurance Contracts or Long-Term Insurance Contracts.
 - Only a Firm which is incorporated under the laws of the AIFC may apply to the AFSA for a Licence to conduct Captive Insurance Business.
10. Chapter 14 also specifies that the following PINS requirements are applied to Captive Insurers:

No	PINS Chapters	Application
1.	PINS 2 (Systems and Controls)	in full
2.	PINS 3 (Risk Management Strategy).	in full
3.	PINS 4 (Own Risk and Solvency Assessment (ORSA))	in full
4.	PINS 5 (Capital adequacy requirements)	in full, subject to PINS 14.4
5.	PINS 6 (Investment)	in full
6.	PINS 7 (Segregation of Long-Term Insurance assets and liabilities)	in full
7.	PINS 8 (Valuation)	in full
8.	PINS 9 (Actuarial Reporting)	in full
9.	PINS 10 (Insurers that are members of Groups)	in full
10.	PINS 11 (Transfers of Business)	in full
11.	PINS 12 (Insurers in run-off)	in full
12.	PINS 13 (Prudential Returns)	in full

11. An AIFC Insurer must at all times maintain Eligible Capital in the amount and of the quality required by PINS. Eligible Capital must be calculated through two-tiered approach as shown below:

Tier 1 Capital	Tier 2 Capital
<ul style="list-style-type: none"> • Permanent Share Capital • Undistributable Reserves • Fund for future appropriations 	<ul style="list-style-type: none"> • Perpetual qualifying hybrid capital instruments • Fixed dividend ordinary shares • Subordinated debt • Fixed term preference shares • Any other item approved for inclusion as Tier 2 Capital at the discretion of the AFSA
Total Tier 1 Capital plus Tier 2 Capital	
Deductions from Total of Tier 1 and Tier 2 Capital	
<ul style="list-style-type: none"> • Investments in subsidiaries and associates • Connected lending of a capital nature • Inadmissible assets 	
TOTAL ELIGIBLE CAPITAL	

12. PINS 14.4 sets the following Minimum Capital Requirement (MCR) for a Captive Insurer:
 - (a) US\$150,000 for a Captive Insurer carrying on General Captive Insurance Business;
 - (b) US\$150,000 for a Captive Insurer carrying on Long-term Captive Insurance Business; or
 - (c) an amount specified in writing by the AFSA.
13. The Prescribed capital requirement (PCR) for an AIFC-Incorporated Insurer (including Captive Insurer) is the higher of: (a) 150% of the Insurer's MCR; and (b) the Insurer's Risk-Based Capital Requirement. The Risk-Based Capital Requirement for Insurer is the sum of:
 - (a) Investment Risk Requirement (Asset Risk Component + Off-Balance Sheet Asset Risk Component + Off-Balance Sheet Liability Risk Component);
 - (b) Insurance Risk Requirement (Premium Risk Component + Outstanding Claims Risk Component + Long-Term Insurance Risk Component + Insurance Concentration Risk Component) and
 - (c) Operational Risk Requirement (is the higher of gross written premiums in the 12 months ending on the Solvency Reference Date and its technical provisions (without deduction for reinsurance) as at the Solvency Reference Date).

Problem

14. The following problems have been identified in the existing framework for Captive Insurers in the AIFC:
 - (a) Limited scope of Captives in the AIFC;
 - (b) Minimum Capital Requirement (MCR);
 - (c) Risk-based regulation for Captive Insurers;
 - (d) Excessive reporting requirements for pure Captive Insurers.
15. **Limited scope of Captives in the AIFC.** The scope of Captive Insurer operations is currently limited to carrying on Insurance Business only for the business or operations of the Group to which the Captive Insurer belongs. This is commonly referred to as a pure captive. The current restricted Captive definition may hinder future applications as not all of them will fit into the current narrow definition. Many other jurisdictions allow Captives to write up to a certain percentage of related risk, but outside the group, and unrelated risk, which is both unrelated and third-party. These kinds of Captives would normally have a higher capital requirement, as they are writing a third-party and/or unrelated risk.
16. **Minimum Capital Requirement (MCR).** The current MCR of US\$150,000 applies to all captives. With the introduction of the classification of captive insurers, a more tailored MCR will need to be set to reflect the amount of risk born by each class.
17. **Risk-based regulation for Captive Insurers.** Currently, PCR requirements are applicable to pure captives, the only type of captives possible under the current regulation. With the introduction of different classes of captives, risk-based regulation will need to be adjusted to reflect the lower risk of pure captives.
18. **Excessive reporting requirements for Captive Insurers.** Currently, captive insurers are subject to all Prudential Returns required from insurers. With the introduction of different classes of captive insurers, the reporting requirements for pure captive insurers will need to be reconsidered to reflect the low risk of such business.

Best Practice

Qatar Financial Centre (QFC)

19. Prudential Framework for Captive Business in the QFC is set out in standalone Rules - *Captive Insurance Business Rules*.

20. A QFC captive insurer is an authorised firm (or firm) with an authorisation for captive insurance business as a class 1, class 2, class 3 or class 4 captive insurer.

A class 1 captive insurer is a QFC captive insurer that is permitted under the conditions of its authorisation to effect or carry out contracts of insurance only for risks related to or arising out of the business or operations of the group to which the insurer belongs.

A class 2 captive insurer is a QFC captive insurer that is permitted under the conditions of its authorisation to obtain no more than 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 insurer belongs.

A class 3 captive insurer is a QFC captive insurer that:

- (a) is permitted under the conditions of its authorisation 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) businesses; or (ii) activities; or (iii) trade; or (iv) services; or (v) operations; and
- (b) is owned by the persons mentioned in paragraph (a) or by a body corporate of which all such persons are members.

The Regulatory Authority may decide that an entity that does not meet the requirements for class 1 captive insurer, class 2 captive insurer or class 3 captive insurer is a class 4 captive insurer. The Regulatory Authority may take into account the following matters in deciding whether an entity is a class 4 captive insurer:

- (a) the business rationale for making the entity a captive insurer;
- (b) the use or non-use of the entity as a risk management tool;
- (c) the nature of the interests of the shareholders or members of the entity and whether they are aligned, or have some commonality with, the policyholder;
- (d) any unique or expert knowledge of the shareholders or members of the entity about the risks to be insured;
- (e) the appropriateness of the structure for the proposed activities or whether the business is more akin to a commercial insurer.

21. The Captive Insurance Business Rules sets the minimum capital requirement for a QFC Captive Insurer that is the highest of the following:

- (a) the base capital requirement;
- (b) the premium risk component;
- (c) the outstanding claims risk component.

22. The base capital requirement for a QFC Captive insurer:

	Base Capital Requirement
Category 1	(QR540,000) ~USD 150,000
Category 2	(QR1.4 million) ~USD 390,000 unless the Regulatory Authority determines another amount for the firm
Category 3	(QR900,000) ~USD 250,000 unless the Regulatory Authority determines another amount for the firm
Category 4	(QR3.6 million) ~USD 1,000,000 unless the Regulatory Authority determines another amount for the firm

23. The premium risk component and the outstanding claims risk component are set out in the table below:

Premium risk component for captive insurers conducting general insurance business or life insurance business, %	
First QR18 million (USD 5 mln) of net written premium	20%
<i>plus</i>	
Net written premium in excess of QR18 million (USD 5 mln)	15%

Outstanding claims risk component for captive insurers conducting general insurance business	
Net claims reserve on property insurance	5%
<i>plus</i>	
Net claims reserve on liability insurance	15%
Outstanding claims risk component for captive insurers conducting life insurance business	
Policyholder liabilities calculated using actuarial methods for life insurance	2.5%

24. The Regulatory Authority may, in determining an amount for a class 2 captive insurer, take into account the following:
- the third-party risks the captive insurer expects to insure;
 - how closely linked the business or operations giving rise to the third-party risks are to the business or operations of the group to which the captive insurer belongs;
 - the percentage of gross written premium (up to 20%) that captive insurer intends to obtain from third-party risks;
 - any burden or undue risks to the cedent or other policyholders.
25. The *QFC Captive Insurance Business Rules* set the formula and composition of eligible capital for a Captive Insurer. The total eligible capital is the difference between eligible capital and required deduction. A Captive firm's eligible capital is the sum of its permanent share capital, share premium account and retained earnings or losses plus up to 50% of this sum qualifying letters of credit and any other instrument allowed by the QFC Regulatory Authority. A Captive firm is required to deduct from the eligible capital the sum of investments in subsidiaries and associates, intangible assets, inadmissible assets and any other asset that the QFC Regulatory Authority directs the firm to include.
26. It is worth noting that the *QFC Insurance Business Rules* set more complex composition of eligible capital for Insurance firms. For example, an Insurer must sum up Tier 1 capital, Upper Tier 2 capital (e.g. hybrid capital instruments) and Lower tier 2 capital (e.g. subordinated debts) and deduct certain items.
27. It should be pointed out that in contrast to *the QFC Insurance Business Rules*, the *QFC Captive Insurance Business Rules* do not set the requirements for a Captive Insurer in relation to:
- conducting own risk and solvency assessment (ORSA);
 - adding investment and operational risk component in calculation of minimum capital requirement;
 - recognising and measuring assets and liabilities in respect of general insurance and long-term insurance business;
 - segregating assets and liabilities;
 - matching an insurer's assets with its liabilities, valuing those assets and liabilities consistently and limiting investments (investment concentration limits).

Abu-Dhabi Global Market (ADGM)

28. Prudential Framework for Captive Business in the ADGM is set out in standalone Rules – *The Captive Insurance Business Rules*.
29. The definitions of Class 1 Captive Insurer, Class 2 Captive Insurer, Class 3 Captive Insurer and Class 4 Captive Insurer are similar to the definitions provided in the *QFC Captive Insurance Business Rules* above.
30. The *Captive Insurance Business Rules* set the minimum capital requirement for a Captive Insurer that is the highest of the following:
- the base capital requirement;
 - the premium risk component;
 - the technical provision risk component.

31. The base capital requirement for an ADGM Captive insurer is as set out in the table below:

	Base Capital Requirement
Category 1	USD 150,000
Category 2	USD 250,000 unless the Regulator sets a different amount
Category 3	USD 500,000 unless the Regulator sets a different amount
Category 4	USD 1,000,000 unless the Regulator sets a different amount

32. The premium risk component and the technical provision risk component for captive insurers are set out in the table below:

Premium risk component for captive insurers conducting general insurance business or life insurance business, %	
Up to USD 5 mln of Net Written Premium	18%
<i>plus</i>	
Net Written Premium in excess of USD 5 mln	16%
Technical provision risk component for captive insurers conducting general insurance business	
Net claims reserve under general Contracts of Insurance	5%
<i>Less</i>	
the amount of reinsurance and other recoveries expected to be received in respect of those claims	15%
Technical provision risk component for captive insurers conducting Long-Term Insurance Business	
Policyholder liabilities calculated using actuarial methods for Long-Term insurance	2.5%

33. The Regulator may, in determining an amount for a Class 2 Captive Insurer, take into account certain factors that are similar to QFCRA.

34. The *ADGM Captive Insurance Business Rules* set the formula and composition of eligible capital for a Captive Insurer that are similar to *QFC Captive Insurance Business Rules*. In contrast to QFC, the ADGM Regulatory does not use the term “eligible capital” for commercial insurance firms. The ADGM Prudential Insurance Rules introduced “Adjusted Capital Resources” term that consists of base capital instruments, equity reserves, hybrid capital with the maturity of more than 5 years. Adjusted Capital Resources are calculated by adding and deducting certain items from its base capital.

35. Similar to insurance firms, captive insurers are required to develop, implement and maintain a risk management system to identify and address risks, including but not limited to: (a) reserving risk; (b) investment risk (including risks associated with the use of Derivatives); (c) underwriting risk; (d) market risk; (e) liquidity management risk; (f) credit quality risk; (g) fraud and other fiduciary risks; (h) compliance risk; (i) outsourcing risk; and (j) reinsurance risk. Reinsurance risk refers to risks associated with the Captive Insurer's use of reinsurance arrangements as Cedant.

36. It should be pointed out that in contrast to *the ADGM Insurance Business Rules*, the *ADGM Captive Insurance Business Rules* do not set the requirements for a Captive Insurer in relation to investment and operational risk component for calculation of minimum capital requirement.

37. Class 1 Captive Insurers in ADGM are not required to prepare a quarterly Regulatory Return unless required in writing by the Regulator to do so.

Dubai International Financial Centre (DIFC)

38. Prudential Framework for Captive Business in the DIFC is set out *in the Prudential Insurance Business Module (PIN)*. The Module contains specific provisions on minimum capital requirement and quarterly regulatory form.

39. The definitions of Captives are provided in the *DFSA Glossary*. Three types of Captive Insurers could be authorised in the DIFC: Class 1 Captive Insurer, Class 2 Captive Insurer and Class 3

Captive Insurer. The definitions of these three Classes are similar to the definitions provided in the QFC and ADGM rules.

40. The Minimum Capital Requirement is calculated by determining individual components in respect to various specific risks that the Insurer is exposed to, and adding those components together to arrive at the Minimum Capital Requirement.
41. PIN sets the following formula for calculation of Minimum Capital Requirement by Insurer firms and Captive Insurer firms:

$$\text{MCR} = \text{DRC} + \text{IVRC} + \text{OARC} + \text{OLRC} + \text{CRC} + \text{SFAC} + \text{URC} + \text{RRC} + \text{LIRC} + \text{AMRC}$$

Where MCR - Minimum Capital Requirement, DRC - Default Risk Component, IVRC – investment volatility risk component, OARC - off-balance sheet asset risk component, OLRC - off-balance sheet liability risk component, CRC - concentration risk component, SFAC - size factor adjustment component, URC - underwriting risk component, RRC - reserving risk component, LIRC - long-term Insurance risk component, and AMRC - asset management risk component.

42. An Insurer’s Minimum Capital Requirement must always be equal to or higher than the amount specified in the table below:

	Minimum Capital Requirement
Category 1	USD 150,000
Category 2	USD 250,000
Category 3	USD 1,000,000

43. Similar to ADGM, DFSA requires to calculate Adjusted Capital Resources that consist of base capital instruments, equity reserves, hybrid capital with the maturity of more than 5 years. Adjusted Capital Resources are calculated by adding and deducting certain items from its base capital. There is no difference in calculating Adjusted Capital Resources for commercial insurance firms and Captive Insurers.
44. Class 1 Captive Insurer is not required to prepare a Quarterly Regulatory Return unless the DFSA requires in writing to do so.

Cayman Islands

45. Prudential Framework for Captive Business in Cayman Islands is defined by the *Insurance Law* issued by the Cayman Islands Monetary Authority (CIMA).
46. In Cayman Islands it is required to obtain Class B licence in order to carry on a captive insurance business. There are three categories of Class B Insurers:

Class B (i): At least 95% of the net premiums written will originate from the insurer’s related business;

Class B(ii): Over 50% of the net premiums written will originate from the insurer’s related business;

Class B(iii): 50% or less of the net premiums written will originate from the insurer’s related business

47. The Cayman Islands Insurance (Capital and Solvency) Regulations differentiate Minimum Capital Requirement (MCR) for the classes of captive insurers subject to the type of insurance business they perform – general or long-term, as well as composite (hybrid). The table below specifies the MCR for the classes of captives in Cayman Islands:

	Minimum Capital Requirement
Class B(i)	General: US\$100,000 Long-term: US\$200,000 Composite: US\$300,000
Class B(ii)	General: US\$150,000 Long-term: US\$300,000

	Composite: US\$450,000
Class B(iii)	General: US\$200,000 Long-term: US\$400,000 Composite: US\$600,000

48. Prescribed Capital Requirement means the total risk-based capital that an insurer must maintain in order to operate in a safe and sound manner. As an alternative to the prescribed capital requirement, a class B(iii) insurer may choose to use its own internal capital model subject to the approval of the CIMA and for the purposes of its regulation, it will be deemed to be the prescribed capital requirement.

	Prescribed Capital Requirement
Class B(i)	General: PCR = MCR = US\$100,000 Long-term: PCR = MCR = US\$200,000 Composite: PCR = MCR = US\$300,000
Class B(ii)	General: 10% of Net Earned Premium (“NEP”) to first US\$5,000,000 5% of additional NEP up to US\$20,000,000 2.5% of additional NEP in excess of US\$20,000,000 Long term: PCR = MCR = US\$300,000 Composite: amount required to support the general business plus MCR (US\$450,000)
Class B(iii)	General: 15% of NEP to first US\$5,000,000 7.5% of additional NEP up to US\$20,000,000 5% of additional NEP in excess of US\$20,000,000 Long-term: PCR = MCR = US\$400,000 Composite: amount required to support the general business plus MCR (US\$600,000)

49. Captive insurers in Cayman Islands shall keep solvency equal to or in excess of the total prescribed capital requirement.

50. In regard to reporting requirements, *Insurance Law* of Cayman Islands exempts captive insurers that do not write long term business from the requirement to submit actuarial valuation or certification of solvency.

Conclusion

51. Based on the analysis of the best international practices, the following observations are made:

- (a) QFC and ADGM developed standalone prudential rules for captives, while DIFC included specific requirements for captive in Prudential Insurance Business Module. CIMA includes the regulations for captives in the general Insurance Law.

Standalone prudential rules for captive insurers			
QFC	ADGM	DIFC	Cayman Islands
Yes	Yes	No	Yes

- (b) QFC and ADGM introduced 4 classes for captives, while DFSA limited captives to 3 classes. The definitions of classes (categories) among QFC, ADGM and DFSA are almost the same. CIMA has 3 classes of captives. The major difference of the CIMA classification is the higher amounts of permitted third-party risk premiums. Even pure captives can underwrite third party risk up to 5% of its premiums.

Classes of captive insurers			
QFC	ADGM	DIFC	Cayman Islands
Class 1: only own group risks Class 2: up to 20% of its gross written premium from closely linked third-party Class 3: only related third party risks (related to or arising out of the business or operations of persons who engage in similar, related or common businesses is owned by the persons or by a body corporate of which all such persons are members. Class 4: Not class 1, 2 or 3 (No class 4 in DIFC)			Class B (i): At least 95% of the net premiums written will originate from the insurer's related business; Class B(ii): Over 50% of the net premiums written will originate from the insurer's related business; Class B(iii): 50% or less of the net premiums written will originate from the insurer's related business

- (c) QFC and ADGM have different approaches in setting base capital requirements for captives. ADGM sets the requirement for Category 2 (up to 20% of its gross written premium from third-party risks) higher than for Category 3: USD 390,000 and USD 250,000 respectively, while ADGM sets the requirement for Category 2 (up to 20% of its gross written premium from third-party risks) lower than for Category 3: USD 250,000 and USD 500,000 respectively. DFSA's approach is similar to ADGM: the highest requirements to minimum capital requirements are set out for Class 3: USD 1 mln. CIMA sets minimum capital requirement lowest for the pure captive Class 1 (USD 100,000-300,000), higher for Class 2 (USD 150,000-450,000) and highest for Class 3 (USD 200,000-600,000). The range depends on type of insurance – general, long-term or mixed.

Minimum Capital Requirements for captive insurers			
QFC	ADGM	DIFC	Cayman Islands
ECR ≥MCR>BCR, PRC, OCRC Class 1: \$150,000 Class 2: \$390,000* Class 3: \$250,000 Class 4: \$1,000,000	MCR>BCR, PRC, TPRC Class 1: \$150,000 Class 2: \$250,000 Class 3: \$500,000 Class 4: \$1,000,000	MCR** Class 1: \$150,000 Class 2: \$250,000 Class 3: \$1,000,000	Class B (i): General: \$100,000 Long-term: \$200,000 Composite: \$300,000 Class B(ii): General: \$150,000 Long-term: \$300,000 Composite: \$450,000 Class B(iii): General: US\$200,000 Long-term: US\$400,000 Composite: US\$600,000
ECR-Eligible Capital Requirement MCR-Minimum Capital Requirement BCR-Base Capital Requirement, OCRC- Outstanding Claims Risk Component PRC-Premium Risk Component TPRC-Technical Provision Risk Component *QFC considers class 2 a higher risk than class 3. As set in QFC Captive Insurance Business Rules, in addition to the 20% cap, other limitations will most likely be imposed by the Regulatory Authority to ensure that the firm, for its closely-linked business, is restricted to only effecting and carrying out contracts of insurance for the closely linked business described in its application.			

****MCR = DRC + IVRC + OARC + OLRC + CRC + SFAC + URC + RRC + LIRC + AMRC**
 Where MCR - Minimum Capital Requirement, DRC - Default Risk Component, IVRC - investment volatility risk component, OARC - off-balance sheet asset risk component, OLRC - off-balance sheet liability risk component, CRC - concentration risk component, SFAC - size factor adjustment component, URC - underwriting risk component, RRC - reserving risk component, LIRC - long-term Insurance risk component, and AMRC - asset management risk component.

- (d) QFC and ADGM set different requirements to calculate eligible capital for commercial insurance firms and Captive Insurers. The composition of capital for captives in these jurisdictions does not include hybrid capital instruments and subordinated debts. In contrast, commercial insurance companies are required to sum up Tier 1 capital, Upper Tier 2 capital (e.g. hybrid capital instruments) and Lower tier 2 capital (e.g. subordinated debts) and subtract certain items. DFSA does not differentiate its requirements for commercial insurance firms and Captive Insurers and requires both to calculate Adjusted Capital Resources as the difference between Insurer's adjusted equity and Insurer's hybrid capital adjustment. There is no Eligible Capital requirement for captives by CIMA.

Eligible Capital Requirements for captive insurers			
QFC	ADGM	DIFC	Cayman Islands
ECR ≥ MCR	ACR ≥ MCR	ACR ≥ MCR	N/A
ECR = Permanent share capital + share premium account + retained earnings or losses + qualifying letters of credit + any other instrument as set by Regulator - Investments in subsidiaries and associates - intangible assets - inadmissible assets - any other asset set by the Regulator	ACR = Adjusted equity - hybrid capital adjustment*	ACR = Adjusted equity - hybrid capital adjustment*	
*ACR (Adjusted Capital Resource) = adjusted equity - hybrid capital adjustment.			
Adjusted equity = base capital + minority interests in companies that are Subsidiaries of the Insurer + dividends to be paid by the Insurer in the form of shares - appropriations to be made from profit in respect of the last reporting period - Owners' Equity in a Takaful Insurer - the amount of any investment by the Insurer or by a Subsidiary of the Insurer, in the Insurer's own shares - tax liability of unrealised gains on investments - deferred acquisition costs - tax asset - any asset representing the value of in-force Long-Term Insurance Business of the Insurer - intangible items - Zakah or charity fund of a Takaful Insurer - operating assets - other assets that may not be applied to meet Insurance Liabilities of the Insurer.			
Hybrid capital adjustment = subordinated debt + preference shares + ordinary shares issued by an Insurer to a Holding Company whose own paid-up ordinary share capital, taken together with its general reserves, is lower than that of the Insurer.			

- (e) QFC and ADGM set different requirements to calculate risk-based capital for commercial insurance firms and Captive Insurers. The minimum capital requirement for a Captive Insurer in these jurisdictions is the highest of the following: the base capital requirement; the premium risk component; the outstanding claims risk component (in QFC) or the technical provision risk component (in ADGM). DFSA does not differentiate its risk-based capital requirements for Insurance firms and Captive Insurers and requires both to calculate minimum capital requirement as the sum of the Insurer's default risk component, investment volatility risk component, off-balance sheet asset risk component, off-balance sheet liability risk component, concentration risk component, size factor adjustment component, underwriting

risk component, reserving risk component, long-term Insurance risk component, and asset management risk component. CIMA uses Prescribed Capital Requirement as risk-based capital requirement. It is equal to MCR in the case of pure captives. Class 2 and 3 captives calculate PCR based on their Net Earned Premiums. Class 3 captives in Cayman Islands are free to suggest their own model of PCR calculation for CIMA's approval.

- (f) **QFC and CIMA have the lightest framework among analysed jurisdictions.** In addition to special requirements for calculating eligible capital and minimum capital requirements for captives, such firms are not required to conduct own risk and solvency assessment (ORSA), segregate assets and liabilities, match an insurer's assets with its liabilities, value of those assets and liabilities consistently and limit their investments (investment concentration limits) in these jurisdictions. QFC does not set requirements for captives concerning the recognition and measurement of assets and liabilities in respect to general insurance and long-term insurance business. ADGM and DFSA apart from the difference in calculating eligible capital and minimum capital requirements for captives, maintain similar requirements for commercial insurance firms and captives.
- (g) ADGM and DFSA exempt captives Class 1 to prepare a quarterly regulatory return. CIMA requires annual returns and financial statements once a year as the only reporting requirement imposed on captives.

Statistics

	QFC	ADGM	DFSA	AIFC	CI
Captive Insurers:	1	2	2	1	622
<i>Including:</i>					
Category 1	1		1	1	452
Category 2					18
Category 3			1		152
Category 4		2			N/A

52. The captive insurance market is much larger in Cayman Islands as opposed to other best practice jurisdictions because of its close geographical proximity to the US market. The US market does not only concentrate a high density of healthcare providers, one of the largest consumers of captive insurance, but is also where most new and innovative business ideas originate or get tested. Often conventional insurance companies do not possess sufficient knowledge to assess industry-specific risks of a particular venture, especially if it involves an innovation that comes with unknown risks. As a result, commercial insurers tend to overprice their insurance products. In order to optimize their costs, businesses that have strong risk management functions and can assess their own risks choose captive insurance to underwrite their own risk based on the knowledge and data that would not be available to commercial insurance companies.

Proposal

53. Based on the best practice and recommendations of the AFSA Divisions, it is proposed to enhance Chapter 14 of the AIFC Insurance and Reinsurance Prudential Rules by:
- (1) introducing two new categories of captives in the AIFC. As a result, three classes of captives will be regulated in the AIFC.

A **class 1 captive insurer** is an AIFC captive insurer that is permitted under the conditions of its authorisation to effect or carry out contracts of insurance only for risks related to or arising out of the business or operations of the group to which the insurer belongs.

A **class 2 captive insurer** is an AIFC captive insurer that is permitted under the conditions of its authorisation to obtain no more than 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 insurer belongs.

A **class 3 captive insurer** is an AIFC captive insurer that:

(a) is permitted under the conditions of its authorisation 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) businesses; or (ii) activities; or (iii) trade; or (iv) services; or (v) operations; and

(b) is owned by the persons mentioned in paragraph (a) or by a body corporate of which all such persons are members.

(2) stipulating that Captive Insurer's Minimum Capital Requirement must be that is the highest of the following:

- (a) the base capital requirement;
- (b) the premium risk component;
- (c) the technical provision risk component.

(3) setting the following base capital requirements for captives in the AIFC:

	Base Capital Requirement
Class 1	USD 100,000
Class 2	USD 200,000
Class 3	USD 300,000

(4) setting the following requirement for *premium risk component* for captive insurers conducting general insurance business or life insurance business:

Up to USD 5 mln of Net Written Premium*	18%
<i>plus</i>	
Net Written Premium in excess of USD 5 mln	16%

*Net written premium is the sum of premiums written by an insurance company over the course of a period of time, minus premiums ceded to reinsurance companies, plus any reinsurance assumed.

(5) setting the following requirement for *technical provision risk component* for captive insurers in the AIFC conducting general insurance business:

Net claims reserve under general Contracts of Insurance	5%
<i>Less</i>	
the amount of reinsurance and other recoveries expected to be received in respect of those claims	15%

(6) setting the following requirement for *technical provision risk component* for captive insurers in the AIFC conducting *long-term* insurance business:

Policyholder liabilities calculated using actuarial methods for long-term insurance	2.5%
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(7) exempting Captives from obligation to calculate PCR.

(8) changing the frequency of regulatory return requirement for Class 1 Captive Insurers from quarterly to semi-annual, unless the AFSA required in writing to do so.

Outcomes

54. The AIFC may increase its attractiveness for different types of Captives as convenient and reliable jurisdiction. With a wider classification of captives, with prudential requirements proportional to their risks, AIFC will create opportunities for various businesses to manage their own and related risks based on their deep industry-specific expertise. In addition, captives from foreign jurisdictions will have a more streamlined re-domiciliation process, as the new classification will be in line with international standards.

55. By improving the regulatory framework for captives, the AFSA may increase the attractiveness of the AIFC in the region and contribute to the development of wider economy by bringing more businesses, people and resources.

Strategic relevance

56. Development of the insurance markets, banking market, Islamic finance, financial technology, e-commerce and innovation projects in the Republic of Kazakhstan is one of the AIFC's objectives that set out in the Constitutional Statute *On Astana International Financial Centre*.
57. According to the AIFC Strategy until 2020, AIFC shall focus on facilitating the growth of reinsurance and captive insurance markets to increase the effectiveness of risk transfer. Main priority shall become insurance services, which nowadays are not offered or not well developed in Kazakhstan, such as insurance of risks associated with maritime, land transport, space and aviation, which shall foster the expansion of economic corridors along the "Belt and Road" initiative.
58. The AIFC Strategy until 2025 further supports the development of the insurance market in Kazakhstan and introduction of such instruments as captive insurance will be aligned with the strategic plan of the AIFC.

II. ENHANCING THE REGULATORY FRAMEWORK FOR CAPTIVE INSURANCE MANAGERS IN THE AIFC

Status quo

59. The AIFC General Rules (24. Insurance Management) define the Regulated activity of carrying on Insurance Management as follows:
 - (1) Insurance Management means:
 - (a) performing underwriting or administration functions for or on behalf of an insurer or Captive, for the purposes of that insurer effecting or carrying out a Contract of Insurance as principal; or
 - (b) arranging reinsurance for and on behalf of an insurer or Captive for whom it is underwriting;
 - (c) performing underwriting or administration functions for or on behalf of a Takaful Operator or a Captive Takaful Operator, for the purposes of that Takaful Operator effecting or carrying out a Takaful Contract as principal; or
 - (d) arranging Retakaful for and on behalf of a Takaful Operator or Captive for whom it is underwriting.
 - (2) In (1)
 - (a) "administration" includes, without limitation, one or more of the following activities:
 - (i) processing applications for, and endorsements on, Contracts of Insurance;
 - (ii) collecting and processing premiums or Takaful contributions;
 - (iii) negotiating terms of settlement of claims; or
 - (iv) settling claims; and
 - (b) "underwriting" includes, without limitation, one or more of the following activities:
 - (i) assessing underwriting risks;
 - (ii) negotiating and settling terms of Contracts of Insurance or terms of Takaful Contracts, including exclusions;
 - (iii) negotiating and settling premiums or Takaful contributions;
 - (iv) negotiating commissions; or
 - (v) countersigning, stamping and issuing Contracts of Insurance or Takaful Contracts

60. The AIFC Insurance and Reinsurance Prudential Rules (2.3.3. Outsourcing of Controlled Functions (PINS 2.2 and GEN 2.2)) list the Controlled Functions an Insurer may appoint to an Employee of an Insurance Manager as follows: Insurance Risk Manager, Insurance Internal Audit Manager, Approved Actuary, Finance Officer and/or Compliance Officer, provided that such Employee is an Approved Individual. By Chapter 14 of these Rules it is set that Captive Insurers are also subject to this section in full.
61. In the AIFC Prudential Rules for Insurance Intermediaries (1.3 Application of these PRU(INT) Rules) the term "Authorised Firm" is used where rules apply to both Insurance Intermediaries and Insurance Managers. In addition, section 1.3(3) states that "Where an Authorised Firm is also regulated by another Financial Services Regulator (in addition to being regulated by the AFSA), it must comply with these PRU(INT) Rules and with the rules of any other Financial Services Regulator, in each case to the extent applicable". One can infer from the above that an Insurance Manager must be authorised by AFSA. Where it is not, AFSA simply has no reach over such Insurance Manager and its activities. However, it is deemed that clarification of this requirement is needed.
62. For example, the AIFC Conduct of Business Rules (20.2. Provision of Insurance Management Services) define that an Authorised Firm that is licensed by the AFSA to conduct the Regulated Activity of Insurance Management cannot perform underwriting on behalf of Non-AIFC Insurer or Takaful Operator for a Retail Client without obtaining a written approval of the AFSA. To obtain the approval, sufficient information must be provided on the Non-AIFC Insurer or Takaful Operator to determine its fitness and propriety. The AIFC Conduct of Business Rules make it very clear that unless specific conditions are met, an AFSA licensed Insurance Manager cannot do underwriting for a Non-AIFC Insurer. Same clarity is required in regard to Insurers outsourcing only to AFSA licensed Insurance Managers.

Problem

63. The following issues have been identified in the existing framework for Captive Insurance Manager in the AIFC:
 - (a) While the meaning of an Insurance Manager in relation to a Captive Insurer is stated in the AIFC General Rules (see Section 70), for the development of the Captive Insurance market it is deemed beneficial to enhance the functions listed in the General Rules by issuing a Statement of Guidance for Captive Insurance Managers, where requirements and minimum expectations for Captive Insurance Manager will be spelled out in a more detailed and comprehensive way.
 - (b) A Captive Insurance Manager is expected to administer and execute all of a captive's managerial and operational function, including the administration of contracts of insurance, as well as functions such as compliance, anti-money laundering, risk management and finance. A Captive Insurer may also choose to be self-managed, in which case it will perform all of its functions internally. The current rules do not explicitly spell out these two alternatives for captive insurers.
 - (c) While implied in the AIFC Prudential Rules for Insurance Intermediaries (see Section 72), it is not clearly stated in any AIFC Rules that when a Captive Insurer outsources its functions to an Insurance Manager, it must be an AFSA authorised Insurance Manager. While the conditions for an AIFC Insurance Manager's underwriting on behalf of Non-AIFC Insurer are clear (see Section 73), the conditions for an AIFC Captive Insurer's outsourcing only to an AIFC Insurance Manager are not equally explicit.
 - (d) The list of functions a Captive Insurer may outsource to an Insurance Manager includes Insurance Risk Manager, Insurance Internal Audit Manager, Approved Actuary, Finance Officer and/or Compliance Officer but does not include Senior Executive Officer (SEO) or Money Laundering Reporting Officer (MLRO). It is important to note that both the AIFC General Rules and the AIFC Insurance and Reinsurance Prudential Rules clearly state that in cases of outsourcing, the insurer remains fully responsible and accountable for the outsourced functions. Therefore, it is concluded that there is no regulatory risk in allowing Insurance Managers to also take over the SEO and MLRO functions.

Best Practice

Qatar Financial Centre (QFC)

64. The *QFC Captive Insurance Business Rules* is a set of rules concerning only captive insurers and detailing classification of captives, their prudential requirements, eligible capital requirements, outsourcing requirements, etc.
65. To read in conjunction with the Captive Insurance Business Rules QFC published *A Guide to the QFC Captive Insurance Regime for captive insurers and captive insurance managers*, that includes introduction to the captive insurance regime, definition of captives, authorisation process and fee structure.
66. The *QFC Captive Insurance Rules* (4.1.1. Application of Chapter 4) explicitly state that the management of a QFC captive insurer may be exercised by— (a) the firm itself; or (b) a captive insurance manager under an outsourcing agreement.
67. The *QFC Captive Insurance Business Rules* (4.1.5. Certain events to be notified to the Regulatory Authority) state that a Captive Insurer must notify the QFC Regulatory Authority if its captive insurance manager ceases to be authorised in the QFC. From this it is implied that when a captive outsources its managerial functions to a captive insurance manager, it must be a QFC authorised manager.
68. The Rules (4.1.2 Outsourcing of firm's management) also provide that a firm that outsources its managerial functions to a captive insurance manager may apply to the Regulatory Authority for approval of an employee or employees of the captive insurance manager to exercise 1 or more of the following controlled functions: (a) senior executive function; (b) MLRO function; (c) compliance oversight function; (d) finance function.
69. The Rules also specify the selection criteria of captive insurance managers, set certain requirements in relation to outsourcing agreement and outline the effect of outsourcing of an activity or function.

Abu-Dhabi Global Market (ADGM)

70. The ADGM Financial Services and Market Regulations defines Insurance Management as providing management services or exercising managerial functions including administration and underwriting for an insurer.
71. The ADGM Financial Services Regulatory Authority regulates Captive Insurers by *Captive Insurance Business Rules*. These Rules describe the classes of captives, set prudential requirements, managerial functions and outsourcing and reporting requirements for captives.
72. The ADGM does not have separate statement of guidance for captive insurers.
73. The *ADGM Captive Insurance Business Rules* stipulate that a Captive Insurer may outsource its managerial functions to a Captive Insurance Manager (but not any other party), subject to the requirements of GEN 3.3. (Outsourcing).
74. A Captive Insurance Manager is an Authorised Person permitted under the conditions of its Financial Services Permission to carry on Captive Insurance Management that is the administration of, and exercise of, managerial functions for a Captive Insurer and includes the administration of Contracts of Insurance for the insurer.
75. An Authorised Person must make the following appointments and ensure that they are held by one or more Approved Persons or Recognised Persons at all times: (a) Senior Executive Officer; (b) Finance Officer; (c) Compliance Officer; and (d) Money Laundering Reporting Officer.

Dubai International Financial Centre (DIFC)

76. DFSA General Rules defines Insurance Management as follows:

- (a) performing underwriting or administration functions for or on behalf of an insurer, for the purposes of that insurer effecting or carrying out a Contract of Insurance as principal;
 - (b) advising on a Contract of Insurance for which the Person performs, or is proposing to perform, underwriting functions referred to in (a); or
 - (c) arranging reinsurance for and on behalf of an insurer for whom it is underwriting.
77. The DFSA does not have separate statement of guidance for captive insurers. The *DFSA Insurance Business Rules* regulate commercial and captive insurers in the DIFC.
78. The *DFSA Conduct of Business Rules (7.2. Insurance business, management and intermediation restrictions)* state that an Insurance Manager must ensure that it does not act in relation to a Contract of Insurance where the contract is in relation to a risk situated within the State, unless the risk is situated in the DIFC, or the contract is one of re-insurance.
79. Captive Insurer may outsource its functions of risk management system to an Insurance Manager but remain to hold the full responsibility to the Authority. The risk management system means development, implementation and maintenance of reserving risk, investment risk (including risks associated with the use of derivatives), underwriting risk, claims management risk, product design and pricing risk, liquidity management risk, credit risk, technology risk (including processing risks), reputational risk, fraud and other fiduciary risks, compliance risk, outsourcing risk, business continuity planning risk, legal risk and key person risk.

Cayman Islands

80. The *Insurance Law* of Cayman Islands defines Insurance Manager as a company which provides insurance expertise to its client insurers, including captive insurers. *The Statement of Guidance: Responsibilities of Insurance Managers* further enforces the role of the Insurance Managers' responsibilities for the day to day operations of their client insurers and for ensuring fulfilment of their financial, legal, and regulatory obligations throughout captive insurer's business lifecycle.
81. It is a requirement of the law that all captive insurance companies appoint a local insurance manager. The insurance managers play an essential role in the control and regulation of the captive insurance industry and the CIMA maintains a close working relationship with them. Insurance Manger is responsible to provide to the CIMA annual financial statements of the captive insurer(s) it manages, any changes in information provided during licensing, proof of adequate professional indemnity insurance and a list of all insurers for whom the insurance manager acts.
82. Insurance Manager must report to CIMA if it
- (a) has concerns regarding the fitness and probity of the insurer;
 - (b) obtains information or suspects that the insurer is unable or likely to become unable to meet its obligations as they fall due;
 - (c) obtains information or suspects that the insurer is carrying on or attempting to carry on business in a fraudulent or criminal manner;
 - (d) obtains information that the insurer is involved in any criminal proceedings, whether in the Islands or abroad;
 - (e) obtains information about a material change in the nature of the insurer's business that has not been reported to the Authority;
 - (f) in relation to class B(i) insurer or class B(ii), obtains information that the limit on unrelated business is exceeded; or
 - (g) obtains information or suspects that the insurer is carrying on or attempting to carry on business otherwise than in compliance with –
 - (i) the Insurance Law (2010 Revision);
 - (ii) the Monetary Authority Law (2008 Revision);
 - (iii) the Money Laundering Regulations (2009 Revision); or
 - (iv) a condition of its licence, the insurance manager shall report the same forthwith to the CIMA.
83. A captive insurer in Cayman Islands, unless it maintains permanently a place of business approved by the Authority, shall appoint an insurance manager in the Islands.

Conclusion

	QFC	ADGM	DIFC	Cayman Islands	AIFC now	AIFC after change
Has a stand-alone set of rules for captive insurers	Yes	Yes	No	No	No	No
Has a separate statement of guidance for captive insurers	Yes	No	No	Yes	No	Yes
Mandatory functions that can be outsourced to a captive insurance manager	Senior Executive Officer; Finance Officer; Compliance Officer; Money Laundering Reporting Officer;	Senior Executive Officer; Finance Officer; Compliance Officer; Money Laundering Reporting Officer;	Risk Management (includes management, finance, compliance and MLRO)	Daily management, financial, legal, and regulatory compliance	Insurance Risk Manager; Insurance Internal Audit Manager; Approved Actuary; Finance Officer and/or Compliance Officer;	Senior Executive Officer; Insurance Risk Manager; Insurance Internal Audit Manager; Approved Actuary; Finance Officer and/or Compliance Officer; MLRO;
Captive insurance manager must be authorised by the same jurisdiction	Yes	Yes	Yes	Yes	Yes (but not explicit)	Yes (explicit)

84. Annex 1 includes Tables of Content of additional guidance documents for captive insurance managers in other jurisdictions.

Proposal

85. Based on the best practice and recommendations of the AFSA Divisions, it is proposed to enhance the regulatory framework for captive insurance managers in the AIFC by:

- (1) Adding in PINS that a Captive Insurer may either be self-managed or managed by an Insurance Manger authorised by AFSA.

- (2) Adding in PINS that a Captive Insurer may appoint an Insurance Manager authorised by AFSA to perform the Controlled Function of Senior Executive Officer and the Designated Function of Money Laundering Reporting Officer.
- (3) Develop Statement of Guidance on captive insurance and captive insurance management in the AIFC to give a general overview of captive insurance business, classes of captives, responsibilities and expectations to Insurance Managers or Captive Insurers (in case self-managed) for managing a captive insurance business.

Outcomes

86. Enhancing the regulatory framework for captive insurers and insurance managers, the AIFC is expected to increase its attractiveness as a reliable and clear jurisdiction. The enhanced rules will provide ground to promote value proposition of the AIFC jurisdiction when identifying potential clientele.
87. With the development of captives market in AIFC, the captive insurance management market is also expected to grow because businesses that seek to take advantage of captive insurance will look to outsource daily insurance management and administration functions to an insurance manager, while focusing on their primary business. Detailing the expectations to Captive Insurers and Insurance Managers in a separate guidance will provide business customers who do not possess extensive experience in analysing and assessing jurisdictions a sufficient resource to make entry and conduct decisions. Having such document will be in line with the international best practices (QFC and CIMA) and will help the AFSA to increase the attractiveness of the AIFC in the region and contribute to the development of wider economy by bringing more businesses, people and resources.

Strategic relevance

88. Development in the Republic of Kazakhstan of the insurance markets, banking market, Islamic finance, financial technology, e-commerce and innovation projects is one of the AIFC's objectives that set out in the Constitutional Statute *On Astana International Financial Centre*.

Examples of additional guidance documentation on Captive Insurance Managers in QFC and Cayman Islands

Issuer: Qatar Financial Centre Regulatory Authority

Document: A Guide to the QFC Captive Insurance Regime for Captive Insurers and Captive Insurance Managers

Full document length: 14 pages

Chapters included:

- Introduction to the QFC
- Introduction to the QFC captive insurance regime
- What are captive managers?
- The authorisation process
- Fee structure
- Pre-application meetings

Issuer: Cayman Islands Monetary Authority

Document: Statement of Guidance: Responsibilities of Insurance Managers

Full document length: 5 pages

Chapters included:

- Statement of Objectives
- Role of Insurance Managers
- Relations with the Authority
- Relations with Client Insurers