

Captives full of Eastern promise



As the Middle East bucks the global economic trend, the captive market in the region is poised for growth, according to Shaun Brook.*

How has the continuing global financial instability affected the standing of the captive market?

In a volatile marketplace, the captive comes into its own. It can introduce certainty into an uncertain environment. Captives can respond much faster to changing market dynamics than the standard insurance market is capable of.

AM Best's recent US captive market report clearly demonstrated the stability captives can provide in turbulent times, stating that underwriting discipline and a focus on stable pricing resulted in increased underwriting income and a 49% rise in profitability in 2010.

The instability has also heightened risk awareness and served to promote the benefits of a captive as an enterprise-wide risk management tool. From a Middle East perspective, companies are much more focused on increasing operational efficiency, reducing costs and enhancing corporate governance, all of which can be facilitated by a captive.

How have these factors impacted on the appeal of the Middle East from a captive perspective?

While the financial crisis has impacted the region, the Middle East remains financially strong. Add to this its international reputation, robust regulatory frameworks, world-class infrastructure, and highly professional business culture and it is clear the foundations are there to secure the region's standing as a captive hub. Regulatory uncertainty in the West,

particularly with Solvency II looming, is also serving to heighten its appeal.

The region is ideally located, positioned as a central meeting point between West and East as the global financial axis tilts from one to the other. As this balance shifts further and further, the attractiveness of the Middle East will grow in tandem.

The Middle East is still in its relative infancy in the captive arena. How firm would you say its captive foundations are?

The Middle East has certainly established strong captive foundations, and has sought to base its regulatory infrastructure on industry best practice, capitalising on the lessons learned by market stalwarts such as Bermuda, Guernsey and Cayman.

However, the legislation is still evolving as the captive domiciles in the region seek to refine their captive offering to compete more effectively on the global stage. Most recently, for example, the QFC Regulatory Authority announced the implementation of the Captive Insurance Business Rules 2011 to facilitate the successful development of the captive sector in Qatar.

We have been extremely encouraged by the commitment shown by all of the regulatory authorities in the Middle East to securing the region as a major captive hub.

What are the prospects for the captive market in the Middle East?

The prospects for captive growth in the region are extremely exciting. The region continues to generate increases in GDP

at a time when most other countries are struggling to slow the decline in GDP. Infrastructure development has been meteoric in recent years and shows little signs of slowing, with multiple multi-billion dollar projects in the pipeline.

For a number of years the focus has been on educating businesses on the benefits of captives, but now we are entering the next phase. An increasingly sophisticated buyer, coupled with a growing focus on operational efficiency and corporate governance has primed the region for strong captive growth.

What is Kane's role in facilitating this growth?

Kane has committed extensively to the region, being the only independent, multi-domicile captive manager in the Middle East, and has worked closely with authorities to promote the captive concept. This commitment is now bearing fruit as we are seeing strong interest from major organisations in implementing such structures and a growing number of requests for feasibility studies.

We are also planning to establish a PCC in the region, which will provide companies with the ability to capitalise on many of the benefits of a self-insurance structure without the level of commitment required to set up a pure captive.

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