

Article

Draft Rule and Statement of Guidance: Investment Activities for Insurers

Author: Rob Humphries, Counsel

The Cayman Islands Monetary Authority (“the Authority”) recently published a Private Sector Consultation Paper with a draft Rule and draft Statement of Guidance on Investment Activities for Insurers (the draft “Rule” and “SOG”). The draft Rule and SOG are intended to replace the current Statement of Guidance for Asset Management & Investment Strategy for Insurance Companies to bring our regulatory framework relating to Investments for Insurers up to date with Insurance Core Principle 15 developed by the International Association of Insurance Supervisors (“IAIS”), of which the Authority is an active member.

The draft Rule and SOG are intended to apply to all categories of Cayman Islands insurance licensees but there are certain reduced requirements for Class Bi and Bii (captive) licensees in relation to the requirement for an investment committee and the conduct of an investment audit.

The Rule and SOG set out the requirements and associated guidance on investment activities for insurers, including:

- General principles for the investing of assets.
- The requirement for an insurer to invest in a manner appropriate to the nature and duration of its liabilities.
- Prescribed steps to be taken by an insurer in ensuring that it invests in assets which can be properly assessed and managed.
- The requirement for an insurer to establish an investment policy which must be submitted to the Authority for approval.
- The requirement for internal controls and procedures in relation to the conduct of investment activities in accordance with the Investment Policy, including an audit (assumed at this stage to mean an internal rather than an external audit).
- Introducing a requirement for approval to be sought from the Authority for the making of related and unrelated loans.
- Permitting investments in derivatives for hedging and/or efficient portfolio risk management but not for speculative purposes.

The deadline for submitting comments on the draft regulatory procedures has now passed with submissions having been made by the Insurance Managers Association of Cayman (“IMAC”) and the Cayman Islands Reinsurance Companies Association (“CIRCA”), amongst others industry bodies. It’s important to remember that these draft regulatory measures are only at consultation phase and changes may be made to the final versions, with or without further consultation, when released by the Authority in due course. Further updates will follow when available.

Author:

Rob Humphries
Counsel
rob.humphries@conyers.com
+1 345 814 7793

Other Contacts:

Derek Stenson
Partner
derek.stenson@conyers.com
+1 345 814 7392

Sarah Farquhar
Associate
sarah.farquhar@conyers.com
+1 345 814 7780

Philippa Gilkes
Associate
philippa.gilkes@conyers.com
+1 345 814 7751

This article is not intended to be a substitute for legal advice or a legal opinion. It deals in broad terms only and is intended to merely provide a brief overview and give general information.

For further information please contact: media@conyers.com