

COVID-19 ECONOMIC IMPACT STRENGTHENS CASE FOR CAPTIVE INSURANCE

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The long-term economic impact of COVID-19 is likely to strengthen the case for captive insurance solutions for large corporations, according to the Chief Executive of Guernsey Finance.

Dominic Wheatley said the outturn of the pandemic crisis and lockdown was certain to have an impact on investment returns, squeezing capital, and placing increased focus on underwriting profitability.

"These are ideal circumstances for corporations to look at alternative risk financing options such as captives," said Mr Wheatley, who spent more than 25 years in the captives sector, 20 of them in Guernsey, which is Europe's leading centre for captive insurance.

"On the flip side, reduced economies will generate less demand for insurance in some classes, but my guess is that there will be real incentives for companies to develop stronger risk retention strategies based on traditional core captive benefits.

"As the market tightens, the ability to gain direct access to wholesale markets for capacity, and control the design of your own coverage, will optimise the coverage and financing of risk across the range of assets, operations, and associated liabilities faced. A captive not only provides the coordinating hub for this, but also is a focal point for internal expertise and external advisers within a purpose-built governance structure to oversee your group risk financing."

Mr Wheatley said businesses adopting a captive solution would benefit from additional cashflow, building up better data for external options, and provide alternatives to conventional insurance for emerging risks with restricted market capacity or none at all.

Guernsey has almost a century of captive insurance history and some 40 years of modern captive experience, with an established, world-leading regulatory environment, and an EU white-listed corporation tax regime.

The island has more than 300 captives registered, is Europe's leading jurisdiction for captive insurance, with more than a third of the European market, and has one of the largest professional captive communities in the world, home to more international captive programmes than anywhere else.

This news article first appeared in [Captive Insurance Times](#).

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PO Box 655, St Peter Port,
Guernsey, GY1 3PN

+44 (0)1481 720071

INFO@WEAREGUERNSEY.COM

