

BANKING OPPORTUNITIES IN CAPTIVE INSURANCE

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With the insurance market opening up in Guernsey, Nigel Winkett (NW) and Dave Bartram (DB) of [Barclays](#) tell Becky Butcher of [Captive Insurance Times](#) that they expect the demand for bank accounts to continue to increase over the coming months.

What trends are you seeing from the banking side of the captive insurance industry?

DB: With captive figures remaining static in Guernsey, we are not seeing clients open new banks accounts. Instead, we are seeing more letters of credit and further investment. However, with markets such as insurance-linked securities, pension longevity schemes, and the recent agreement between Guernsey and China, there will be new bank accounts needed. We have seen an increase in the number of bank accounts opened over the last 18 months and we are hoping to see those figures continue.

What will the deal with China do for Guernsey?

DB: At Barclays, we have private bankers who work in China, and with China being new to the captive insurance industry, our job back in Guernsey is to educate those bankers on the captive concept. Once the education process is complete, we will work with clients to see if a captive is something that is suitable, if they have considered a captive. And if they are not aware of the captive concept, we will provide them with information on what a captive is. We are all working together to wave the Guernsey flag, and hope to be rewarded with new business from China.

What challenges are your clients currently facing in Guernsey?

NW: One of the issues we hear about is our clients holding large volumes of cash, which is down to the appetite around returns on those balances. Are boards prepared to look at alternative ways of making that money work harder? There are challenges around education and around the alternatives because it is not just about holding cash, it is about looking at investment strategies that the board are comfortable with.

DB: If you look back to a few years ago when the base rate was high, the money a captive would earn covered all the captive fees, which meant that the treasurer sitting at the parent level had no cost coming from the captive. However, now we are seeing the treasurer having to add money to the captive to cover fees, which are also rising, making a captive less viable than it once was. As a result of this, companies are asking how the captive can make better use of the surplus cash, and that's where Barclays comes in. Captives should not sit on cash, they should look at ways they can invest that money. We have seen that companies in Bermuda are far more willing to put money into non-cash investments, whereas in Guernsey, companies tend to be a lot more risk averse.

Does Barclays have anything new in the pipeline for captive clients?

NW: One of the products we offer is a security trust arrangement. At present, Barclays is the only bank that provides that type of product in Guernsey. Barclays partly owns a trust company on the island, as well as in other jurisdictions, and so we devised a security trust arrangement as an alternative to the standard letter of credit. This is a non-credit solution, which requires none of the parent organisation's credit capacity, unlike letters of credit. It is a flexible solution that allows collateral to be tweaked easily and quickly.

DB: We've also seen that captives and online payments do not work well together and, over the years, banks have struggled to find a solution to this. The issue was a user's ability to sign off on considerable payments without checks. At Barclays, we have created a platform that has nine levels of signatures. Barclays.Net will enable online payments to be made in line with the captive's mandate. The other part of that equation is the Barclays iPortal, which is an online letter-of-credit facility. Barclays give the captive a letter of credit limit, which will be documented in an offer letter and then it's up to the captive manager to do what they want with that limit. All of our letters of credit are secured against cash in Guernsey, whereas in the US they are secured against investments. Barclays.Net for captive managers is being released in Q4 this year, and is currently undergoing testing with our London-based insurance team.

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