

Ensuring interest

Bahrain-based Ensurion is an insurance management company specialising in the formation and administration of captive insurance companies. Licensed and regulated by the Bahrain Monetary Agency, it is the first of its kind to be established in the Middle East region.

In a recent visit to Bahrain, Ian Donachie spoke with the pioneering Ensurion team about their business strategy and new service offering.

Q: Why was Ensurion incorporated in Bahrain?

A: First of all, Bahrain was the first jurisdiction within the region to develop captive insurance regulations. We were encouraged by the forward looking policies of the Bahrain Monetary Agency and are comforted with the 30 years of relevant regional experience it has gained in providing a sound and market-friendly environment. We have been given the ability to establish both direct and reinsurance captives in Bahrain, in addition to adopting takaful structures for clients requiring Islamic compliance. The BMA is also very serious in its anti-money laundering efforts, which provides us and our clients with an additional level of comfort.

However, in addition to its regulatory environment, Bahrain has also provided us with an attractive operating environment. There is a good amount of insurance and financial services infrastructure, in the form of insurers, reinsurers, brokers, bankers, accountants, and other third party professional services firms. More importantly, there is a relatively strong, indigenous workforce which we hope to increasingly integrate into our operations over time in order to build lasting relationships with our regional client base. Insurance is about building long-term relationships, which is something we recognise and value.

We are also looking forward to the completion of the Bahrain International Insurance Centre (BIIC). Located within the Bahrain Financial Harbour, the BIIC is a world-class facility that has been specifically designed for insurance industry participants, such as Ensurion. We are looking forward to the facilities and other incentives that will be made available to us once it has been finalised.

Q: So what is the attraction for establishing captive insurance companies in Bahrain?

A: The answer clearly differs from one client to another. It all depends on the financial and/or risk management objectives that the client wishes to achieve.

For example, in the Gulf, many large insurance buyers with good loss experience



From left to right: Colin Alexander (IAS), Ahmed Alumran (Stratum), Marwan Tabbara (Stratum), James Portelli (Acting GM Ensurion)

are actually better capitalised than the insurance companies with whom they insure. These companies could stand to benefit from increased risk retention if it were effectively translated into premium savings. But lowering insurance costs is not the main benefit of captive insurance; captives can also provide their owners with greater coverage flexibility, improved price stability, and even potential investment returns over time.

For example, many companies suffered from price-hikes following 11 September 2001, despite the fact that no significant losses occurred within the region. Since the demand for insurance in the case of large commercial or industrial concerns is relatively more price inelastic as the market hardens, this is a potential source of price volatility that can have adverse budgetary effects. Captive insurance can result in more tailored coverages that can better withstand such shocks in global insurance industry pricing.

Another important benefit of captive insurance can be the customisation and simplification of insurance through bouquet covers, similar to the way insurers present proportional treaties to their reinsurers. Sometimes insurers have to resort to facultative reinsurance for their major clients due to constraints on their automatic treaty protections. Large insurance buyers can directly access reinsurers for this facultative component through their captive insurance subsidiaries. Captive insurance increases a company's say in the way risk is transferred, at what price and conditions, and how protections are layered in order to gradually build reserves and increase financial returns on equity.

Q: Isn't captive insurance synonymous with tax-efficient financial vehicles? What is the logic of developing such business in a region which has zero or very low corporate tax regimes?

A: While it is true that tax-related benefits are one of the main attractions of captive insurance in more heavily-taxed regions of the world, captives have a number of other compelling benefits the Middle East insurance buyers need to consider.

Q: How can Ensurion help regional companies establish a captive?

A: At the end of the day, a captive is basically the subsidiary of a non-insurance company, established to insure the risks of that company. For example, a large insurance buyer may decide to set up a subsidiary within its group specifically to insure the risks of that group. Since insurance expertise

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would not typically be a core strength of that non-insurance entity, it would outsource the set up and management of its new insurance subsidiary to an insurance management company, like Ensurion. In fact, the great majority of captives worldwide are managed by professional captive insurance managers.

Ensurion provides the full range of services required to analyse, establish, and manage a captive insurance company. Ensuriion's captive insurance services include:

■ **Pre-incorporation Services:** From conducting the initial feasibility study to commencing captive insurance operations, Ensuriion manages the entire process of establishing a Bahrain-based captive.

■ **Post-Incorporation Services:** Providing overall technical, financial and administrative management of the captive insurance company including the provision of regulatory and compliance services and the coordination of all third party providers.

Q: Does Ensuriion provide anything beyond its captive insurance services

A: Yes. In fact, Ensuriion and its affiliates provide a wide range of innovative insurance and risk management services in addition to captive insurance services, including:

■ **Insurance Management Services:** Ensuriion can design and administer special insurance and risk financing programmes as well as manage the day-to-day operations of corporate and insurance industry clients.

■ **Insurance and Reinsurance Brokerage:** Ensuriion's risk management affiliates can analyze, structure, and place insurance and re-insurance programmes internationally in a number of markets, including Lloyd's and the London market.

■ **Insurance and Risk Management Consulting:** Ensuriion can identify, analyse, and structure insurance and risk management solutions for both private and public sector insurance buyers as well as for insurance companies and other financial institutions.

Q: Is Ensuriion a regional or an international company?

A: Although Ensuriion has been established as an independent company based in Bahrain, specifically focusing upon the Middle East market, it is connected to an industry-leading network of over 100 captive insurance professionals. Ensuriion is supported by International Advisory Services (IAS), the world's largest independent captive insurance management company. IAS has over 250 captive insurance clients under management with over US\$1.75 billion in written premiums and US\$5.2 billion in invested assets. IAS is located in several major global domiciles, including Bermuda, Barbados, Vermont, Cayman, Guernsey, and Ireland.

Q: What is Ensuriion's unique value proposition to regional insurance buyers?

A: Ensuriion is committed to bringing world-class insurance and risk management expertise and solutions to the Middle East region. Our client value proposition is based upon three core values:

■ **Innovation:** As the first insurance manager in the Middle East, Ensuriion provides some of the most innovative insurance and risk management solutions within the region in areas such as captive insurance and alternative risk finance.

■ **Integrity:** Ensuriion is committed to acting in the best interests of its regional clients and maintaining the highest standards of professional integrity.

■ **Independence:** Ensuriion is not controlled by any single insurance company or brokerage, ensuring that its interests are always aligned with those of our clients. ■