

TABREED – THE FIRST MIDDLE EAST CAPTIVE

Below: Manama, Bahrain

At the end of 2006, Tabreed, a district cooling company, became the first captive insurance company to be domiciled in the Middle East region. “We are in a capital-intensive business requiring large amounts of investments,” said Mohamed Saif Al Mazrouei, Chairman of Tabreed. “The long-term, asset-intensive nature of our business requires that we excel in financial planning and risk management.”

The captive set-up is managed by Ensurion, an independent Middle East captive management company. Youssef Al Kareh, General Manager of Ensurion, said: “This is a significant milestone in the regional insurance industry’s development. Captives have been used since the 1950s by Fortune 500 companies and other large insurance buyers around the world. It is high time that the Middle East also began to benefit from such structures.

“Insurance procurement has been centralised into Tabreed’s captive, optimised with the support of an international panel of distinguished re-insurers and structured to provide the company with significant cost savings and controls. Since Tabreed has been set up, the supply side is increasing resources to the brokerage and the demand side is sitting up and taking notice.

“The Middle East is not a litigious environment, so there is less scope than in the US and Europe for environmental or malpractice liabilities. It is very plain vanilla covers that are needed for companies with multi-billion dollar assets.

“We have a number of new clients in the pipeline, mainly in petrochemicals, logistics and marine. There are distinct advantages to Middle Eastern companies in having a captive domiciled in the region. It is more cost effective from a geographic and logistical point of view to hold local board meetings. The costs for a Saudi company of holding a board meeting in Bermuda, for instance, are huge in comparison to being able to meet in their own backyard. In addition, they are often more comfortable doing business

in the region and having more affinity with a local regulator.

“Bahrain, where Tabreed is domiciled, was the first jurisdiction in the region with a captive regime, but it has been followed by Dubai and Qatar. Ensurion deals with the region and has no preference about domicile other than to explain the issues to a client. Sharia sensitivities do not discriminate against captives, and sharia-compliant captives are our radar screen but it is not necessarily important to the larger corporates that we are dealing with.

“I can envisage between 10 and 15 captives being domiciled in the Gulf region in the next five years. When we talk to companies about the captive concept, they are interested but many are cautious because this new area is out of their comfort zone. But I’m confident that, as the region’s regulatory frameworks in each of its financial centres develops, the resistance to change will lessen”.

