

A great place to do business

There are some good reasons that the Cayman Islands has developed into a world leader in captives. Charting 35 years in the business in Cayman, George Rusu and Nick Hentges of Captive Resources explain what they feel makes the jurisdiction special—and so successful.

“Even in 1982, the Cayman Islands projected that same attitude of being open for business and willing to work with business in terms of what it needs. Its regulatory regime has always been of the highest quality but it has also been nimble and open-minded. The same is true today and that is why we have stayed loyal to the domicile for all this time.”

That is how George Rusu, the chairman, CEO and co-founder of Captive Resources, the group captive specialist that consults to some 34 group captives domiciled in Cayman—comprising nearly 18 percent of all captive premium in the Cayman Islands—describes his experience of Cayman in his early days, and how it has maintained that consistency since.

Rusu explains that when the company first moved into group captives, he needed to make a decision in terms of where to base operations. His options were the Cayman Islands, Bermuda or Vermont. He opted for offshore because of concerns over potential double taxation for a captive located onshore in the US. “Cayman just seemed helpful and understanding of what we were trying to do,” he says.

Captive Resources’ first group captive client was incorporated in Cayman two years later in 1984. Back then, Rusu says, the country’s



focus was very clear on the three things that would drive the economy: tourism, banking and insurance. That focus has changed little in 35 years despite many wider changes in the global nature of all three and many regulatory changes in all areas of financial services.

Captive Resources was one of the first companies to launch a group captive on the islands. Back then, he recalls, the infrastructure of Cayman was very different. “There was only one set of traffic lights on the island and everyone stayed in the Holiday Inn. Things have changed a lot in the 35 years since then.”

The process of change has been gradual and consistent, Rusu says. There has been a graduated transition from a small professional services community to one that is world-class and boasts strength in depth in certain specialities, including captive insurance.

Captive Resources, which also owns insurance manager Kensington Management Group, one of the biggest such firms in Cayman, has grown in a similar fashion. In 1985, its first group captive client boasted gross written premiums of \$1.5 million. Now, all the company’s group



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captive clients combined comprise something in the region of \$2.2 billion in GWP—some 18 percent of the \$12.3 billion of gross written captive premium on the Cayman Islands (according to the Cayman Islands Monetary Authority [CIMA], as at September 30, 2017).

“We have supported and contributed to the growth of the captive sector in the Cayman Islands—but it has been a two-way street. The country has been fantastic to work with. All of our group captive clients are based there—we have never recommended another domicile. The issues have changed but we still see Cayman as a great place to do business,” Rusu says.

A clarity of vision

Rusu praises the stability and clear vision of different governments over the years that have always maintained their focus on supporting the sectors that would ultimately provide stability and longevity to the Cayman economy. The well managed economy has few problems and no big deficit, and the infrastructure has been continually developed to keep pace with the growth on the island.

This has been aided by the significant contribution of the Dart Group, which has invested billions in Cayman’s infrastructure in the last decade, building the Camana Bay waterfront centre, several hotels and improving the islands’ infrastructure—all in cooperation with the Cayman government.

Rusu also praises CIMA, which has always maintained the right balance of remaining on top of international developments in regulations with good discipline, while being approachable and easy to work with.

“The key on Cayman seems to be that there is little friction between different parties—everyone works together and pulls in the same direction for the betterment of Cayman overall,” Rusu says.

“In other domiciles you may see disunity and more problems and tensions. None of that seems to exist on Cayman. It has made a concentrated effort to become what it is today by planning ahead, developing growth plans and the necessary infrastructure accordingly. There is a common goal that everyone believes in. The government should be commended for that.”



“THE POTENTIAL FOR FURTHER GROWTH, ESPECIALLY IN THE MIDST OF A STRENGTHENING ECONOMY, IS EXCEPTIONAL.”

Nick Hentges, president of Captive Resources, has been working with Cayman for 24 years. He too praises the work of CIMA in its responsiveness, ease of working with and diligence.

“That is why we don’t do business anywhere else,” Hentges says. “The fact is that the regulator should take a great deal of credit for the way Cayman has developed over the years.”

Rusu also believes the government has done a good job in the way it has used laws and means of encouragement to ensure the local population has benefited from and integrated into the largely global financial services industry operating there.

Policies implemented in the 1980s which encouraged companies to hire local people have succeeded to the point that the very senior people in many professional services companies are Caymanian.

“That has helped establish the sense that everyone benefits from the international industry that is based there,” he says.

Hentges praises the Insurance Managers Association of Cayman (IMAC), arguing that the body also deserves credit for the development of the Cayman Islands and the initiation and running of the Cayman Captive Forum for the past 25 years. The event has gone from strength to strength, attracting speakers and delegates from all over the world and promoting the attributes of Cayman in the process.

“It is now the pre-eminent captive conference in the world and both IMAC and CIMA deserve praise for that. I think Cayman can only get stronger. Captive Resources is certainly very optimistic and we see the rate of growth increasing for us,” he says.

Hentges notes that while it took the captives to which it consults nearly 25 years to reach \$1 billion in total premium, it took only another four years for that same premium to reach \$2 billion.

“Our growth, and that of our captive clients, has accelerated and we are extremely optimistic,” he says. “The appetite is there for group captives and we predict very positive, continued growth.”

Light headwinds

Rusu acknowledges there are some challenges. One of the biggest is the reputational battle Cayman must face on a regular basis, which is generally because ill-informed politicians, among others, make inaccurate statements around the reasons companies locate in the Cayman Islands.

It is a problem propagated by the mainstream and social media, as well as the entertainment business. The only way to counter it is through education, he says.

“Cayman is one of the most transparent domiciles in the world—far more than the US. It is much harder to open a bank account there than it is in the US. But that doesn’t stop the myth around its being a tax haven.

“It is frustrating, but we don’t see it as a threat to the domicile in any real sense. Cayman is well ahead of the game in terms of countering that argument wherever it really matters,” Rusu says.

This is why he remains bullish on the future of the islands. “I see it continually improving, growing and becoming even more important in our specific industry of captives,” he says. “Thirty-five years is a long time to maintain that consistency and build a reputation. I don’t see anything changing soon.

“We forecast strong growth for the captive sector more generally—especially group captives—and Cayman will only continue to benefit from this. The growth in the captives we administer over the last few years is the strongest we have ever seen,” he says.

“The thing that seems to be driving it is greater knowledge and acceptance of group captives. Thirty years ago, a much more robust education process was needed around the concept.

“Back then, people also needed to be reassured about transferring funds to offshore domiciles such as the Cayman Islands. But in the last five years or so, it appears as though a tipping point has been reached. Almost everyone now seems to acknowledge that group captives are an excellent way of transferring risk.”

Rusu feels that the current level is the tip of the iceberg given the potential that still exists in the market. Nearly 4,000 middle-market companies currently are member-owners of Captive Resources’ client captives—clearly the potential for further growth, especially in the midst of a strengthening economy, is exceptional.

“We know of no other company, regardless of size, that has the volume of member-owned group captive business, in terms of premium volume, the number of captives or number of member companies. Nor do we know of another firm with the breadth and years of expertise we have,” Rusu says.

He adds that Cayman is well positioned to benefit. “You have to remember that things are now scalable—if the captive sector doubles in size, the infrastructure does not need to change that much.

“We are very optimistic about the future of the islands and of captives in equal measure.” ●

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