

CAPTIVE SERIES # 4

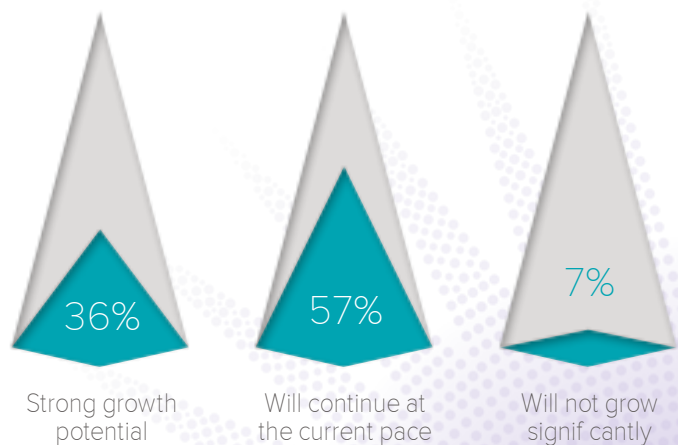
CAPTIVE INSURANCE MARKET BOOMING IN LABUAN

Captive Insurance in Labuan

The Labuan International Business and Financial Centre (Labuan IBFC) has earned a great deal of praise in recent years, among them as one of the fastest growing risk management centres in Asia. The ascendancy of Labuan IBFC is further illustrated by the launch of the Labuan Development Blueprint 2030 predicted to be a gamechanger for the island.

The Blueprint is designed for the total transformation of the island with the focus on three major areas of economic, social and physical development. These developments are all the right ingredients for companies to establish their captive insurance and takaful set-ups in Labuan IBFC which is, in the words of its Chief Executive Officer Danial Mah Abdullah "a business-friendly yet well-regulated jurisdiction for the region's risk management needs."

What do you think of the future growth potential for captives in Asia?

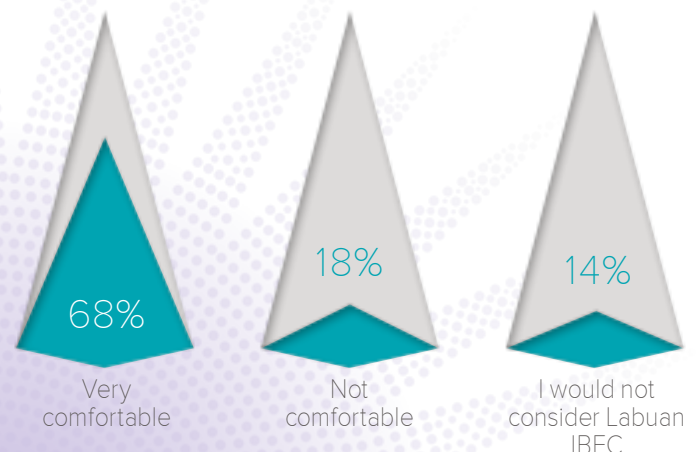


Source: Attitude Towards Captive Insurance in Asia Survey

These are not merely superlatives. Statistics back up the impressive growth of captive insurance sector in Labuan IBFC. According to official data from Labuan IBFC, there are 47 captives established in Labuan IBFC, as of the second quarter of 2017, compared to 39 last year. Interestingly, a survey by publication Captive Review, commissioned by Labuan IBFC, too revealed positive feedback and outcomes for Labuan's captive market.

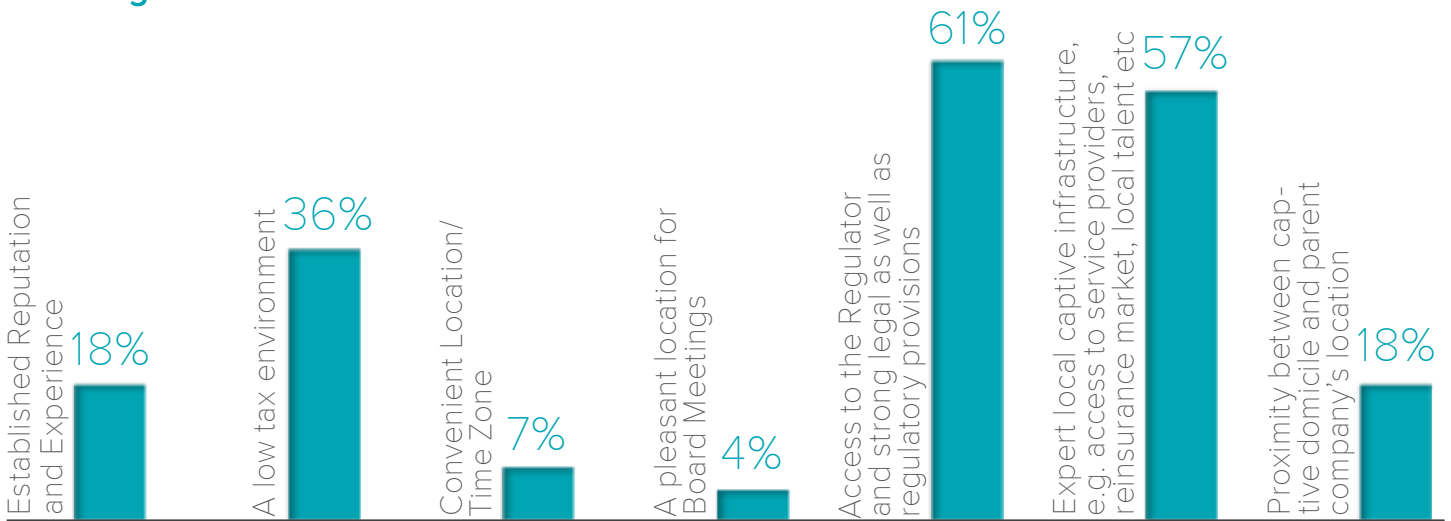
The survey titled Attitudes towards Captive Insurance in Asia, featured reactions of 112 respondents from Asia, out of which nearly 70% declared their comfort in Labuan IBFC as the domicile for their captives. On the regulations front, approximately 61% viewed access to regulators, strong legal and regulatory provisions as crucial in determining their choice for captive domiciles, while the availability of a local captive infrastructure is vital for at least 51%.

How comfortable would you feel owning a captive or working with a captive domiciled in Labuan IBFC?



Source: Attitude Towards Captive Insurance in Asia Survey

Choose the two factors you think captive owners feel are most important when choosing a domicile?



Source: Attitude Towards Captive Insurance in Asia Survey

An article published in Asia Insurance Review in May 2017, quoted Danial Mah as saying that, in 2016, Labuan IBFC's earned premiums for captive insurance business rose 18.8% to US\$252 million due to higher retention for all sectors, including fire, marine, engineering and motor. On the back of this growth momentum, Labuan IBFC has approached numerous companies, including from Thailand, the Philippines and Australia, to establish their captives in Labuan.

As with every industry, technology and innovation has revolutionised business in ways previously unimaginable. Captives are no different and continuous advancements are key to boost the growth of the market. In his keynote address at the Asian Captive Conference 2017, Bank Negara Malaysia governor Datuk Seri Muhammad Ibrahim stressed that technology will be a key driver and opportunity for new captive models.

"Technological advancements are already driving the growth of captive insurance business due to the new risks that businesses face. As an industry founded in response to an inflexible insurance market, the history of captives is very much intertwined with innovation. The first captive can itself be seen as a disruption to the market," he said.

Captives can be expected to leverage on new technologies to modernise legacy processes and systems, strengthen risk management capabilities and capture efficiency gains. At the frontier of development, the evolution of Big Data and Insurtech has opened up significant new possibilities for segmenting and pooling of risk and capital, and tailoring solutions to specific needs and profiles.

"Online platforms based on the group captive model and P2P insurance concepts are a case in point. Given that captives aim to provide specialised coverage that is not typically available in the traditional market, it is only natural for captives to operate in this space," he stressed.

With the 2030 Blueprint as well as the Labuan Financial Services Authority's (Labuan FSA) Financial Transformation Plan, Labuan's economic status is set to be elevated over the next decade. The island set to undergo short-term, medium-term and long-term development until 2030 so, the time to establish your captive insurance and takaful company in Labuan is NOW!

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