

Media release

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Hardening market and economic crisis may lead to increase in captive formations

Uncertainty caused by the current economic crisis may lead to an increase in captive formations, according to a survey of delegates at the Isle of Man Captive Conference in London last month.



Economist Roger Nightingale, addresses the delegates at the conference

Over 80% of delegates believed that the current economic conditions present an opportunity for captives, although some cautioned that the economy may have to stabilise first before prospective captive owners would be willing to commit capital to a new captive.

Over 90% of delegates also forecast a hardening of the insurance market over the next 12 to 18 months, with some delegates indicating that they had

already experienced rate increases on recent renewal. The hardening market is also a contributing factor to the predicted increase in captive formations.

The survey also found that current difficulties in the banking sector led many delegates to conclude that captives may find harder and more expensive to establish letters of credit, which means that captives may have to seek alternative solutions to satisfy the requirements of fronting companies.

The tremendous growth potential of the economies in China and India was identified by delegates as a key driver in increasing the amount of captive formations worldwide. However, most respondents cautioned that any such growth is unlikely to materialise in the short term and would require a significant relaxation of stringent regulations in China and India.

Derek Patience, Head of Marsh's Captive Management Office in the Isle of Man and Chairman of the Manx Insurance Managers Association (MIMA), commented: "The findings of the survey and responses from the delegates highlight that there is still a tremendous potential for growth in the captive sector. Concerns about the current economic situation and view that a hardening insurance market will soon likely be with us are key drivers for the growth in captives in the short term.

"The Isle of Man is well positioned to take advantage of any new captive opportunities. We have a stable political environment, a pragmatic approach to regulation, a wide range of captive structures, competitive capital and solvency requirements and the incorporation process is straight-forward and swift."

The Isle of Man captive conference held in Barclays' Canary Wharf building on 9 October and was attended by over 130 delegates. The conference focussed critical issues affecting the captive industry and the global economy. The keynote speaker was Sir Michael Bishop, Chairman of BMI, and other speakers included Denis Mahoney, Chairman of Aon Global; Pauline McCracken, Head of Risk and Insurance, National Grid plc; Henke Potts, Investments Analyst of Barclays Wealth; global economist Roger Nightingale; Ian Clark, Partner, Deloitte UK; and Jonathan Groves, Head of Marsh's EMEA Captive Advisory Unit.

For more details, please visit the MIMA website at www.mima.org.im, or contact Derek Patience (Tel 01624 630523; email derek.patience@marsh.com) or contact Gaynor Brough (Tel 01624 692420; email gaynor.brough@aon.co.uk)