



## LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY

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### Guidelines on Captive Insurance Companies

#### I. What is captive?

An offshore captive insurance business is an insurance business whereby the insured is a related company or an associated corporation of the offshore insurer or where the insured is any other person or persons in respect of whom the offshore insurer is authorised by LOFSA to provide insurance or reinsurance

This broad definition is designed to include but not necessarily be limited to:-

- Pure/single captives
- Group captives
- Association captives
- Rent-a-captives
- Cell captives

## **II. How to apply?**

Applicant is required to submit an application in a prescribed Form IL. The submission should include but not restricted to the following:-

- An authenticated copy of the proposed Memorandum and Article of Association of the applicant company;
- Approvals of the authorities concern, board resolutions and minutes of general body meeting as appropriate in respect of carrying on business as an offshore captive insurer in Labuan;
- A business plan for the first three years of operations; and
- Audited annual accounts for the three years immediately preceding application if the business is licensed and authorised to conduct insurance business outside of Labuan.

## **III. What is required?**

- (a) To be incorporated or registered as an offshore company or a foreign offshore company under the OCA;
- (b) To have an operational Management Office in Labuan or appoint a licensed underwriting manager;
- (b) To appoint at least a director and a resident secretary. The resident director (if appointed) and a resident secretary must be a trust officer of a trust company in Labuan. The controller/director/CEO of the applicant company must be fit and proper persons. Their appointments require prior approvals from LOFSA;

- (c) To establish a management team of fit and proper persons, with adequate knowledge and expertise to manage a captive or to appoint a licensed underwriting manager;
- (d) To have no adverse reports from reliable sources on the shareholders, directors and senior management of the applicant company; and

#### **IV. Operational requirements**

- (a) Paid-up capital/working funds:-

##### Single Owner / Multiple Owner Captive

- In relation to an offshore company, a paid-up capital unimpaired by losses of RM300,000 or its equivalent in any foreign currency; or
- In relation to a foreign offshore company or a branch of an existing insurer, a surplus of asset over liabilities of at least RM300,000 or its equivalent in any foreign currency, to be maintained in the book of its office in Labuan.

##### Rent-a-Captive, Cell Captive or Similar Vehicle

- In relation to an offshore company, a paid-up capital unimpaired by losses of RM500,000 or its equivalent in any foreign currency; or
- In relation to a foreign offshore company or a branch of an existing insurer, a surplus of asset over liabilities of at least

RM500,000, or its equivalent in any foreign currency, to be maintained in the book of its office in Labuan.

(b) Fees

The applicant company must pay an annual licence fee on or before every 15<sup>th</sup> day of January.

(i)	Single/Multiple Owner captive	-	RM10,000
(ii)	Master rent-a-captive	-	RM13,000
(iii)	Subsidiary rent-a-captive	-	RM3,000

(c) Approved activities

- Direct Insurance business: A captive insurer may underwrite direct general and life insurance risks of the Group and third party risks provided approved by LOFSA;
- Reinsurance business: A captive insurer may obtain reinsurance covers from any insurance company irrespective of whether it is licensed under the OIA.

(d) Restriction of business

A captive insurer is prohibited from dealing with direct Malaysia risks other than the reinsurance of Malaysian risks or from those for which approval has been obtained from LOFSA. A rent-a-captive insurer must have a person based in Labuan who is responsible to LOFSA at all times.

(e) Margin of Solvency Requirement.

A captive insurer is required to maintain at all times a surplus of asset over liabilities, which is equivalent to, or more than the amount of its working funds. However, a rent-a-captive insurer is required to maintain the above **or** 20% of the net premium income for the preceding year in respect of the general insurance business, or 3% of the actuarial valuation of the liabilities for life insurance business as at the last valuation date in respect of the life insurance business, whichever is the greater.

(f) Reporting requirement.

- to submit to LOFSA within 6 months after the close of each financial year, 4 copies of its audited annual balance sheet, profit and loss account and revenue account, as approved in accordance with its constituent documents;
- to submit the latest audited annual balance sheet in respect of its entire operations both in and outside Labuan within 3 months of its being filed with the home regulatory authorities. (only applicable to branch); and
- to provide statistics and information required in relation to prudential regulation and business operation to LOFSA from time to time.