



British Virgin Islands Financial Services Commission

Pasea Estate, Road Town, Tortola, British Virgin Islands • Tel: 284 494 1324 • Fax: 284 494 5016 • Email: commissioner@bvifsc.vg

**Practice Direction Number 2 of 2006,
Issued under section 40 of the Financial Services Commission Act, 2001.**

Investment Policy for Captive Insurance Companies

1 Introduction

- 1.1 The Insurance Act, 1994 provides that an insurance licence-holder must satisfy the Commission that it has available to it the knowledge and expertise necessary to carry on insurance business in a competent manner.
- 1.2 This Practice Direction serves to promote sound and prudent investment management practices for a Captive Insurance Company (“insurer”) and assist the insurer in developing investment strategies suitable to the size and complexity of their operations that will demonstrate that it is managing its investment portfolio in an appropriate manner.
- 1.3 A key element of any insurance business is its investment portfolio. An investment portfolio carries with it a range of investment-related risks that might affect the financial strength of an insurer and, consequently, require sound management. In order that insurers can demonstrate that they manage their investment business in a sound and prudent manner they should ensure that they have a written investment strategy and procedures in place that enable them to identify, measure, report and control the main investment-related risks that they face.
- 1.4 Investment management processes and procedures must take into consideration the nature of the insurer’s liabilities, the size and the complexity of the insurer’s asset portfolio, the ability of the insurer to absorb potential losses and the overall strategic business objectives of the company. At a minimum insurers should conduct a detailed analysis of the management of their assets and liabilities and ensure that safe custodial arrangements exist, that assets appropriately match liabilities and that their asset portfolios are adequately diversified and liquid to enable them to meet their claims and other obligations as they fall due.

2 Application

- 2.1 This Practice Direction applies to all Captive Insurers licensed under the Insurance Act, 1994. It sets out the minimum policies and procedures that each insurer needs to have in place and apply to prudently manage its investments.
- 2.2 Regulation 11 of the Insurance Regulations, 1995 requires every licensed insurer to maintain at its principal office in the Territory such books and records of its financial affairs as will enable the Commission at any time to ascertain with