

Vanuatu has reinvented itself as a jurisdiction specialising in captives. Cognisant of the critical importance that selecting the appropriate captive insurance vehicle occupies, Vanuatu has recently enacted protected cell legislation. That legislation represents an intelligent compromise to the control - compliance cost dichotomy that has traditionally underpinned the utilisation of captive insurance. While the incorporation of a separate captive insurance company is often cumbersome, costly and time consuming, and rent-a-captive facilities can give the perception of a relinquishment of control, a protected cell exploits the advantages that both of these extremes offer without any attendant costs. This has enabled Vanuatu to boast a full suite of captive options, including:

(a) Incorporated insurance companies

The legal framework for incorporated captive insurance companies in Vanuatu is supplied by the Companies Act 191, Insurance Act 2005 and Insurance Regulations 2006.

The basic requirements are available at www.insurance.vu

(b) Protected Cell Companies

A PCC operates like a separate limited liability company but is actually a segregated part of a single company. The Protected Cell Companies Act 2005 enables statutory division for each cell (insured) protecting the assets of one cell from the liabilities of another. It offers flexibility in the way in which capital and assets can be subscribed and allocated between the core company and individual cells.

The cell relationship is facilitated by contract with the ability to create and issue shares in any of its cells. This enables ownership of a cell to be divided among a number of legal persons, thereby facilitating the equitable

distribution of cellular profits.

There are two primary ways by which a company can take advantage of a protected cell company. First, it could incorporate its own protected cell company by following a process similar to that for standard captive insurance companies. Alternatively, it could rent a cell from an existing insurance company and thereby avoid the associated set up and compliance costs.

(c) Rent-A-Captives (RAC's)

Prior to PCC's the only option for separation of each individual insured's risk exposure was facilitated entirely by contract between the renter and the "balance sheet provider". The PCC facilitates the statutory division of each cell. Each is thereby able to maintain its own income statement and balance sheet. The owner can effectively manage its risk identification and retention.

For any further captive information refer to www.insurance.vu.

International Compliance

Vanuatu has adopted a host of legislative initiatives designed to provide the international client with maximum protection while maintaining compliance with all major international instruments to which Vanuatu is a party. A survey of Vanuatu's statute book reveals money laundering prevention, anti-terrorism and confidentiality as three key governmental priorities. Money laundering and terrorist financing are criminal offences. A transnational crime unit has been recently established to investigate both crimes while at a transactional level all banks have extensive "know your customer protocols". Leaving aside, the investigation of crime, Vanuatu has strict confidentiality requirements for international companies. Members of the public cannot access the records of such companies and court cases can be held in private with no public record.

	Kevin J Lindsay is the Chairman of Vanuatu Captive Insurance Association , Director of the Risk Management International Consulting Limited, Vanuatu
	Contact: Tel: 678 26065 Email: risk@vanuatu.com.vu Website: www.riskman.vu Address: 137, Port Villa, Vanuatu, S.W. Pacific