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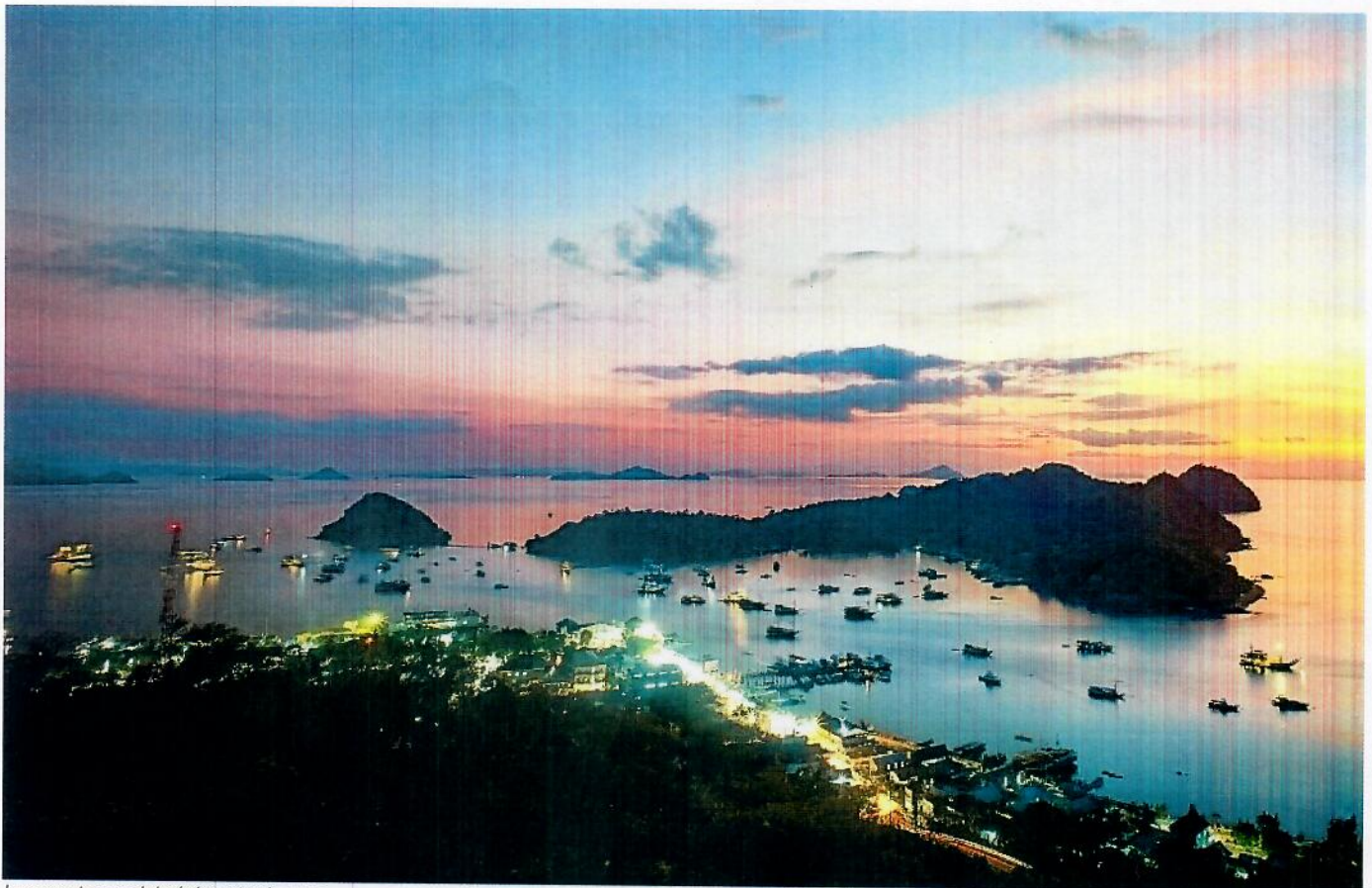




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Labuan 

Reporter [Rebecca Delaney](#) 

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Labuan IBFC sees cell formations amid domicile promotion

The Labuan International Business and Financial Centre (Labuan IBFC) has seen "tremendous growth" in cell captives in the last 12 months.

This was affirmed by Farah Jaafar, CEO of Labuan IBFC Inc, at the webinar, 'Labuan IBFC: a growing domicile for European risk owners'.

Jaafar predicts that some of these new formations will migrate into full captives as a more holistic risk management solution, particularly as Labuan evolves as a more attractive domicile for foreign risk owners.

Oliver Schofield, managing partner at RISCS, highlights in the webinar that Labuan is a midshore domicile, meaning it is a self-regulated financial centre with an independent regulator that works closely with a national government (in this case, Malaysia), similar to Gibraltar and the UK or Gujarat and India.

Schofield adds that Labuan is regarded as an advantageous domicile owing to its robust regulatory regime, established support infrastructure of service providers, and the implementation of both captive and cell captive legislation.

Daniel Landen, managing director, Protected Trust Services, comments: "It is important to read such legislation carefully. More often than not, you will find it will be a friend to you over a long period of time. Look at the opportunity it gives you, rather than losing sight of the benefits of having control."

Expanding on the benefits of Labuan as a domicile, Annie Undikai, managing director, Brighton International Group, adds that Labuan's fronting considerations are flexible, as they are not decided by Labuan and are instead dependent on the receiving country and where the risk is coming from.

For example, EU rules require a fronting carrier, while in the UK it depends on certain classes of business.

In addition, Labuan has a fast track pre-authorisation process (similar to in Guernsey and Bermuda), which Schofield describes as "the most significant development in cell captives in the last 25 years" since the formalisation of segregation of assets and liabilities was brought under law.

Schofield attributes this growth in cell captives to both awareness — a growing number of conferences and educational events for buyers, brokers and underwriters, as well as positive collaboration between domiciles and associations — and the hardening market and risk evolution, which has created more 'uninsurable' risks.

These hard-to-place risks include professional and financial lines, cyber, sustainable environment projects and carbon reduction projects.

Ridzuan Ariffin, strategic solutions director at Principal Re, comments that "the hardening market is not going away anytime soon", which he says will force clients to consider alternative risk financing options.

Ariffin notes that a captive structure, whether temporary or long-term, will still deliver solutions irrespective of the current market conditions which have been impacted by the pandemic and contingent business interruption.

Landen adds that even once the effects of the pandemic on the insurance market have subsided, the landscape will still not return to as it was 10 years ago when products in the market met the requirements of the sector.

This is because the commercial insurance market was already hardening before the pandemic hit, and could still continue into 2022.

Looking to the future, Schofield believes that the Biden administration's plan for global minimum tax will not be fundamentally 'anti-captive' because legitimate captives are not formed for tax purposes.

In addition, he highlights that although there may be a recalibration of the traditional market, captives and the alternative risk transfer market will remain the viable, long-term, stable solution.