CAYMAN INTERNATIONAL REINSURANCE COMPANIES ASSOCIATION

CAYMAN REINSURANCE

Analysis of the Role of International Reinsurance in Japanese Capital Strategies

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EXECUTIVE SUMMARY

Japan's implementation of the Insurance Capital Standard (**J-ICS**) and the Japanese Financial Services Agency's April 2026 proposed amendments to its reinsurance supervision guidelines create a timely opportunity for Japanese insurers to consider the role of international reinsurance in their capital and balance sheet strategies.

The Cayman Islands (**Cayman**) has developed over several decades into a leading international financial center, with its investment funds sector serving as a cornerstone of this growth. Cayman's funds industry is supported by a mature legal framework, sophisticated professional services ecosystem and extensive experience supporting international capital flows. Building on this foundation, the jurisdiction's reinsurance sector has emerged as a significant participant in the U.S. life and annuity market and is increasingly well placed to support opportunities with international insurers, including those in Japan.

Cayman's longstanding relationship with Japan is rooted in its investment funds sector. According to figures obtained from Japan's Ministry of Finance, Japanese portfolio assets in Cayman reached around US$853 billion by the end of 2024, accounting for more than 60% of Japan's overseas investment fund holdings. This places Cayman as second only to the United States as a destination for Japanese portfolio investments globally[1] and reflects the high degree of familiarity that Japanese institutions have with Cayman structures, service providers and legal frameworks, providing a strong platform for broader engagement across financial services, including reinsurance. The importance of this relationship was further highlighted by the Cayman Islands Premier's visit to Japan in May 2026, which focused on strengthening economic and financial services engagement between the two jurisdictions.

Japan's introduction of J-ICS, aligned with the International Association of Insurance Supervisors (**IAIS**) Insurance Capital Standard, reflects the continued evolution toward economic, risk-based solvency frameworks internationally. Cayman's principles-based, risk-focused regulatory framework, supported by extensive international regulatory cooperation and alignment with global supervisory standards provides a strong foundation for supporting internationally connected reinsurance transactions.

1 Premier visits Tokyo as Japanese portfolio assets in Cayman top US$800 billion - Cayman Compass

JAPAN'S EXISTING FAMILIARITY WITH CAYMAN

According to figures from Japan's Ministry of Finance, portfolio investment in Cayman exceeded US$800 billion at the end of 2024, including more than US$600 billion invested through Cayman-registered investment funds. Cayman ranks second only to the United States as a destination for Japanese portfolio investment and accounts for more than 60% of Japan's overseas investment fund holdings[2]. Data provided by the Cayman Islands Monetary Authority (**CIMA**) shows 316 Cayman-domiciled funds with Japanese investment managers in 2024, with US$103 billion in net assets[3]. This enduring familiarity extends beyond investment activity and reflects decades of engagement with Cayman's legal, regulatory and professional services infrastructure.

Data points on Cayman's Investment Landscape

62%	$853B	316	54%[4]
Cayman Islands as a % of Japan's overseas investment fund holdings in 2024	Japanese portfolio investment in the Cayman Islands	Cayman Islands registered funds with Japanese investment managers	Proportion of global SEC-registered assets managed in Cayman Islands domiciled funds

The longstanding relationship continues to deepen through regular engagement between government, regulators and industry. In May 2026, the Cayman Islands Premier and Minister for Financial Services and Commerce led a financial services delegation to Tokyo, including delivering the keynote address at the Alternative Investment Management Association Japan Annual Forum[2]. The extensive familiarity many Japanese financial institutions already have with Cayman structures, service providers and legal frameworks provides a strong foundation for broader engagement across other financial services sectors, including reinsurance.



The Cayman Islands Premier and Minister for Financial Services and Commerce addresses delegates at the Alternative Investment Management Association (AIMA) Japan Annual Forum in Tokyo during a Cayman Islands financial services delegation in May 2026.

2 https://caymanindependent.com/premier-wraps-up-nine-day-east-asia-financial-services-tour/

3 Japanese investment in Cayman funds rises to $853 billion I Cayman Finance

4 https://caymanfinance.ky/2026/01/28/cayman-fund-registrations-increase-40-since-2020/

While Cayman's relationship with Japan has historically centered on investment funds, the jurisdiction's expanding reinsurance sector now provides an opportunity to build upon these established institutional relationships. As Japanese insurers adapt to an evolving regulatory and capital environment, familiarity with Cayman may facilitate consideration of reinsurance solutions alongside existing investment relationships.

STRATEGIC MOTIVATIONS FOR JAPANESE CEDANTS

Japan is one of the world's largest life insurance markets, with current in-force reserves in excess of US$3 trillion[5]. Despite its size, only a relatively small proportion of in-force liabilities has been subject to asset-intensive block reinsurance transactions.

Japan's transition to J-ICS introduces an economic-based solvency regime aligned with the IAIS Insurance Capital Standard, requiring insurers to manage solvency through a total balance sheet approach rooted in market-consistent fair value. For certain life insurers, the transition may increase sensitivity to market movements and place greater emphasis on active capital and balance sheet management. Potential pressure points may include: (i) long-duration liabilities where publicly available assets are shorter in duration; (ii) high-interest-rate guarantee legacy blocks; and (iii) other exposures unique to the insurer's business profile; for example, investment credit spreads.

As part of broader regulatory modernization efforts and in response to an increasing volume of reinsurance ceded by Japanese insurance companies, on April 8, 2026, the Japanese Financial Services Agency (**JFSA**) issued proposed amendments to the Comprehensive Guidelines for Supervision of Insurance Companies (**Guidelines**) which provide additional supervisory guidance regarding the inspection and supervision of insurance companies and insurance brokers doing business in Japan[6]. The Guidelines clarify expectations for risk management activities related to reinsurance including: cedant monitoring, collateral adequacy, stress-testing and board-level governance of reinsurance programs. Early industry analysis of the proposals suggests that insurers whose reinsurance recoverables are not adequately collateralized or whose counterparties carry lower credit ratings may face higher capital charges under the Economic Solvency Ratio (**ESR**) framework[7]. Following a short consultation period, the proposals are expected to be finalized in the third quarter of 2026 with implementation thereafter.

These developments may lead Japanese insurers to consider a broader range of international reinsurance solutions, including jurisdictions such as Cayman. Potential motivations may include: (i) mitigating ESR and balance sheet volatility, (ii) accessing institutional investment expertise, (iii) improving capital efficiency and (iv) diversifying counterparties thereby reducing geographical and jurisdictional concentration risk.

When considering a potential reinsurance counterparty's value proposition, it is expected that Japanese insurers will place significant consideration on such counterparty's proposed transaction structure including collateral, credit ratings, tenure and pricing competitiveness.

5 Asset intensive reinsurance in Japan – a structuring guide for Japanese cedants navigating J-ICS I Freshfields

6 See the JFSA website

7 Jfsa Reinsurance Guidelines I Global Law Experts

CAYMAN'S EVOLVING REINSURANCE MARKET

BACKGROUND

The convergence of institutional asset management and (re)insurance continues to reshape the global life and annuity sector, creating new sources of capital, expanding reinsurance capacity and supporting increasingly sophisticated balance sheet management strategies. Capital providers and asset managers have established or acquired (re)insurers to support the market through additional capacity, investment expertise and competitive pricing.

Cayman's emergence as a reinsurance destination of significance has been built upon the depth of its investment funds industry. For decades, global institutional asset managers have utilized Cayman's internationally recognized legal and regulatory framework, supported by a mature professional services ecosystem, to structure and manage alternative investment strategies. This has provided a strong foundation for the development of Cayman's international reinsurance sector. Driven in part by the size and capacity needs of the U.S. insurance market, U.S.-facing reinsurance business represents the core of this growth, making up more than 90% of the jurisdiction's US$100 billion-plus in reinsurance-related assets.

This relationship is further supported by Cayman's intention to seek NAIC Qualified Jurisdiction Status (**QJS**)[8]. If granted, QJS would provide formal recognition of Cayman's regulatory framework for U.S. reinsurance credit purposes and further strengthen the jurisdiction's engagement with U.S. stakeholders. Building on the experience gained through the U.S. market, Cayman is well positioned to support future reinsurance opportunities with other international markets, including Japan.

Aligned with national initiatives to strengthen the jurisdiction's global competitiveness, the Cayman Islands' Government continues to support the development of the reinsurance market to diversify its economic base. The financial services sector forms an increasingly important component of the jurisdiction's economy, contributing significantly to national GDP[9]. The government's 2026–2028 Strategic Policy Statement identifies continued development of the reinsurance sector as one component of a broader strategy to support a diversified and resilient economy[8].

REGULATORY LANDSCAPE

CIMA is the integrated regulator responsible for the supervision of financial services entities operating in and from Cayman. Recognizing Cayman's role as an international financial center, CIMA maintains longstanding relationships with international regulators through supervisory colleges, regulatory forums and bilateral and multilateral cooperation arrangements. CIMA is a founding member of the IAIS, and has been a member of the International Organization of Securities Commissions (**IOSCO**) since 2009. It maintains more than 70 bilateral and multilateral cooperation arrangements with regulatory authorities worldwide, including a Memorandum of Understanding with the National Association of Insurance Commissioners (**NAIC**) in the United States.

[8] https://gov.ky/documents/35692/0/SPS+2026-2028.pdf/4abb8d7b-d81d-7083-52a0-74b63e443252?t=1764048695746

[9] https://www.caymancompass.com/2025/03/27/insurance-industry-adds-233m-a-year-to-cayman-economy-study-says/

CIMA's supervisory framework is designed to deliver supervisory outcomes consistent with internationally recognized standards. Certain of the requirements of this framework for reinsurers include:

a) risk-based prudential requirements, including a statutory Minimum Capital Requirement (**MCR**) and a Prescribed Capital Requirement (**PCR**);

b) annual reporting requirements, including independently audited financial statements prepared using an internationally recognized accounting standard (e.g., US GAAP or IFRS) and regulatory returns submitted within six months of the financial year-end;

c) approvals for changes to ownership and control, business plans, structural changes and transfers of insurance operations;

d) compliance with comprehensive rules and statements of guidance in respect of various areas of business conduct, such as internal controls, anti-money laundering, record keeping, outsourcing, cybersecurity, market conduct, business continuity and succession planning; and

e) filing annual Actuarial Valuation Reports prepared and independently peer reviewed by CIMA-approved actuaries, supported by formal board approval and external audit oversight.[10]

The capital framework comprises both the MCR, which establishes the statutory capital floor, and a PCR, which forms the basis of CIMA's risk-based capital framework reflecting the nature, scale, and complexity of a firm's risk profile. Entities may apply to use an Internal Capital Model (**ICM**), subject to CIMA approval and ongoing supervisory oversight. The ICM is developed in line with and assessed against CIMA's Statement of Guidance[11], consistent with the principles set out in IAIS Insurance Core Principle 17[12]. In practice, many (re)insurers hold capital above regulatory requirements to support their target financial strength ratings and meet broader stakeholder expectations.

The ability of Cayman reinsurers to adopt internationally recognized accounting standards and, where appropriate, approved internal capital models, can support closer alignment with the financial reporting and capital management frameworks used by international insurers, including those in Japan.

Under this framework, Cayman reinsurers can support Japanese insurance companies as follows:

a) *parent company domicile / reporting*: Supports accounting alignment and may eliminate the need to maintain multiple financial reporting bases;

b) *stakeholder base*: Stakeholders, including group supervisors and shareholders, may benefit from greater familiarity with the reporting framework and financial information; and

c) capital models: Greater alignment between capital frameworks supports consistent business decision-making by reducing differences in how investment strategies, asset allocation, and business mix affect regulatory capital requirements.

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10 Paragraph 9.3 of CIMA's Rule and Statement of Guidance on Actuarial Valuations.

11 https://www.cima.ky/upimages/regulatorymeasures/1499683640StatementofGuidance-ICM-Final_1599569408.pdf

12 https://www.iais.org/icp-online-tool/ - see section 17.6

CONCLUSIONS

Japan's transition to J-ICS marks a turning point for the manner in which its life insurers manage capital, risk and balance sheet strategy over the long term. As Japanese insurers consider their reinsurance options, alignment with internationally recognized supervisory standards, effective regulatory cooperation, and operational efficiency will remain important considerations.

Cayman offers a mature, internationally connected reinsurance jurisdiction supported by a principles-based, risk-based supervisory framework, extensive cross-border regulatory cooperation and a well-established professional services ecosystem. The jurisdiction's experience in supporting cross-border life and annuity reinsurance provides a meaningful foundation for engagement with international insurance markets.

Japan's decades-long familiarity with Cayman through investment funds and cross-border capital markets provides an existing platform from which broader insurance and reinsurance relationships may continue to develop. As regulatory frameworks evolve and insurers assess their long-term capital and risk transfer strategies, the characteristics that have made Cayman a recognized international financial center — regulatory credibility, professional depth and cross-border experience — are likely to remain relevant considerations.

This paper was prepared by practitioners at Appleby, Marsh, and Knighthead Annuity & Life, all members of the Cayman International Reinsurance Companies Association. CIRCA is publishing it as part of its ongoing commitment to sharing expert perspectives that advance understanding of Cayman Islands as a reinsurance jurisdiction. The views expressed are those of the authors and do not represent an official position of CIRCA or its broader membership.