captive insurance times

Domicile Guidebook Vol.6

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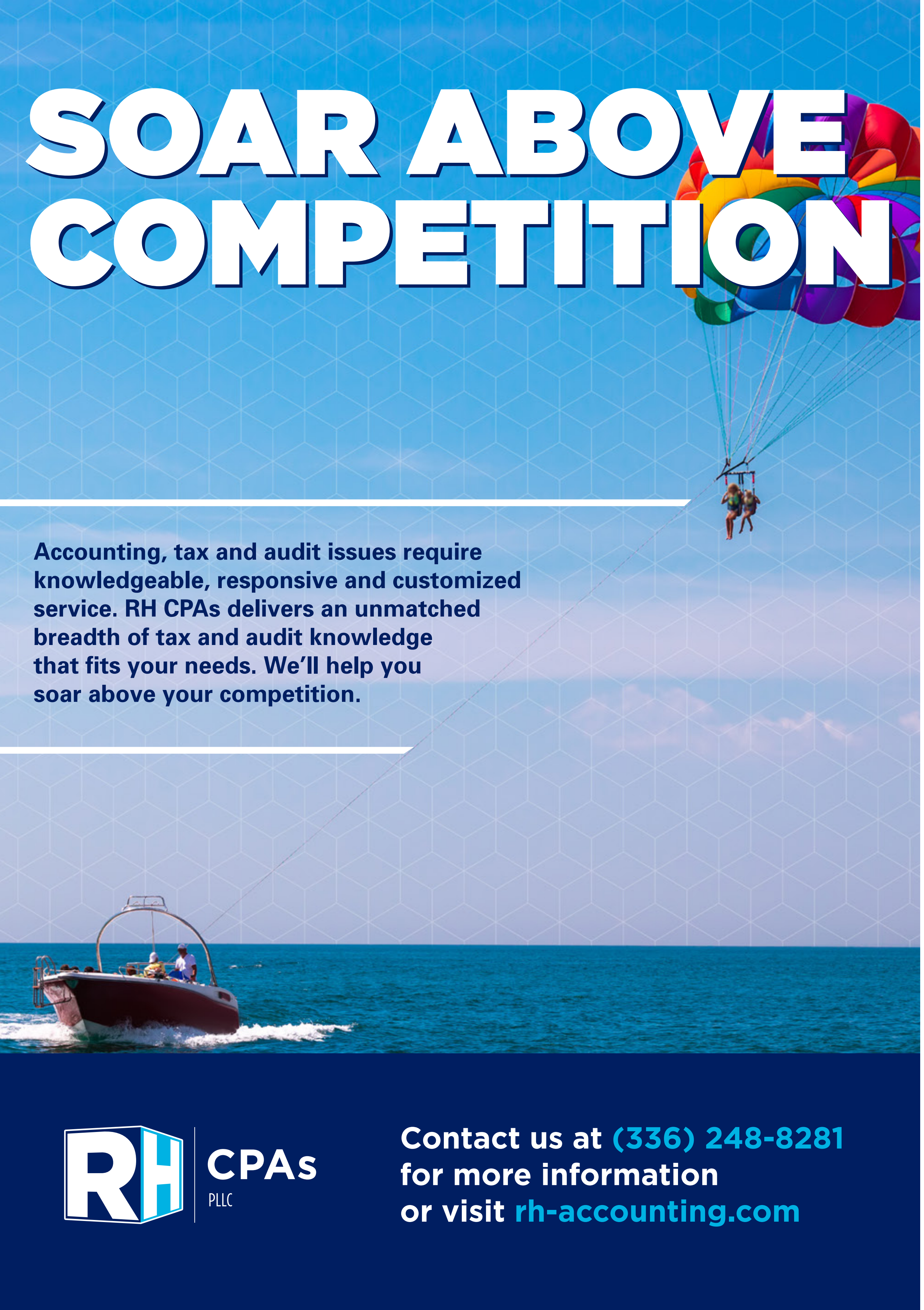

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Published by

Black Knight Media Ltd

16 Bromley Road, New Beckenham
Beckenham, BR3 5JE

Editorial

Group Editor: Bob Currie
bobcurrie@blackknightmedialtd.com
+44 (0) 208 075 0928

Deputy Editor: Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0)208 075 0926

Reporter: Lyndsey Young
lyndseyyoung@captiveinsurancetimes.com

Lead Designer: James Hickman
jameshickman@blackknightmedialtd.com

Marketing and sales

Publisher: Justin Lawson
justinlawson@captiveinsurancetimes.com

Associate Publisher: John Savage
johnsavage@captiveinsurancetimes.com
Tel: +44 (0)208 075 0932

Office Manager: Chelsea Bowles
Tel: +44 (0)208 075 0930

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Contents

Contents

Abu Dhabi

2021 Captive Figures

Total Captives:	4
Active Captives:	4
New Licenses:	1
Closures:	0

Abu Dhabi Global Market (ADGM) is an innovative and forward-looking International Financial Centre located in Abu Dhabi, the capital of the United Arab Emirates (UAE). ADGM is an independent jurisdiction which uses the direct application of English common law and is comprised of three authorities: the Financial Services Regulatory Authority, the Registration Authority and the ADGM Courts, providing a holistic environment which enables companies to conduct and operate their businesses with confidence. Operating on recognised international standards, ADGM caters to a broad range of financial services, including the growing captive insurance sector. ADGM's risk-based and proportionate approach offers an attractive, flexible, responsive captive insurance framework that is business-focused.

The captive insurance regime benefits from a dedicated rulebook and streamlined application process, which is not only quick and efficient but also robust and credible. ADGM's captive insurance regime allows for a comprehensive range of structures, offering four classes of captive insurers to address a wide variety of business needs:

- **Class 1:** 'Pure captive', single parent, no third party business, base capital requirement of USD 150,000
- **Class 2:** Single parent, up to 20 per cent gross written premium from third-parties, base capital requirement of USD 250,000
- **Class 3:** Group, industry or association captive, base capital requirement of USD 500,000
- **Class 4:** Any other proposals that do not fall under class 1, 2 or 3 (e.g. beyond 20 per cent third-party business), base capital requirement of USD 1 million

ADGM offers a wide range of corporate vehicles for the benefit of captive insurers, from standard structures such as limited companies to protected cell companies and incorporated cell companies, to provide maximum flexibility.

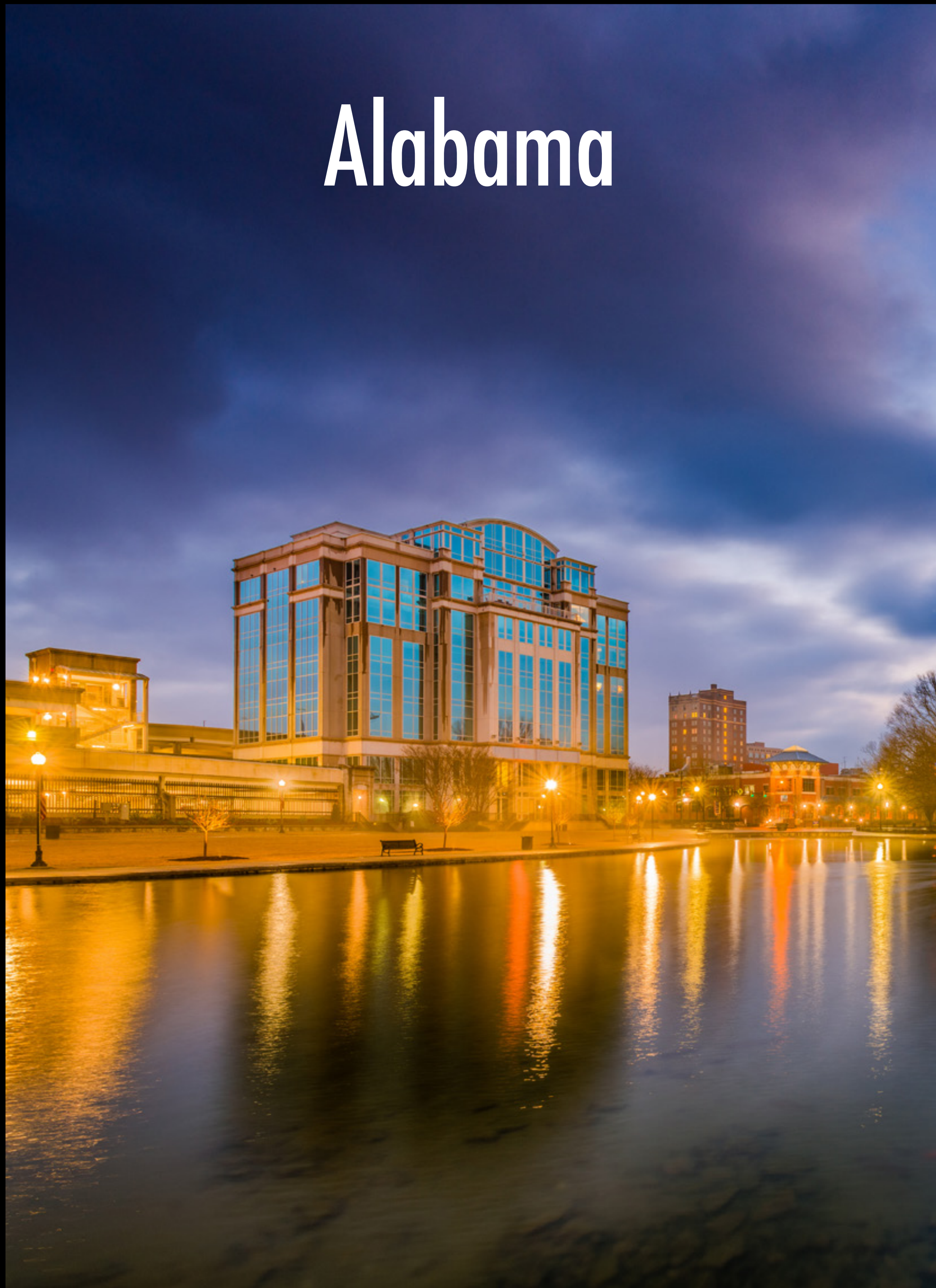
ADGM also supports insurance special purpose vehicles (ISPVs) and SPVs.

Other key benefits of ADGM's captive insurance regime includes:

- 100 per cent foreign ownership permitted
- Flexibility to relocate existing captives from other jurisdictions
- A risk-based, responsive approach to capital requirements, above the base level required
- No restriction on repatriation of profits
- Zero per cent tax environment until 2065, (5 per cent VAT may apply)
- Competitive regulatory fees of USD 5,000 per captive and USD 1,000 per ICC/PCC at application and annually
- Competitive registration fees of USD 1,000 per initial registration and USD 1,200 per annual renewal
- Ability to outsource all managerial and administrative functions to an ADGM authorised captive insurance manager

For further information, or if you are interested in discussing setting up a captive insurer or captive insurance manager, please contact: +971 2 333 8888, fsra@adgm.com, www.adgm.com

Alabama



Alabama sits directly in the heart of the fastest growing region in the US. With its strategic location, low cost of living and diverse economy, it is easy to see why Alabama is open for business.

In fact, Alabama has continually been recognised as one of the best business climates in the US. The state boasts world-class research institutions, one of the most advanced medical communities, the ninth-largest deepwater port in the US, numerous military installations and auxiliary providers, and the future headquarters of the US Space Command.

Moreover, Alabama is proud to buttress a captive industry that is continually on the cutting-edge. It has been at the forefront of developing legislation and regulations that promote the industry's unique approach to tailoring captive solutions specific to the needs of clients while maintaining a strong regulatory environment.

The Alabama Captive Insurance Association has been aggressive in its advocacy of the industry while also creating programmes that provide unique benefits. Alabama's captive industry is poised for significant growth over the next few years as we continue to attract new business to the state.

The state of Alabama has been consistently recognised for its innovations and advancements in the captive industry, including placing top five nationally three years in a row in net captive formations and approving the first rider-share captive in the nation.

Legislation was passed in 2006 to allow captive insurance companies to operate in Alabama. In 2008, the law was amended to allow captives to write homeowners insurance in gulf front, beach, and seacoast areas.

The law also allowed captives to write all lines of insurance except personal auto, homeowners insurance (allowed in gulf front, beach, and seacoast areas only), and reinsure workers' compensation. In 2016, Alabama signed into law HB 270, sponsored by the Alabama Captive Association, to update and modernise the Alabama Captive Act.

The new law was an effort to make Alabama more competitive in the formation of captive insurance companies. In the first year after the 2016 update, several of the features contained in that revision to the Alabama Captive Act had heavy utilisation:

- The 60-day provisional captive license was used by 15 captives and protected cells
- The modernising of the Alabama protected cell captive statute allowed for the creation of one new protected cell captive
- One risk retention group (RRG) was formed using the new Alabama RRG statute

Other changes made in the 2016 Captive Act update included:

- Captives may form as any entity allowed under law, including Series LLCs and mutuals
- Updates to initial capital requirements for some captives
- Clarification and codification of premium tax requirements
- New cap on premium taxes of USD 100,000
- No premium tax on dormant captives
- Premium tax prorated in first year of operation

To date, the 2016 updates to the Alabama Captive Act continue to have a positive impact on the industry. With the updates to legislation, the captive market is continuing to see positive growth in the state of Alabama.

The capital requirements for the state of Alabama are:

- Pure and protected cell: USD 250,000
- RRG and industrial insured: USD 500,000
- Reciprocals: USD 1 million

Benefits of domiciling in Alabama include the ability to obtain a 60-day provisional license. There is a cap on premium taxes of USD 100,000, and no premium tax on dormant captives. Premium tax is also prorated in the first year of the captive's operation and credits for exam fees are allowed to offset premium tax.

Alabama supports its own trade association, the Alabama Captive Association (ACA), which is led by president Norman Chandler. The ACA works to provide networking and educational opportunities for captive owners and captive insurance professionals.

The association also works to promote the collective voice of its members with state and federal regulators and legislators, and the National Association of Insurance Commissioners. In 2023, the ACA will continue promoting innovation and flexibility in the captive industry by supporting an amendment to the Alabama Captive Act.

Anguilla's Insurance Act covers the licensing and regulation of companies undertaking domestic insurance, offshore and captive insurance, and of insurance intermediaries.

In order to underwrite domestic insurance risks in Anguilla, a company needs to apply for a Class A insurer's licence, which allows the licensee to carry on any type of insurance approved by the Anguilla Financial Services Commission.

Foreign companies wishing to undertake domestic insurance need to register as a foreign company under the appropriate section of Anguilla's Companies Act and they must either set up a local office or appoint a licensed insurance agent or broker.

Offshore and captive insurance fall under Class B. These licences are divided as follows:

- Unrestricted licences permit a foreign insurer to carry out any foreign insurance business, including long-term foreign insurance business
- General licences permit a foreign insurer to carry out general foreign business, but not long-term foreign insurance business
- Association licences permit a foreign insurer to carry out general foreign insurance business and long-term foreign insurance business with two or more owners of the insurer and their affiliates, and to carry out no more than 50 per cent of its foreign insurance business (based on net premiums written) with persons who are not owners of the insurer or their affiliates
- Group licences permit a foreign insurer to carry out any foreign insurance business, including long-term foreign insurance business, with a single owner of that insurer and its affiliates and employees of the owner or its affiliates
- Single licences permit a foreign insurer or a trust to carry out any foreign insurance business, including long-term foreign insurance business, with the sole owner of the insurer, if a company, or with the beneficial owners of the insurer, if a trust

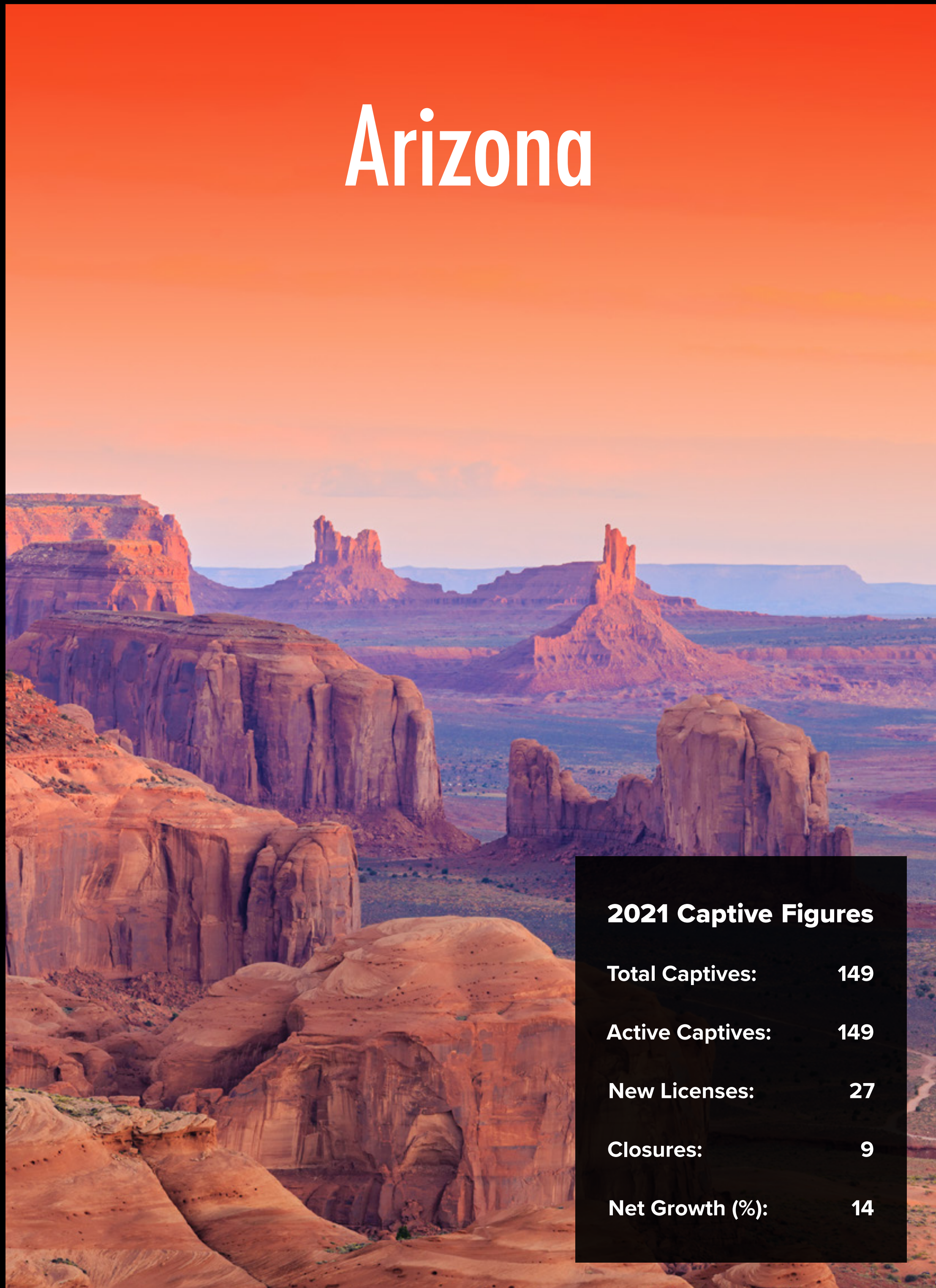
Anguilla's Insurance Act sets out the licensing regime, which calls for a detailed application and business plan

The act also details minimum capital requirements and general requirements as well as annual returns to be submitted by licensed insurers.

Every insurer, other than an approved external insurer undertaking domestic business or an insurer which maintains its principal office and staff permanently in Anguilla, is required to appoint an insurance manager. In 2018, Anguilla passed legislation allowing the licensing of producer - affiliated reinsurance companies, whose reinsurance business is managed by a primary insurer of the business acceptable to the Commission; and the ultimate beneficial owners of which are the same as those of, or affiliated with, the producer of the business reinsured.

More information on captive insurance in Anguilla can be found at www.fsc.org.ai.

Domicile did not respond to request for data. Information correct as of 31 December 2018.



Arizona

2021 Captive Figures

Total Captives:	149
Active Captives:	149
New Licenses:	27
Closures:	9
Net Growth (%):	14

Established in 2002, the Arizona captive domicile is vibrant, mature and proven with a well-established group of local captive managers, attorneys and other service providers, and is actively supported by the Arizona Captive Insurance Association. Arizona captives wrote more than USD 9.3 billion in gross premiums in 2020, and there are now more than 145 licensed captives and captive risk retention groups in the state.

The Department of Insurance and Financial Institutions has a stable team of professionals who are knowledgeable, accessible and responsive, and have the necessary experience to foster a sound and competitive captive programme.

Arizona provides a cost-effective application process, a supportive regulatory environment and the ease of an electronic filing portal, making the state a national leader among captive domiciles.

- The state levies no insurance premium taxes or state and local income taxes on most licensed captives or protected cells
- Each licensed captive insurer pays a flat annual license renewal fee, regardless of premium volume
- Protected cell captive insurers pay a flat fee for each cell
- Small captives may qualify as exempt from annual actuarial and audit reports
- Captive insurers (except risk retention groups) are not routinely subjected to periodic regulatory examinations unless the director deems it prudent

Arizona licenses the following types of captives with the applicable minimum statutory capital requirements:

- Pure captive: USD 250,000
- Association or industry group: USD 500,000
- Risk retention group: USD 500,000
- Pure reinsurers: 50 per cent of the amounts above
- Agency captive: USD 500,000
- Protected cell captive: USD 500,000

The director may prescribe additional capital and surplus requirements based on the type, volume and nature of the insurance. The state may also license branch captives of alien captive insurers. Pure captives may take several forms, including for-profit and not-for-profit corporations or LLCs. Reciprocal group captive insurers organised by subscribers may also be an option.

We understand that businesses and other organisations take risks in order to compete and thrive. Captive insurance is an important risk management and financing option that can serve as an attractive complement or alternative to traditional insurance, which is not always available or affordable.

As a mature and experienced domicile, the Arizona captive programme enables organisations to meet many of their needs and challenges in a manner more responsive to their organisation's objectives. There are many factors to consider when selecting a captive domicile, besides an attractive regulatory environment. The state of Arizona, with its favourable year-round climate, is a haven for business people and pleasure seekers. Known as the Grand Canyon State, Arizona attracts international tourists and professionals alike for the fresh air and sunshine, world class convention centres, and all the activities one would like to enjoy.

All in all, Arizona offers clear advantages that make it an attractive domicile and we are proud that so many captives have selected the Grand Canyon State. We stand ready to discuss and explore ways in which the Arizona captive programme can help businesses and other organisations to efficiently and effectively manage and finance risk.

More information about the Arizona captive programme can be found at difi.az.gov, including links to captive programme facts and stats, separate reference guides for RRGs and other captive types, state statutes and administrative code, and the captive license application and other forms.

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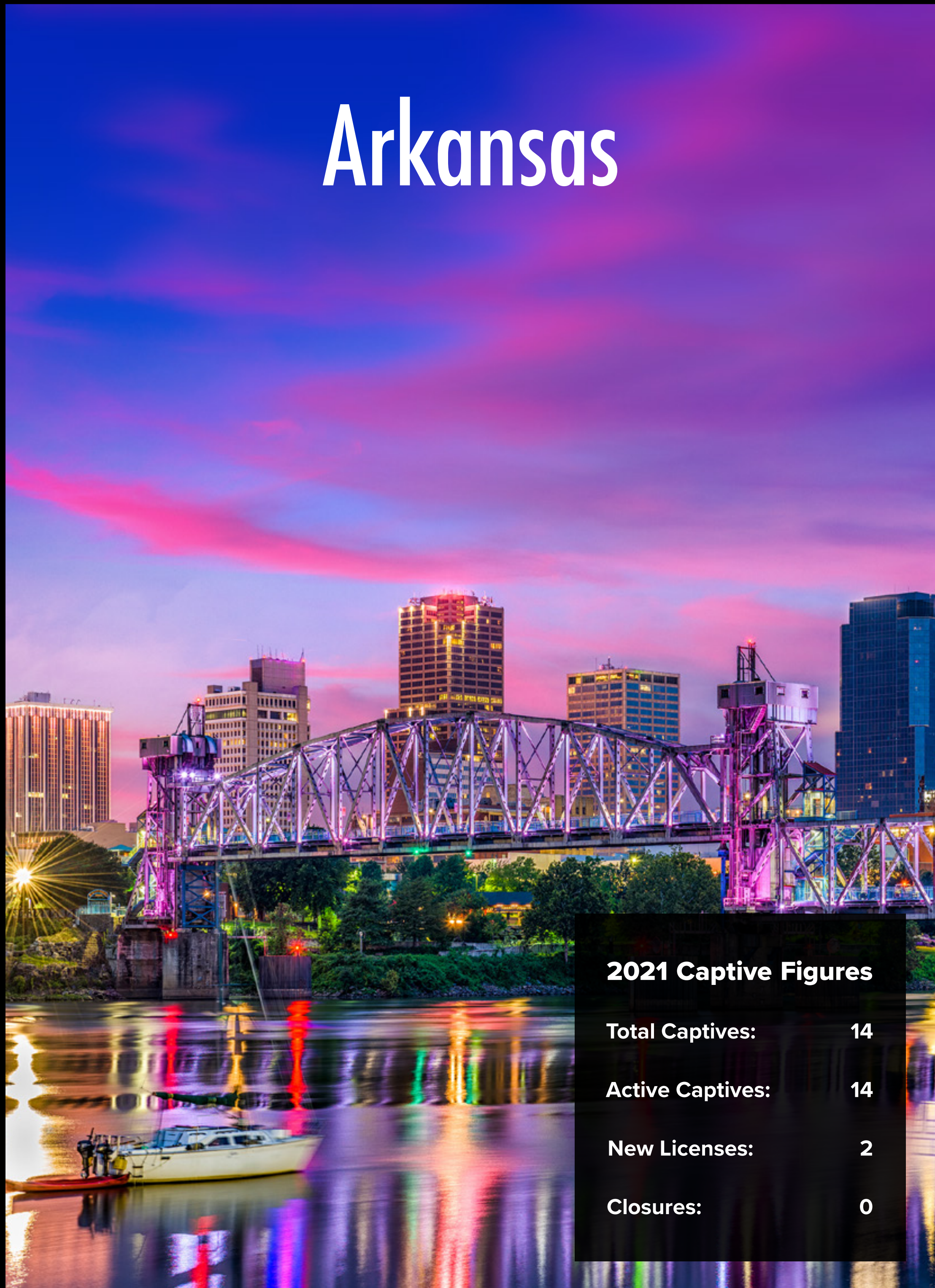
Arkansas



2021 Captive Figures

Total Captives:	**14**
Active Captives:	**14**
New Licenses:	**2**
Closures:	**0**

The state of Arkansas continues to aggressively recruit captive insurers by continuing to refine its captive laws after significant changes in 2017.

The Natural State offers opportunities for pure, association, sponsored, branch and industrial insured captives, as well as producer reinsurance captives.

In 2019, Arkansas changed its law to welcome risk retention group captives and allow for captive mergers and conversions, including those with alien insurers.

Also in 2019, the state updated its laws to reduce capital requirements.

Additionally, it added more flexibility for the sale, transfer, or assignment of protected or incorporated protected cells.

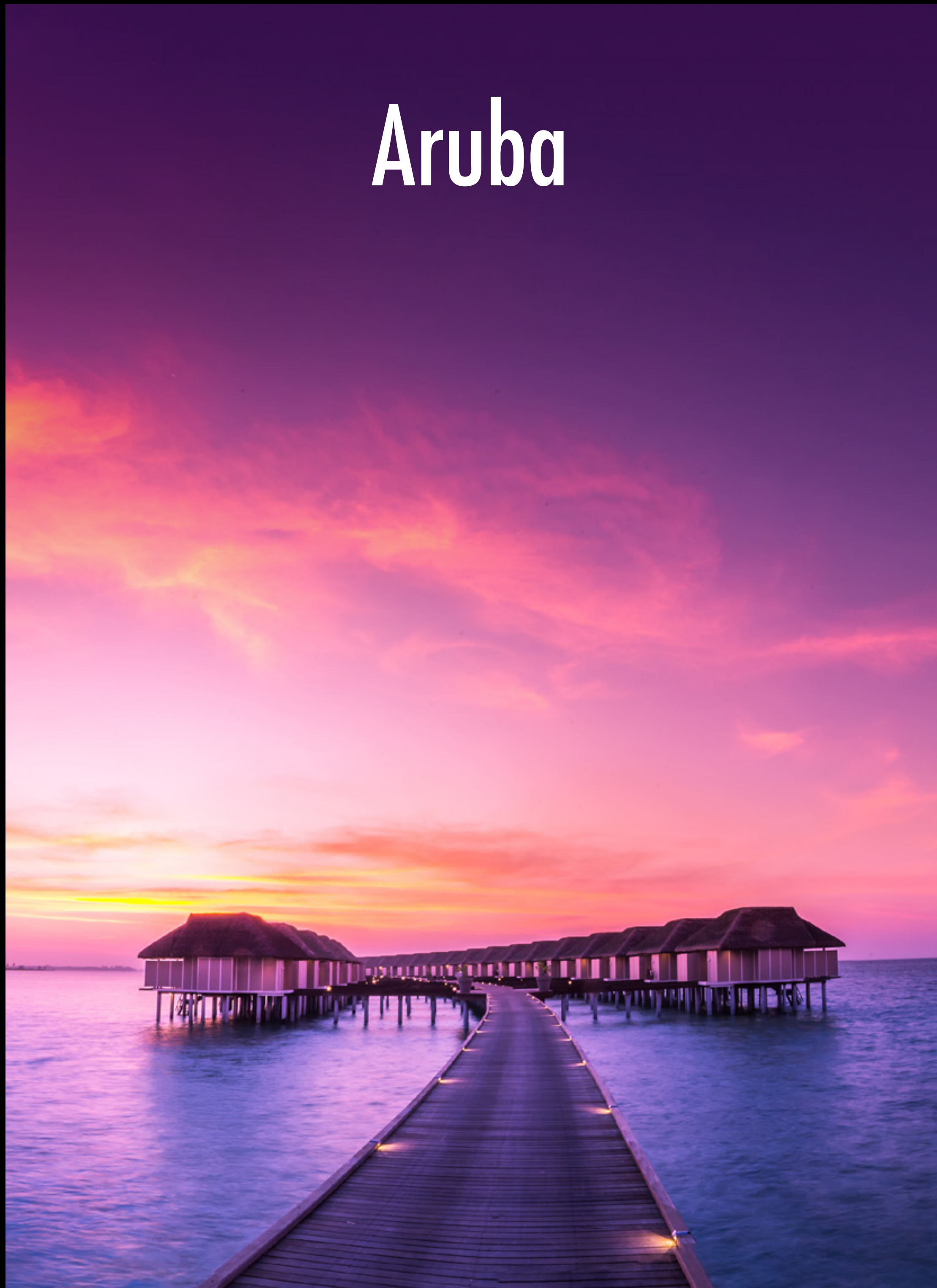
Arkansas is among the most cost-effective places to form a captive, as it requires only a USD 200 application fee, a USD 300 license fee, and a maximum tax liability of USD 100,000.

Some of Arkansas's capital and surplus requirements are:

- Producer reinsurance: USD 300,000 of capital and USD 300,000 of surplus
- Association: USD 400,000 of capital and USD 350,000 of surplus
- Industrial insured: USD 200,000 of capital and USD 300,000 of surplus
- Sponsored: USD 250,000 of capital and USD 250,000 of surplus

Arkansas proudly welcomes businesses to form a captive within its borders, as the law allows any form of business organisation authorised under Arkansas law to form a captive upon approval by the commissioner. The Arkansas Insurance Department is committed to making Arkansas an ideal home for captives, valuing consumer protection as well as a pro-business approach to regulation. The domicile offers companies a no-cost analysis to see if forming a captive is right for them.

More information on captive insurance in Arkansas can be found at insurance.arkansas.gov



The Central Bank of Aruba requires the following of any captive insurance company domiciled on the island:

- The captive shall have a supervisory board or comparable body consisting of at least three natural persons, requiring prior approval by the Central Bank of Aruba
- The company must have at least one managing director of provenWement of the company, and who has a residence in Aruba
- The captive conducts its financial administration from its office in Aruba
- Annual certified actuarial report
- Annual audited financial statements, submitted within six months after the end of each financial year

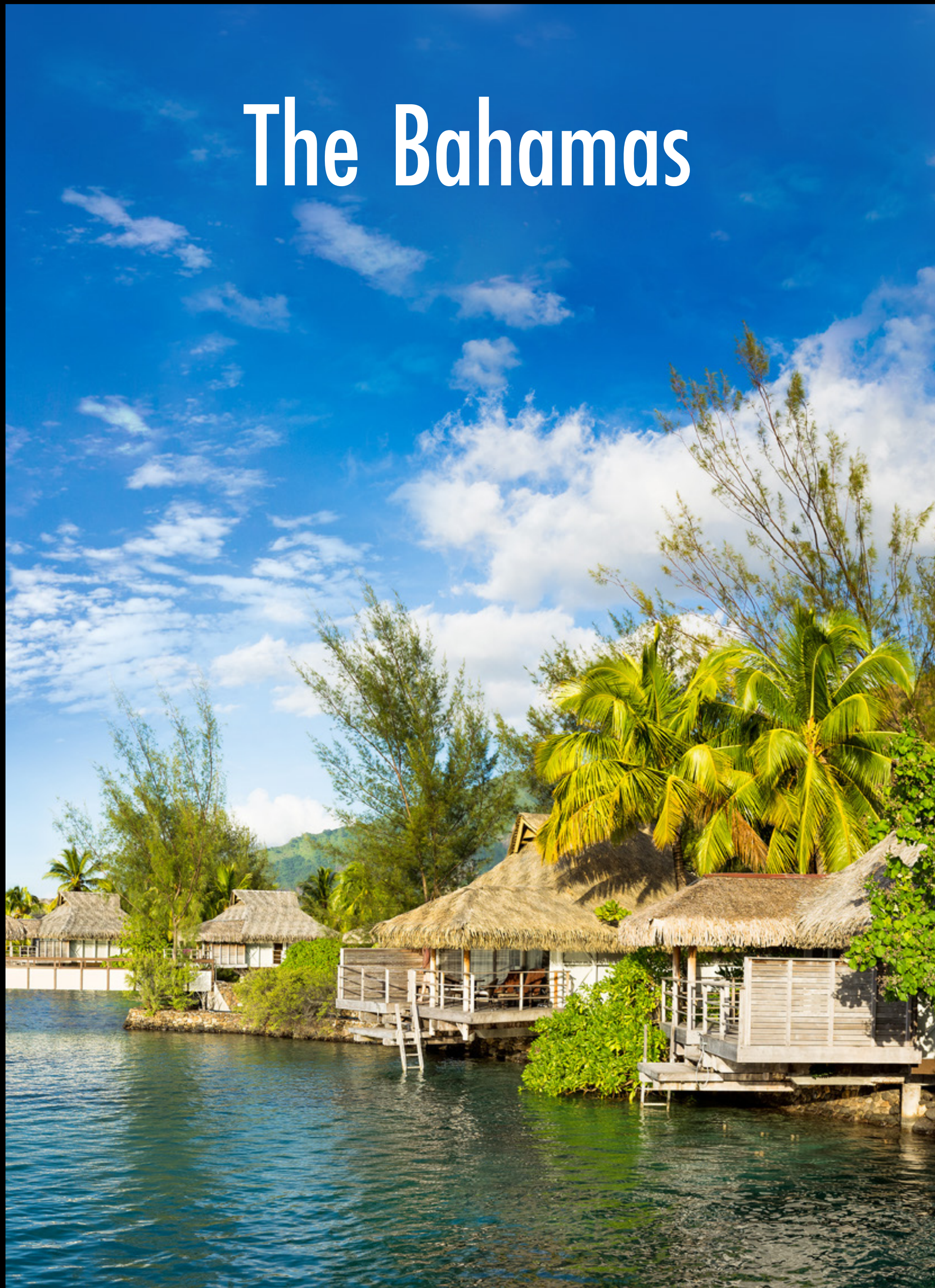
Situated in the Caribbean near the coast of Venezuela, Aruba is a fast growing and maturing financial services industry.

It has an established infrastructure, with an international regulatory and legal framework and can provide a safe and stable investment environment for financial services.

The definition of a captive in Aruba is a business that insures or reinsures certain risks that exclusively or almost exclusively result from the business conducted by its shareholders, affiliated companies or participants in a joint venture.

Domicile did not respond to request for data. Information correct as of 31 December 2018.

The Bahamas



The Bahamas' captive environment is comprised largely of small- and medium-sized international enterprises seeking to establish a captive insurance presence through a standalone or segregated account entity. During 2018, there was minimal movement year-over-year in the number of captives registered or licensed in the jurisdiction. The Bahamas' growth in the captive space continues to be attributed to the use of segregated accounts (cell captives), given that their cost-effectiveness is more favourable than operating a stand-alone captive.

The Insurance Commission of The Bahamas, the insurance industry's supervisory authority, continues to support The Bahamas Financial Services Board (BFSB) in promoting the jurisdiction as a preferred domicile for captives. BFSB's promotional assistance is instrumental in highlighting the jurisdiction as a competent and competitive international financial centre.

The commission continues to enhance the captive industry by streamlining the application process and maintaining a robust regulatory and supervisory framework which meets international standards. As a result of this partnership, the Bahamas has registered captives insuring risk emanating from various industries such as medical and healthcare administration, retail and wholesale distribution, agriculture, construction and real estate.

All captives are licensed in accordance with the External Insurance Act 2009 as 'restricted' external insurers. The growth experienced in 2019 is consistent with that of previous years. In December 2017, the Bahamas Government passed the Commercial Enterprises Act, which was designed to encourage international persons to establish a domestic presence as a specified commercial enterprise. The captive insurance and reinsurance industry, among other industries, were specifically named in the legislation as areas of economic interest. From this, it is envisioned that the Bahamas will realise a resurgence of material interest to its footprint within the captive insurance space over the next few years. Since that time, the commission has entertained interest from persons and companies seeking to conduct insurance business from within the Bahamas and have begun the initial stages of the captive application process for interested parties.

The captive insurer application process includes:

- A scheduled pre-application meeting to discuss the proposed business plan
- Submission of a completed application which includes, but is not limited to, the following: detailed business plan; actuarial review or feasibility study; projected financial statements for three years (inclusive of the balance sheet, income statement and solvency calculations); sample policies to be marketed and sold by the applicant; details of the reinsurance programme; and due diligence documents for proposed shareholders, directors and senior officers

Application review and consideration for approval by the board of commissioners (an approved application receives approval in principle where the applicant is given 30 to 60 days to meet the conditions of approval).

Once the conditions of approval are met, a certificate of a licence is issued to the applicant.

Additionally, the general company requirements to establish a captive include:

- A minimum of two directors
- The appointment of a resident representative in the Bahamas at whose office books and records shall be maintained
- A minimum of USD 100,000 in share capital (additional regulatory capital may be required depending on the nature, size and scope of the proposed entity)
- Application fee of USD 100 (standalone) and USD 250 (per segregated account)
- Annual renewal fee of USD 2,500 (standalone)

Bahrain

2021 Captive Figures

Total Captives:	1
Active Captives:	1
New Licenses:	0
Closures:	0

Many international insurers developing their regional operations have chosen Bahrain as their regional base.

The insurance industry in Bahrain is well serviced by a number of service providers including 34 brokers, 30 actuaries, three insurance consultants, 12 loss adjusters, four insurance managers, seven insurance ancillary services, two representative offices and 23 insurance appointed representatives.

The insurance sector is regulated and supervised by the Central Bank of Bahrain (CBB), which since 2002 has functioned as the single regulator for the entire financial system.

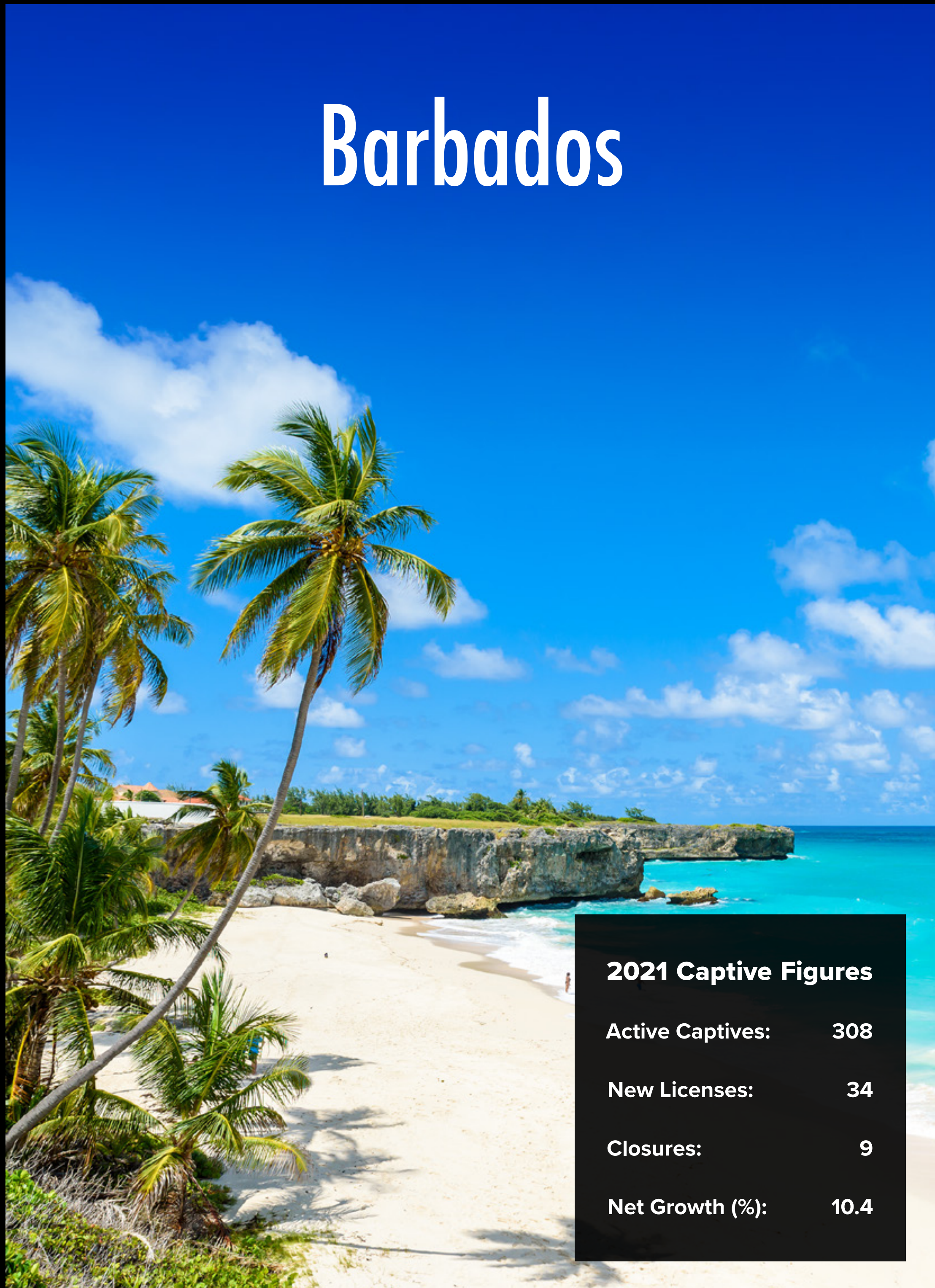
The CBB covers areas such as licensing requirements, capital adequacy, risk management, business conduct, reporting and disclosure requirements, as well as enforcement actions.

Like many regulatory authorities, Bahrain differentiates between captive insurers, and insurance firms whose business does not generally originate from within their owning group.

The CBB's capital and solvency requirements are lower for captives than for other categories of insurer, though the CBB also monitors the 'risk gap' between policy liabilities and available assets. However, capital and solvency requirements for captives are increased where liability risks are included, due to the possibility of third-party claimants.

The CBB licenses insurance managers and there are specific differences in the governance, management and systems and controls requirements for captives to take account of this.

More information on captive insurance in Bahrain can be found at www.cbb.gov.bh/index.php



Barbados

2021 Captive Figures

Active Captives:	**308**
New Licenses:	**34**
Closures:	**9**
Net Growth (%):	**10.4**

Barbados has a long history of political and economic stability. With an excellent education system and sound infrastructure, it offers an attractive environment for international financial services, including the establishment of captive insurance companies.

It has a cost efficient business environment, facilitated through an expanding treaty-based network, and ranks among the top domiciles worldwide. Long-standing bilateral double taxation agreements (DTAs) with major countries including Canada and the US are in force, and actively being utilised.

Barbados also has DTAs with South American countries including Cuba, Mexico, Panama and Venezuela, and negotiations are at various stages of development with other countries. The recognition of Barbados within Latin America as a captive jurisdiction continues to increase.

The incorporated cell structure, given its cost effectiveness and flexibility, remains an attractive product for Barbados within this region.

As part of Barbados' commitment to being fully compliant with the Organisation for Economic Cooperation and Development's base erosion and profit shifting action plan, Barbados updated its legislation to eliminate the previous ring-fenced regime which included exempt insurance companies and qualifying insurance companies.

The Exempt Insurance Act, Cap. 308A was repealed and the Insurance Act, Cap. 310 (IA), which came into effect in January 2019, was amended to provide for (among other things) three classes of licences under which all insurance entities are classified and regulated.

The class 1 category will include insurance companies which restrict the business they can underwrite to related party insurance business.

Class 2 category companies, including insurance companies which underwrite or can underwrite third-party business, will be taxed at a rate of 2 per cent.

Class 3 category companies, including brokers, other intermediaries, insurance management companies, insurance holding companies and the like, will be taxed at a rate of 2 per cent.

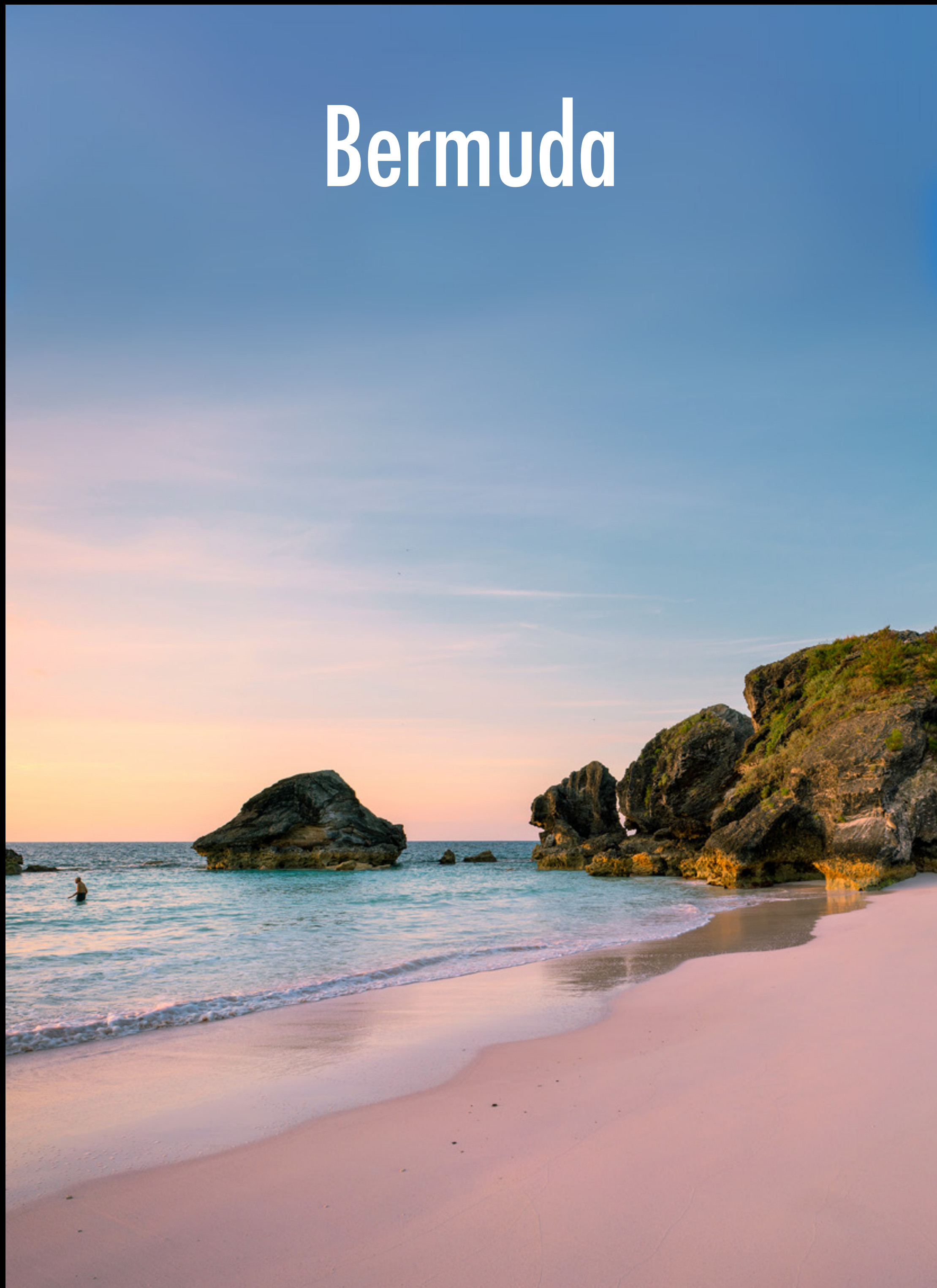
The minimum capitalisation for insurance companies is USD 125,000 and there is no restriction on the insurance business written.

Insurance companies may be structured as segregated cell companies, incorporated cell companies or separate account companies.

The annual requirements include:

- Annual general meetings of shareholders required within 18 months of incorporation, and thereafter within 15 months of the previous annual general meeting
- Annual audited financial statements required to be filed by 30 June

More information on captive insurance in Barbados can be found at www.fsc.gov.bb



At the end of 2020 Bermuda remained the authority in the captive insurance market, with 680 companies generating approximately USD 40 billion in premiums.

The jurisdiction's commercial insurance and reinsurance companies allow captive owners and operators to access an open-market underwriting capacity not found in other domiciles. Its enhanced commercial insurance regime reached full equivalence with Solvency II in 2016, following a multi-year effort by the Bermuda Monetary Authority (BMA) and public and private sector stakeholders.

While captive insurers do not directly fall under the enhanced regime, they benefit from being located in a jurisdiction with an equivalent, robust, and well regulated market. Bermuda was also placed on the National Association of Insurance Commissioners List of Reciprocal Jurisdictions in 2019, meaning Bermuda-based insurers can operate in the US without additional capital requirements.

The BMA is the financial services regulator in Bermuda, supervising the island's financial services sector using a risk-based approach. This essentially means the framework applies the appropriate level of supervision and regulation depending on the nature, scale, and complexity of an insurer's business, as well as the relationship between the insurer and policyholders.

Bermuda's regulatory system categorises captives into five classes licensed as either Class 1, 2, 3, A or B insurers.

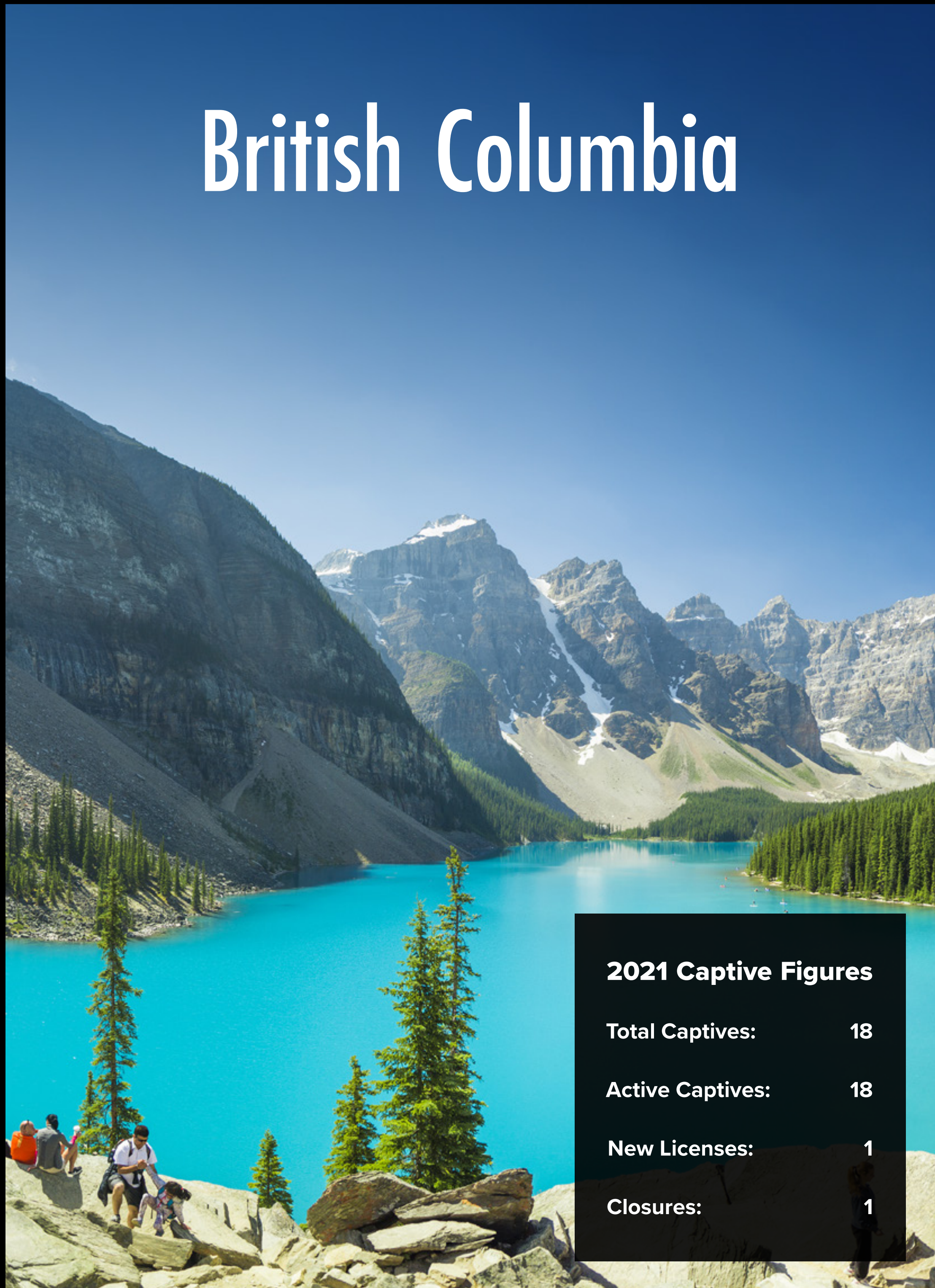
Companies range from single-parent captive to multi-owners. The domicile is also tax-competitive.

The capital requirements for each class are as follows:

- Class 1 insurers are required to maintain minimum capital and surplus which is equal to, or in excess of, an amount derived from the greater of premium and reserve based formulas, subject to a USD 120,000 floor
- Class 2 insurers are required to maintain minimum capital and surplus which is equal to, or in excess of, an amount derived from the greater of premium and reserve based formulas, subject to a USD 250,000 floor
- Class 3 insurers are required to maintain minimum capital and surplus which is equal to, or in excess of, an amount derived from the greater of premium and reserve based formulas, subject to a USD 1 million floor
- Class A insurers are required to maintain minimum capital and surplus that is equal to, or in excess of, an amount derived from an asset based formula subject to a USD 120,000 floor
- Class B insurers are required to maintain minimum capital and surplus that is equal to, or in excess of, an amount derived from an asset based formula, subject to a USD 250,000, floor

More information on captive insurance in Bermuda can be found at www.bma.bm and contact the Bermuda Business Development Agency if you are interested in setting up a captive insurance company www.bda.bm

British Columbia



2021 Captive Figures

Total Captives:	18
Active Captives:	18
New Licenses:	1
Closures:	1

British Columbia (BC) is the only Canadian jurisdiction with captive legislation in place, specifically the Insurance (Captive Company) Act (ICCA) and regulation.

British Columbia allows for pure, association and sophisticated captives, as defined in the ICCA.

Under the ICCA, an association captive insures the risks of the association's members, their affiliated entities, or its officers, directors, employees, agents or independent contractors. The member organisations may be corporations and societies, and it must be in existence for at least one year.

A sophisticated insured captive insures the risks of a group of 'sophisticated insureds', which are insureds whose aggregate annual premiums total at least CAD 500,000 and can demonstrate expertise in insurance matters. Captives in British Columbia can write all the insurance classes except for the few explicitly mentioned in the ICCA. In effect, they are generally not subject to the insurance class restriction.

Applications must be made to the BC Financial Services Authority. Applications should bear in mind that Section 5 of the ICCA regulation requires a captive to maintain minimum capital and reserve of CAD 300,000.

The initial non-refundable application fee is CAD 500 and the initial registration fee is CAD 2,500. The annual registration renewal fee is also CAD 2,500.

Premium taxes are set according to the province where the insured risk is located. Captives are also subject to provincial and federal income taxes.

More information on captive insurance in British Columbia can be found at www.bcfsa.ca

British Virgin Islands

The British Virgin Islands (BVI) offer a seamless approach for establishing captives given their long tenure at the forefront of corporate domiciliations and domiciliation of insurers, particularly captives. BVI also has a cadre of professionals who understand and have expertise in assisting with the formation and operation of a captive.

BVI licenses the following categories of captives:

- Category C: Insurance business that does not fall under Category E
- Category D: Reinsurance business only
- Category E: Related party business only, or pure captives
- Category F: Captives that underwrite related party business at a maximum in order to qualify as an insurer under the laws of a foreign jurisdiction, such as captives that are formed to utilise section 831(b) of the US Internal Revenue Code that have elected to be taxed as a US corporation under section 953(d)
- Segregated portfolio company: A captive that is set up as a segregated portfolio company and has the ability to establish segregated portfolios that are independent of each other and underwrite insurance for the owners

The BVI Financial Services Commission also licenses all types of captives, including but not limited to, single parent or pure, group, agency, rent-a-captive and segregated portfolio captives, provided they are legitimate businesses and meet the requirements of the relevant legislation.

Capital requirements in BVI have been set at USD 100,000 for property and casualty insurance business and USD 200,000 for life and health insurance business.

There is a minimum solvency margin requirement, which is based on the net written premium of the captive, with the lowest minimum being USD 100,000 if net written premiums are USD 500,000 or less.

There is no corporate income tax in BVI.

More information on captive insurance in BVI can be found at www.bvifsc.vg.

Domicile did not respond to request for data. Information correct as of 31 December 2018.

Cayman Islands

The Cayman Islands, which is the second-largest captive domicile in the world, has been recognised as a leading captive jurisdiction and global financial centre since the 1970s.

Since its inception, the captive market in the Cayman Islands has excelled in licensing captives in many industries with the healthcare industry as its main target.

The captive market first made a presence in the Cayman Islands when Fred Reiss, also known as the 'Father of Captives', formed Transnational Limited — the first captive management company in the islands — in the early 1970s.

Movement within the captive market in the Cayman Islands began to increase after the redomestication of several captives to the Cayman Islands from the Bahamas.

The event which gave the Cayman Islands credibility as a leading captive domicile was the establishment of a medical malpractice captive insurance company for the Harvard Medical School.

After the creation of this captive, the Cayman Islands gained the title of the medical malpractice domicile of choice, placing the domicile as a leader for captive insurance in the healthcare sector.

As the captive industry began to quickly grow, the Cayman Islands Government enacted the Insurance Law of 1979 to regulate the captive industry.

In the late 1980s, the captive market in the Cayman Islands experienced another surge of growth as the hardening of the insurance market in the US opened the door for the opportunity to push captive insurance.

Today, approximately 91 per cent of the Cayman Islands' captive business comes from the US.

To continue to grow as an influential force in the international captive market, the Cayman Islands has established a legislative environment that aligns with industry standards while allowing flexibility to foster innovation.

After initial regulatory legislation was enacted, the Insurance Law of 2010 was the next major captive legislation adopted in the Cayman Islands.

This act strengthened the regulatory powers of the Cayman Islands Monetary Authority (CIMA) and established a framework that is expected to keep the Cayman Islands as a leading force in the captive industry.

The Insurance Law of 2010 established standards for minimum capital requirements and solvency requirements for the subgroups with Class B captives.

The law also established several regulations, including captive obligations, record keeping requirements, statutory requirements for CIMA approval on material changes in ownership and obligations of captive managers and auditors.

The insurance market in the Cayman Islands is categorised into four licensing segments: Class A (domestic), Class B (captives), Class C (special purpose insurers), and Class D (reinsurers).

Within Class B, captives are divided into four subgroups based on the percentage of net premiums originating from the insurer's business:

- Class B(i) being 95 per cent or more
- Class B(ii) being over 50 per cent
- Class B(iii) being 50 per cent or less with annual net earned premiums less than USD 16.4 million; and
- Class B(iv) being 50 per cent or less with annual net earned premiums equal to or greater than USD 16.4 million

For captives, the minimum capitalisation and solvency requirements vary according to the subgroup in which the captive falls.

- Class B(i): Minimum capitalisation and solvency requirement of USD 100,000
- Class B(ii): Minimum capitalisation of USD 150,000 and solvency requirements of 10 per cent of net earned premium (NEP) to USD 5 million; 5 per cent of additional NEP up to USD 20 million; and 2.5 per cent of additional NEP in excess of US 20 million
- Class B(iii): Minimum capitalisation of USD 200,000 and solvency requirements of 15 per cent of NEP up to USD 5 million; 7.5 per cent of additional NEP up to USD 20 million; and 5 per cent of additional NEP in excess of USD 20 million

Currently, the Cayman Islands is still the leading jurisdiction for healthcare captives, which represent nearly one-third of its 652 captives.

The Cayman Islands also has a strong international client base, with 91 per cent of its captives insuring risks in North America.

A total of 771 insurance entities, 96 in the domestic market and 675 in the international market, are licensed under the supervision of the Insurance Supervision Division of CIMA.

The Cayman Islands captive market is expected to continue to see growth as the captive industry continues to rise in 2021.

Additional information can be found at www.cima.ky.

Cayman Islands

China

2021 Captive Figures

Total Captives:	4
Active Captives:	4
New Licenses:	0
Closures:	0

China has great potential to develop captive insurance, because of more awareness of the captive concept, the needs for alternative risk financing solutions under COVID-19 situation, insurance product innovation, as well as risk transfer for the 'The Belt and Road Initiative', which aims to improve transnational connections along the old Silk Road and the maritime trade route connecting China and Europe. This boosts the insurance sector and generates demand for centrally managing the large enterprise's global insurance programme using captive. As China's state-owned enterprises (SOEs) expand overseas, they exhibit interest in achieving the best risk management practice, including consolidated insurance buying through captive insurance programmes.

In China, captive prospects are SOEs and private companies with assets more than CNY 100 billion (USD 14.2 billion). Besides insurance cost control, enterprise risk management and centralised insurance management platform are strategic standing-points for Chinese captives.

In China, the term 'captive' only refers to pure captive. A captive can provide general insurance (property insurance, short-term health and accident insurance, etc.) to its parent company and the parent company's holding subsidiaries.

Another type of insurance organisation — mutual insurance organisation — also exists in China, but it is supervised differently. General requirements:

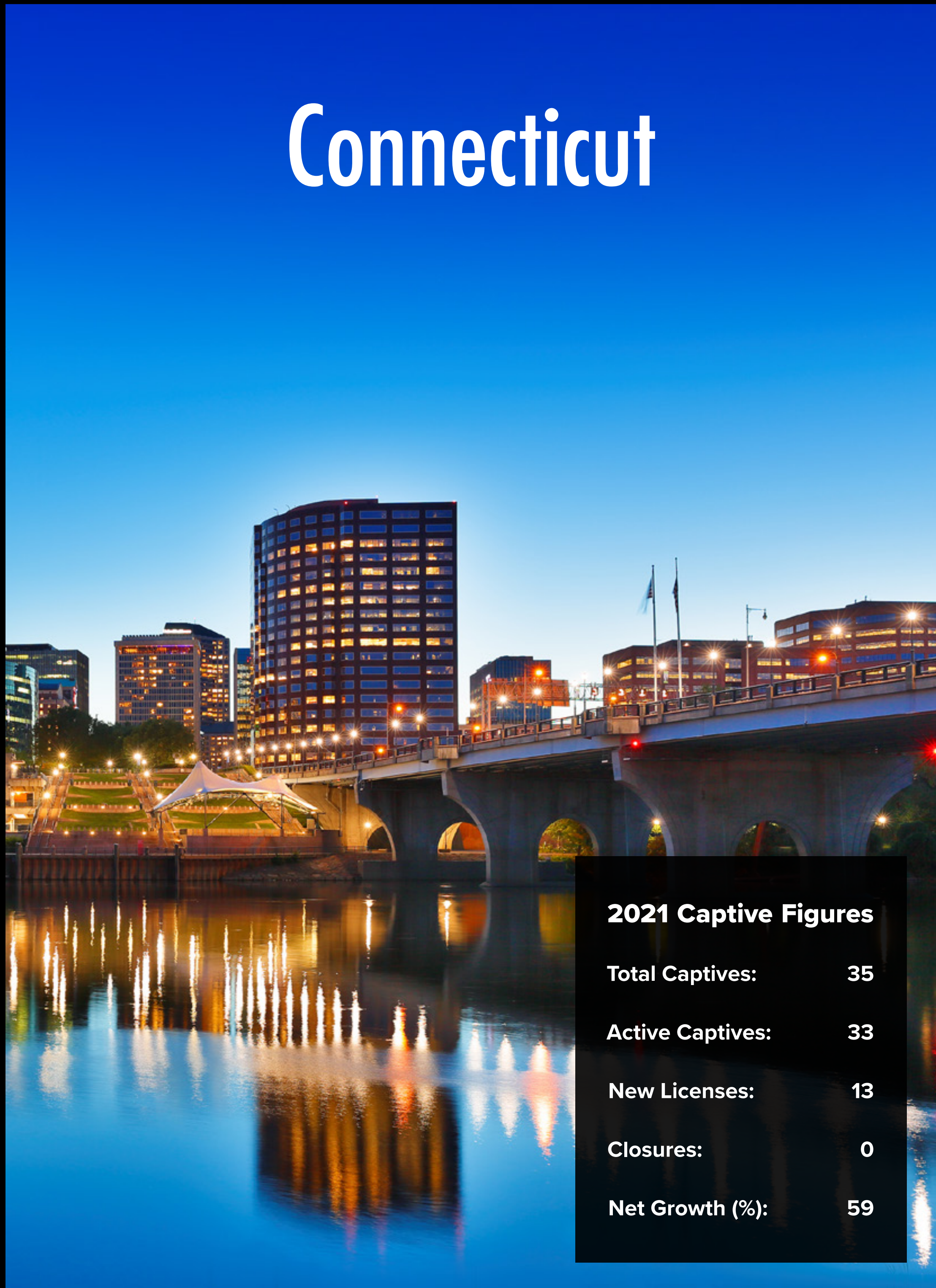
- The registered capital shall match the risks borne by the company
- Investors shall be large-scale business enterprises with a remarkable main business, profitable performance, and total assets of no less than RMB 100 billion (USD 14.5 billion)
- The parent company must face a high concentration of risk, have geographically diversified distribution, face difficult risk transfer challenges, and have stable insurance needs and strong risk management capabilities
- Minimum capital requirement must be no less than RMB 200 million (USD 29 million)
- Minimum actual solvency requirements are currently based on a company's premium and claim levels and underwriting profile using calculations imposed in accordance with China Banking and Insurance Regulatory Commission (CBIRC) directives for insurance and reinsurance companies. China Risk Oriented Solvency System (C-ROSS) has come into effect in 2016. There is no exemption for a captive

Two circulars issued by CBIRC with regard to captive:

- Circular on the issues concerning supervision over captive insurance companies — December 2013, the circular established China's supervisory approach to captive insurers
- Circular on the issues regarding captive insurance supervision further improvement — February 2015

Other regulations of captive are to follow the requirements for traditional commercial insurers. There is no tax exemption for captives.
The corporate tax for captives remains 25 per cent and VAT tax is 6 per cent.

Connecticut



2021 Captive Figures

Total Captives:	35
Active Captives:	33
New Licenses:	13
Closures:	0
Net Growth (%):	59

Since 1810, when the first US insurance company was founded in Hartford, Connecticut, the state has maintained a strong and well-earned reputation as the insurance capital of the world.

Approximately 1,500 insurance companies write over USD 40 billion in premiums in Connecticut and are available to captives for fronting, reinsuring and professional services. Connecticut has many large captives with complex transactions. 11 captives owned by Fortune 500 companies are domiciled in Connecticut.

Connecticut is the only state with commercial insurance, captives, insurtech, modern captive laws, low regulatory fees, and responsive and experienced captive regulators and service providers for the captive industry to grow.

Connecticut captive law allows all types of captives. The insurance commissioner has the appropriate level of discretion to regulate captives according to their unique risk profile.

The insurance department has modernised the captive application process and shortened the turnaround time for all requests.

Connecticut makes quick decisions and processes requests efficiently using a principled and risk-based regulatory approach.

Connecticut has no other fees beyond a one-time USD 800 application fee, a USD 375 annual licensing fee, and nominal fees paid to the Connecticut Secretary of the State's office for corporate filings. The insurance department has in-house career experts for reviews and approvals of requests and avoids using consultants, thereby saving captive owners money and time. The insurance department has completed four pure captive examinations without charging any fees.

Connecticut licences the following types of captives with the minimum capital requirements:

- Pure: USD 250,000
- Sponsored (protected cells): USD 225,000 for general account; no minimum for cells. Capital depends on risks taken
- Branch: USD 250,000
- Sponsored captive licensed as a special purpose financial: USD 500,000
- Special purpose financial: USD 500,000
- Association: USD 500,000
- Agency: USD 500,000
- Industrial insured: USD 500,000
- Risk retention group: USD 1,000,000

For captives other than those organised as risk retention groups, the insurance commissioner has the discretion to allow less than the minimum required capital according to the type, volume and nature of the insurance or reinsurance business.

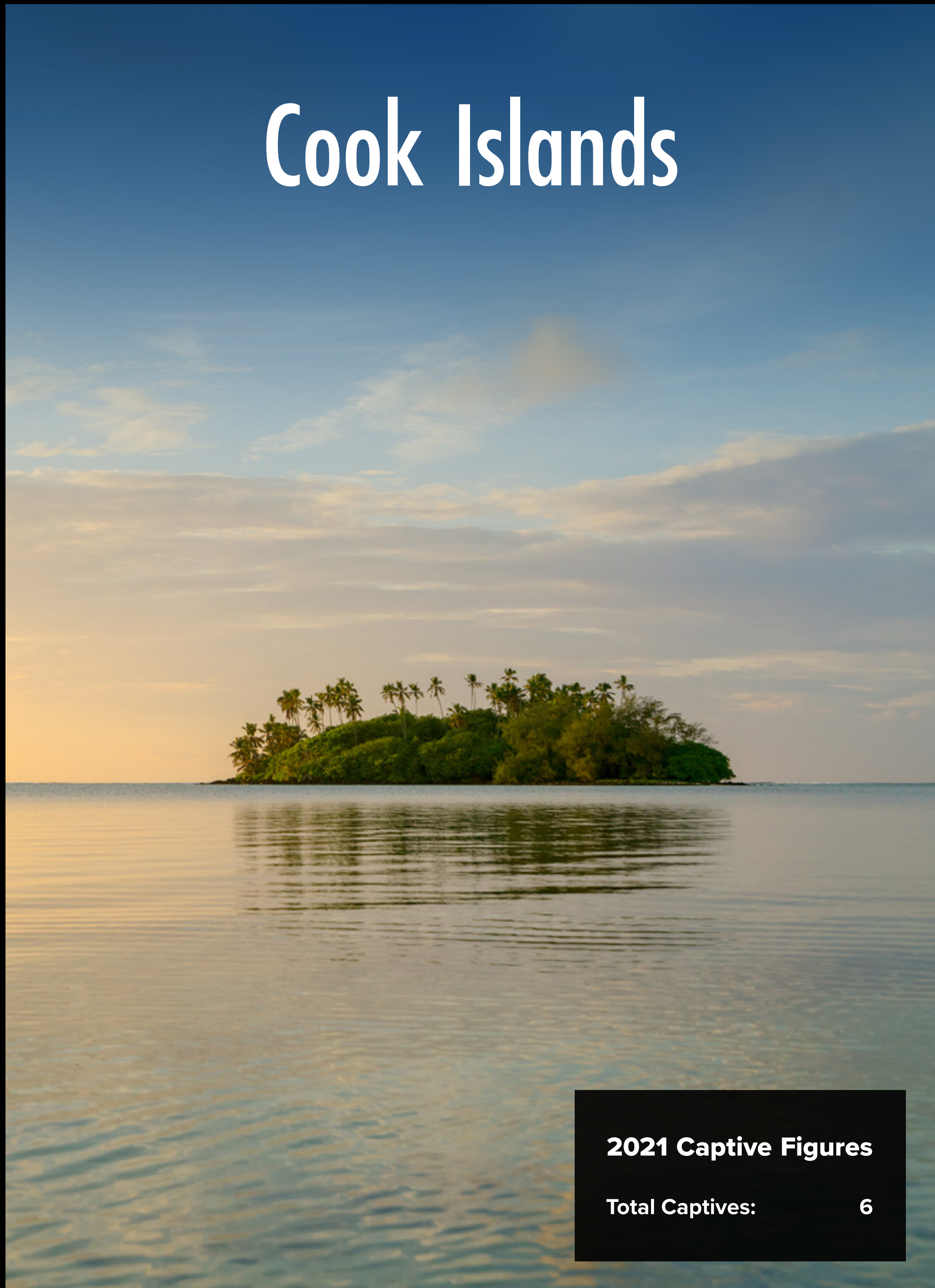
Connecticut captive insurance company premium tax rates are as follows:

- USD 0-20 million: 0.38 per cent, direct; 0.214 per cent, assumed
- USD 20 - 40 million: 0.285 per cent, direct; 0.143 per cent, assumed
- USD 40 - 60 million: 0.19 per cent, direct; 0.048 per cent, assumed
- USD 60 million or more: 0.072 per cent, direct; 0.024 per cent, assumed

In addition, Connecticut offers the first year premium tax credit of USD 7,500. Tax must be at least USD 7,500 and shall not exceed USD 200,000.

More information on captive insurance in Connecticut can be found at portal.ct.gov/CID

Cook Islands



2021 Captive Figures

Total Captives: 6

The Cook Islands financial services industry has been in existence for more than 30 years. It has been driven by reputable professional service providers with a wealth of knowledge and experience and expertise in the laws of the Cook Islands, and the administration of entities and products created pursuant to those laws. The Cook Islands has always shown itself to be flexible, innovative and understanding in meeting the needs of international businesses.

The enactment of the Captive Insurance Act in 2013 is an example of that. The Captive Insurance Act of 2013 provides for the licensing, regulation and supervision of captive insurance business conducted outside of the Cook Islands by international companies incorporated under the International Companies Act of 1981/82 (International Companies), and certain captive insurance business conducted within the Cook Islands by companies incorporated under the Companies Act 1970/71.

Captive insurance business in the Cook Islands means the business of a company insuring interests in its holding company or in companies that it is affiliated or associated with, or is organised within a group or agency relationship.

The prescribed minimum share capital and surplus requirement for a licensed captive insurance company (LCIC) is NZD 100,000 (USD 71,500). Only assets prescribed in the Captive Insurance Regulations of 2013 will be admissible when determining the value of an LCIC's assets and its surplus.

The LCIC's annual accounts must be audited and filed with the Financial Supervisory Commission.

An LCIC must establish and maintain a clearly defined risk management strategy commensurate with the size, nature and complexity of the LCIC's business.

An LCIC is an international company that came into existence on or before 18 December 2019. As of 1 January 2022, they are subject to Cook Islands company tax of 20 per cent on their worldwide income.

An LCIC that is an international company incorporated on or after 18 December 2019 will be subject to Cook Islands company tax from incorporation.

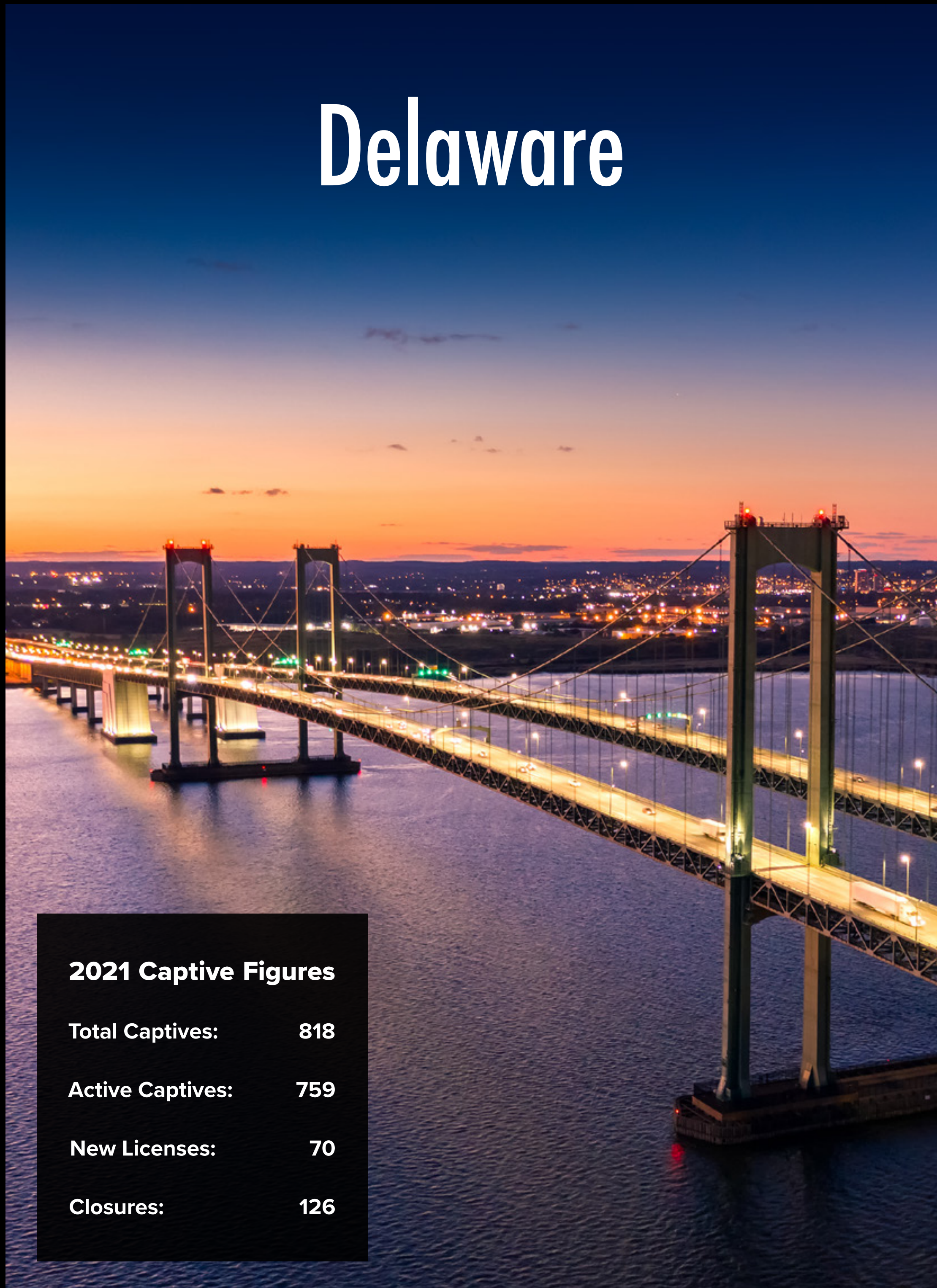
This change is a result of the Cook Islands amending the International Companies Act 1981-82 by removing exemptions from Cook Islands tax to comply with the requirements of the EU and avoid being listed as a non-cooperative tax jurisdiction.

Cook Islands domestic companies are subject to tax on worldwide income.

The LCIC is required to pay a government fee of NZD 1,100 (USD 790) upon making its application for a captive insurance licence, with an annual fee of NZD 3,100 (USD 2,217) also being payable.

More information on captive insurance in the Cook Islands can be found at www.cookislandsfinance.com

Delaware



2021 Captive Figures

Total Captives:	818
Active Captives:	759
New Licenses:	70
Closures:	126

One of Delaware's most important attributes is its regulator's highly experienced and qualified staff. The captive bureau's level of staff experience and expertise ranks as one of the highest among global captive regulators.

Delaware's captive bureau employs financial analysts who hold an array of qualifications, including the ACI, AFE, CFE, APIR, ACO, CPA and MCM designations, as well as masters in accounting and financial management and in business administration.

Delaware law allows the licensing of agency, association, branch, industrial insured, mutual, pure, reciprocal, series, special purpose, special purpose financial, sponsored, and cell captives, as well as risk retention groups.

The minimum capital requirements for these captives are:

- Agency, branch, pure, and special purpose captive insurers: USD 250,000
- Industrial insured and sponsored captives: USD 500,000
- Association captives: USD 750,000
- Risk retention groups: USD 1 million
- Series captive insurers: An amount specified by the insurance commissioner

The captive insurance premium tax for direct premium is 0.001 per cent to a maximum of USD 200,000, and for assumed premium the rate is 0.004 per cent to a maximum tax of USD 110,000.

Except for series captive insurers that pay a minimum annual premium tax of USD 3,500, all other captive insurers pay a minimum annual premium tax of USD 5,000.

Conditional licensing legislation was passed in October of 2018 and allows selected captives to receive a conditional license on the same day they submit an application.

Delaware is the first US state to offer such a license, which allows captives to conduct business while their application is reviewed and a permanent license is established.

According to the Delaware Department of Insurance, the state ranks third in the US and fifth in the world in terms of captive domiciles and is one of just four domiciles that are International Center for Captive Insurance Education-trained.

More information on captive insurance in Delaware can be found at captive.delaware.gov

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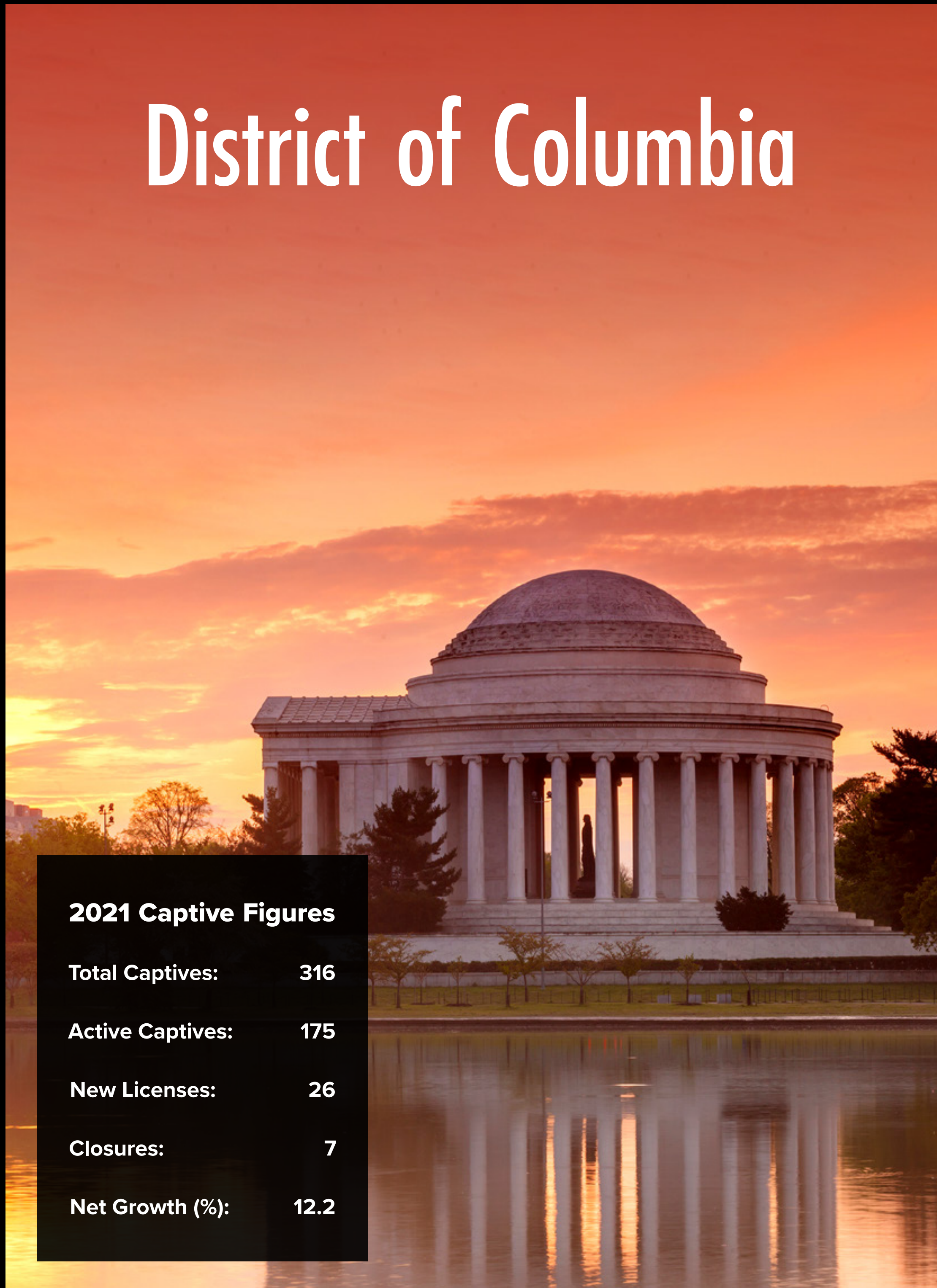


District of Columbia

2021 Captive Figures

Total Captives:	316
Active Captives:	175
New Licenses:	26
Closures:	7
Net Growth (%):	12.2

The District of Columbia has a progressive captive insurance and corporations code that meets the needs of captive owners.

The district also has a very knowledgeable and dedicated staff of financial examiners and analysts who are well-versed in the regulation of captives, including risk retention groups.

Additionally, the cost of doing business, especially financial examinations, compares favourably with other captive domiciles.

The district caters to all types of captives, including agency, association, branch, cell, pure, rental and risk retention groups.

The minimum capital and surplus for pure captives has been set at USD 250,000, while the minimum capital and surplus for most other captives is USD 400,000. There is no minimum capital for cell captives.

Cell minimums are established by the insurance commissioner based on the cell's business plan. The legal requirements in the District of Columbia are straightforward. All captives must have a manager, lawyer and experienced service providers.

The district does not require a local director, but the captive's board must meet in the District of Columbia at least once per year, although the annual meeting requirement may be met if at least one representative is present in the District of Columbia.

Instead, a representative of the captive present in the District of Columbia can facilitate the meeting via phone or web conference. Captives in the District of Columbia are examined on a five-year cycle, which can be extended or waived upon request after the first examination.

More information on captive insurance in the District of Columbia can be found at www.disb.dc.gov

Dubai

2021 Captive Figures

Total Captives:	4
Active Captives:	4
New Licenses:	1
Closures:	0
Net Growth (%):	25

The Dubai International Financial Centre (DIFC) is the leading financial hub for the Middle East, Africa and South Asia (MEASA) region, which comprises 72 countries with an approximate population of 3 billion and a nominal GDP of USD 7.7 trillion. With a 17-year track record of facilitating trade and investment flows across the MEASA region, the DIFC connects these fast-growing markets with the economies of Asia, Europe and the Americas through Dubai.

The DIFC is home to an internationally recognised, independent regulator, the Dubai Financial Services Authority (DFSA), which authorises and supervises financial services institutions using a risk-based approach. In addition, the DIFC has a proven judicial system with an English common law framework, as well as the region's largest financial ecosystem of more than 26,000 professionals working across over 2,900 active registered companies — making up the largest and most diverse pool of industry talent in the region.

Benefits to establishing a captive in the DIFC include:

- Preferred jurisdiction of regional and international players
- No capital controls and no ownership restrictions
- 0 per cent tax rate on corporate taxes until 2054
- Flexibility for re-domiciliation of captives from other jurisdictions
- One-stop-shop for company establishment, with 100 per cent digital onboarding
- Competitive registration fees of USD 1,000 and waived commercial license fees
- DFSA application fee and annual fee of USD 5,500
- Outsourcing of managerial and administrative functions to an authorised captive manager in the DIFC is permitted
- An ecosystem of almost 100 insurance-related entities, including reinsurers and managing general agents that provide capacity and reinsurance support

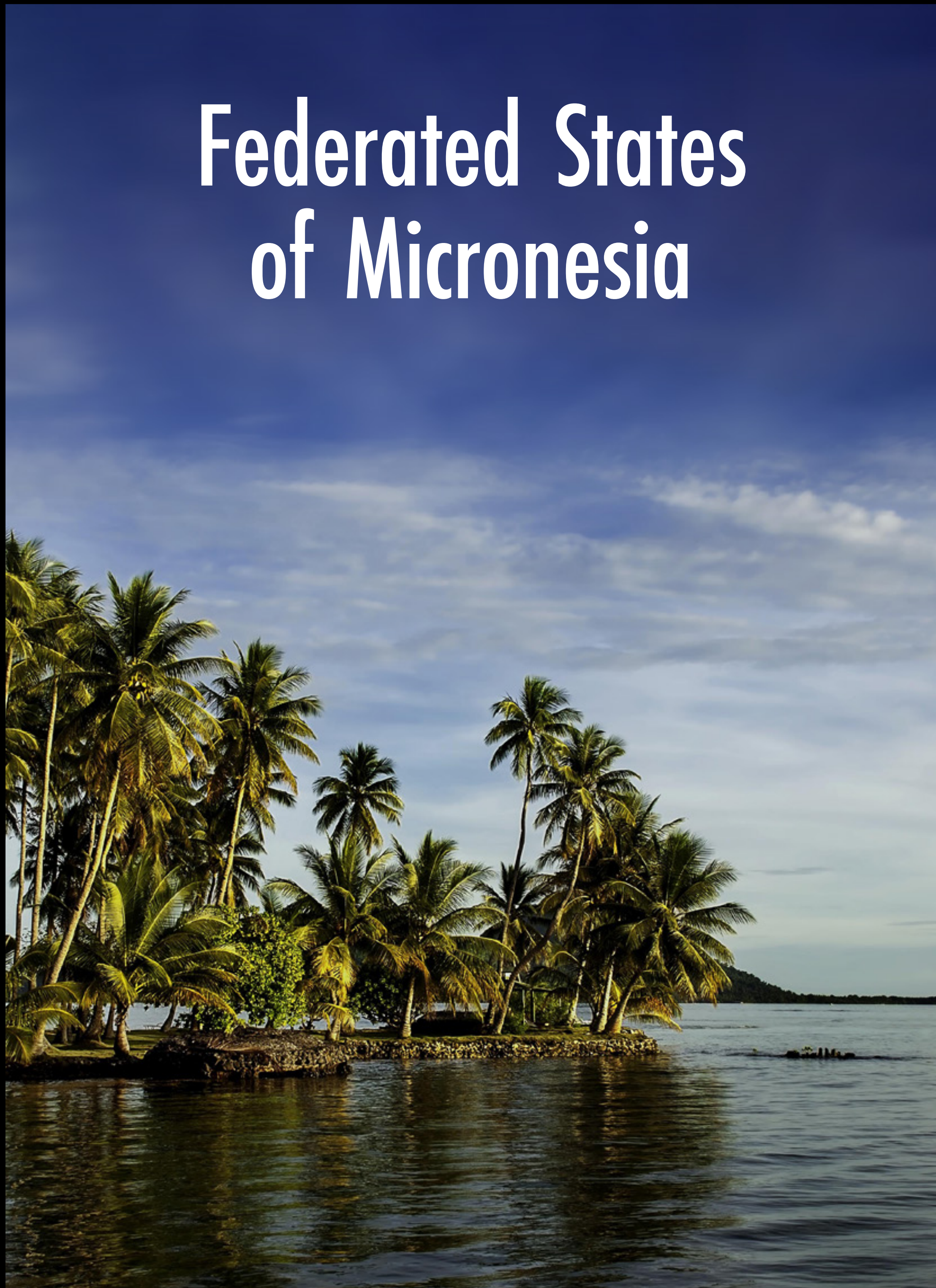
Captives can be established as:

- Class 1 — 100 per cent group risks. Minimum capital requirement (MCR) of USD 150,000
- Class 2 — up to 49 per cent third-party business. MCR of USD 500,000
- Class 3 — association captives and 'other' captives. MCR of USD 1 million

There is a simplified MCR calculation for captives, and the DFSA is willing to consider various capital structures on a case-by-case basis. The DFSA also has rules allowing protected cell companies and incorporated cell companies, with the classes above also corresponding to the captive cells. There are also specific rules for insurance special purpose vehicles.

You can find more information on establishing a captive in the DIFC at www.difc.ae

Federated States of Micronesia



The Federated States of Micronesia's captive law was enacted in 2006. It was intended to provide Japanese corporations with an optimal means of implementing a captive insurance company in a conveniently located domicile with a prudent and responsive regulatory and legislative environment. Micronesia is an independent republic that covers about one million square miles in the Western Pacific Ocean. It is located about 3,000 miles southwest of Hawaii and 2,000 miles southeast of Japan.

The country has full diplomatic relations with nearly 60 countries, including the US, Japan and China. It is also a member of several international organisations including the UN, Asian Economic Development Bank, International Monetary Fund, and World Bank. Captives are regulated by the Federated States of Micronesia insurance board and the insurance commissioner, which are supported by a staff of in-house examiners and financial analysts.

The licensing authority currently allows for single parent and group captive structures with minimum required capital and surplus of USD 100,000, subject to additional amounts as may be prescribed by the insurance commissioner depending on nature and volume of risk retained by the captive.

Minimum capital and surplus may be in the form of cash, irrevocable letter of credit or other security deemed appropriate by the insurance commissioner.

Investments are generally required to be made in secure and highly rated securities and other investments, subject to the condition that the insurance commissioner may limit or prohibit any investment that threatens the solvency of the captive.

As of 31 December 2020, there were 24 actively licensed captives. There were no new captives licensed in 2020 due to COVID-19 impacts. All captives are required to file annual audited financial statements, which may be prepared based on the US generally accepted accounting principles (GAAP), Japanese GAAP, international financial reporting standards, or another comprehensive basis of accounting.

Annual actuarial certifications are also required to be prepared by members of the American Academy of Actuaries, the Institute of Actuaries of Japan, or other loss reserve specialists as may be approved by the insurance commissioner and the insurance board.

Annual operating costs include a premium tax of 0.05 per cent on gross premiums that were not previously subject to tax, less any return or assumed reinsurance premiums. Annual captive licensing and business registration fees are approximately USD 550. All captives are also required to file a relatively simple annual income tax return that is computed at 21 per cent of net income as reported in their annual audited financial statements.

Micronesia's captive insurance industry is also supported by the Federated States of Micronesia Captive Insurance Council (FSM-CIC), the private sector trade association comprised of service providers and captive owners formed in 2009.

Nam Madol -

a UNESCO World Heritage Site

For your reference here is a link:
https://whc.unesco.org/en/list/1503

The FSM is an independent sovereign island nation consisting of four main states – Pohnpei, Yap, Chuuk and Kosrae - and is a member of the United Nations. In 1986 the FSM emerged from its position in the U.N. Trust Territory system to independence and operates as an associated state to the United States under a treaty called the Compact of Free Association.

The FSM has a very long and deep government and personal linkages to the East Asia and Japan, in particular. Japan administered the FSM for about 30 years under a League of Nations Mandate before and during WWII. Many Micronesians have relatives living in Japan and approximately one if five Micronesians have Japanese heritage.

Moreover, the national government of the FSM has made a long term commitment to serve East Asian companies with the innovative development of its Corporate Registry Program and the FSM Captive Insurance Domicile Regime.

TELEPHONE: 691 320 1830
EMAIL: INFO@MRA.FM
OFFICE: VB CENTER, SUITE 2A, POHN UMPOMP PLACE, NETT, POHNPEI, FSM
MAILING: P.O. BOX 902, KOLONIA, POHNPEI, FSM 96941

MICRONESIA
REGISTRATION
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New legislation was signed into law in April 2012 that augmented Florida’s provisions for captive insurers by further specifying criteria for the formation, incorporation, coverage, capital and surplus, reporting, licensure and reinsurance. Florida has a unique selling point in that its capital requirements are relatively low.

There are four main types of captive companies available in Florida:

- Pure: A company that insures the risks of its parent, affiliated companies, controlled unaffiliated businesses, or a combination thereof
- Industrial insured: A captive insurance company that provides insurance only to the industrial insureds that are its stockholders or members, or to the stockholders, and affiliates thereof, of its parent corporation
- Special purpose: A captive that does not meet the definition of any other type of captive insurance company and may insure only the risk of its parent
- Reinsurance captive: A reinsurance company that must be a stock corporation that is wholly owned by a qualifying reinsurance parent company and may not directly insure risks

Florida’s general requirements are based on the type of captive insurance or reinsurance company. The variations in requirements range across incorporation, unimpaired capital and unimpaired surplus.

Interested parties should review Chapter 628 of Part V the Florida statutes to see what is required for each type of captive insurer.

In addition to the specific requirements of each type of captive insurer, all captive insurers must be approved through an application process and must comply with the annual reporting requirements.

Domicile did not respond to request for data. Information correct as of 31 December 2019.

France

With six active reinsurance captives, France is a challenger compared to leading captive domiciles. 2019 saw the setting up of the sixth, the first in 20 years.

France allows a strong connection between the different stakeholders and the risk management resources of the group. In addition, the French regulator understands the benefits of organising a dedicated team to support captive supervision.

In France, you can set up either an insurance or a reinsurance captive.

A direct captive established in France will be able to operate across every country in Europe thanks to the Freedom of Service principle.

A captive is a commercial company which received an agreement from the French insurance regulator to operate.

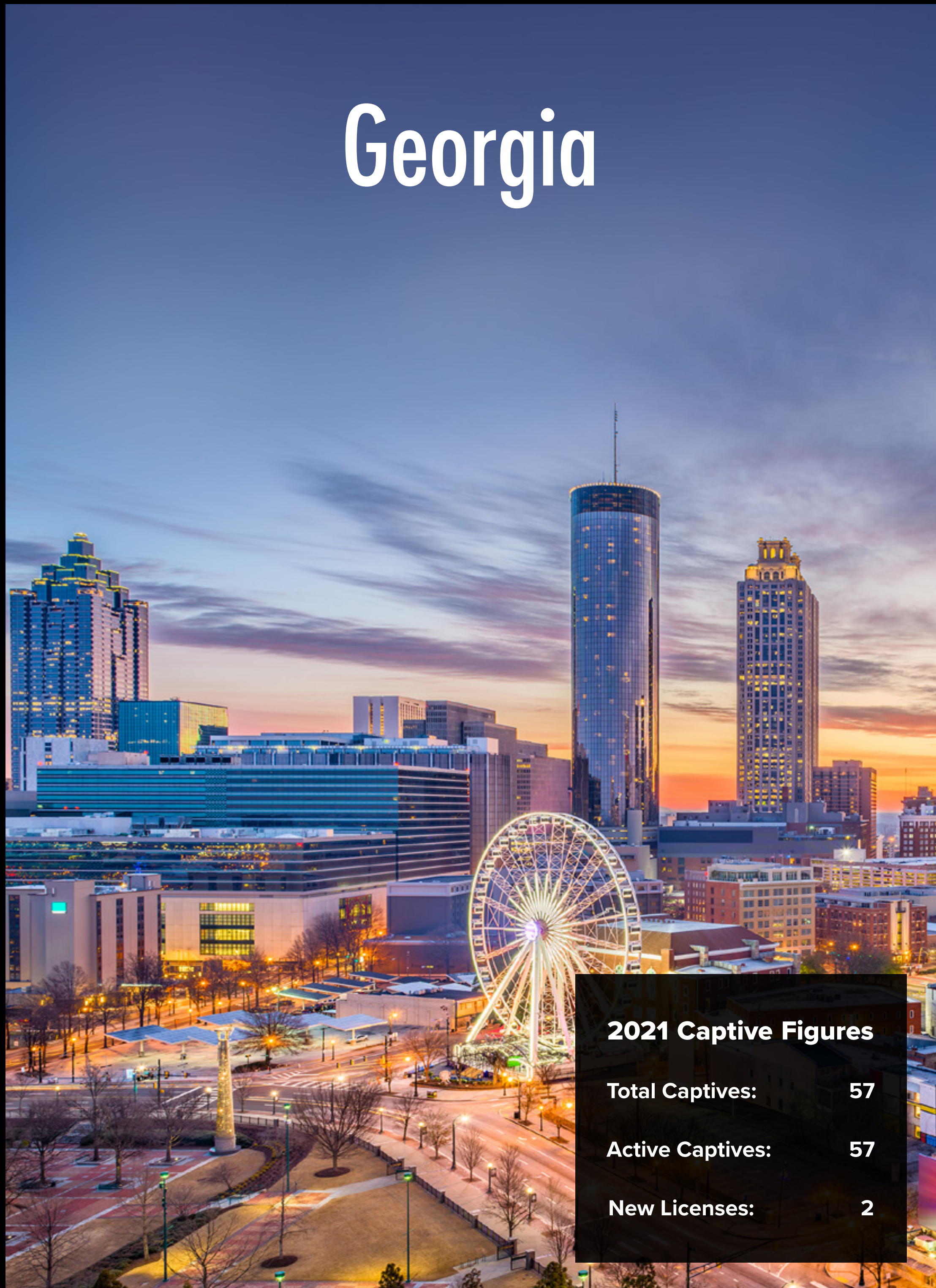
The regulator analyses the solvency of the company, the quality of the shareholder and the honourability, fit and proper principle of the person in charge of conducting the business.

In France, the Solvency II regulation is applied. Development of the European Solvency II regulation led to the harmonisation of the framework in which captives evolve. As such, the minimum capital requirements for an insurance captive is EUR 2.5 million for a non-life license and EUR 3.6 million for a life license, reduced to EUR 1.2 million for a reinsurance captive.

The captive will have to implement a solid governance structured around the ‘4 eyes principles’ of Solvency II.

The regulator in France is the Autorité de Contrôle Pruendtiel Prudentiel et de Résolution (ACPR). Information can be found on their website: www.acpr.banque-france.fr

Georgia



2021 Captive Figures

Total Captives:	57
Active Captives:	57
New Licenses:	2

The Georgia Insurance Department continues to make strides in maintaining a healthy regulatory environment for captive companies that want to call Georgia home.

New legislation was introduced in 2018, which offers businesses and captive managers a more efficient method of forming and domiciling a captive in Georgia.

The department's captive division continues to make it a priority to strengthen relationships within the industry and to provide a superior level of customer service to captives in order to help them succeed.

The types of captive structures available in Georgia and their minimum capital requirements are:

- Pure and agency: USD 250,000
- Association and industrial insured: USD 500,000
- Risk retention group: USD 500,000

Georgia's premium tax has been set at a rate of 0.4 per cent on the first USD 20 million and 0.3 per cent on each dollar thereafter on its direct premiums collected, after deducting return premiums or dividends to policyholders. The state also collects on assumed reinsurance premium at a rate of 0.225 per cent on the first USD 20 million, 0.15 per cent on the next USD 20 million, 0.05 per cent on the next USD 20 million, and 0.025 per cent of each dollar thereafter.

No reinsurance tax applies to premiums for risks or portions of risks subject to taxation on a direct basis under Title 33. Captives pay a maximum tax of USD 100,000 per year and two or more captives under common ownership and control, other than sponsored captive insurance companies, are taxed as though they are a single captive.

More information on captive insurance in Georgia can be found at www.oci.ga.gov/insurers/captives.aspx

Germany is not a typical captive domicile. There are some German companies that have located their captive there due to compliance requirements and the opportunity to share staff with the inhouse broker and the parent company. In Germany, there are insurance captives as well as reinsurance captives, which are writing property/casualty and life business.

There are extensive requirements, mainly due to Solvency II. Section 122 VAG requires that the minimum capital requirement corresponds to an amount of eligible basic own funds, below which policyholders and beneficiaries would be exposed to an unacceptable level of risk if the insurer was allowed to continue its operations. Accordingly, the financial regulatory authority for Germany (BaFin) will withdraw an insurer's authorisation when the insurer's amount of eligible basic own funds falls below the minimum capital requirement and the insurer is unable to re-establish the amount of eligible basic own funds within a short period of time.

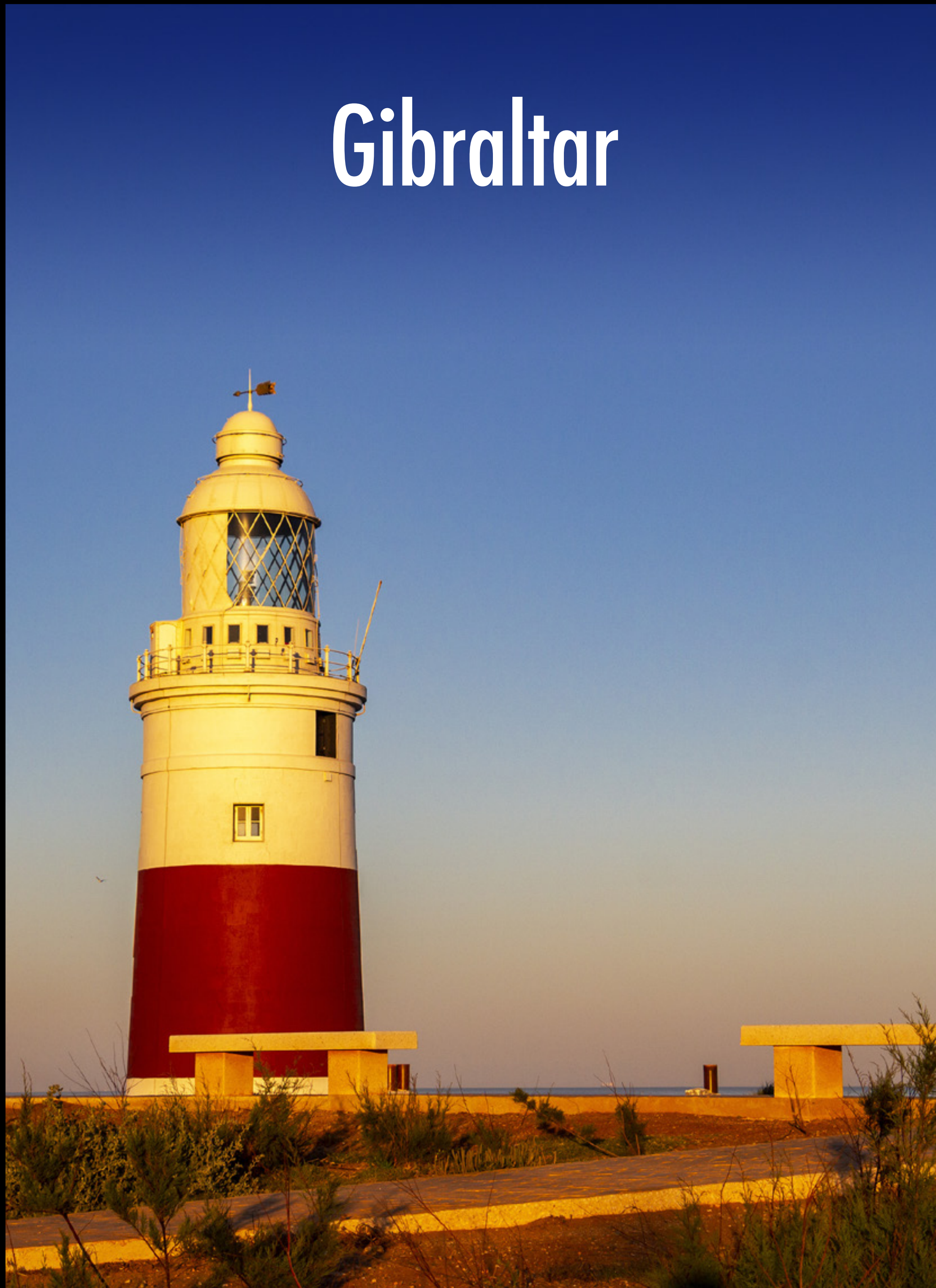
The calculation used to determine the minimum capital requirement is set out in the Delegated Regulation 2015/35/EU.

Minimum absolute capital requirements:

- EUR 2.5 million for non-life insurers, including captive insurers (except for insurers covering third-party liability, credit and deposit risks, in which case the minimum capital is EUR 3.7 million)
- EUR 3.7 million for life insurers, including captive insurers
- EUR 3.6 million for reinsurers, excluding captive reinsurers
- EUR 1.2 million for captive reinsurers
- EUR 6.2 million for insurers conducting life and non-life insurance business covered by the EU Solvency II Directive

For more details, visit: www.clydeco.com/insight

Gibraltar



Gibraltar's first captive insurance company was established in 1967, making the country a captive domicile for over 50 years. A major consideration for a new captive owner when choosing a captive domicile is whether to establish the business onshore or offshore.

The capital requirements in Gibraltar being an onshore domicile are more onerous than offshore locations, but captive owners wanting direct access to the UK market are prepared to invest to take advantage of the operating flexibility and benefits that Gibraltar offers. Gibraltar licenses captive insurers, protected cell companies, reinsurers, insurance managers, intermediaries, managing general agents, life insurers, general insurers, liability insurers, casualty insurers and motor insurers.

Under EU laws, insurers and intermediaries based in Gibraltar can provide insurance in other EU member states using their Gibraltar licences and without having to apply for a separate licence in other territories.

Gibraltar also has a flexible tax regime, with a low tax rate of 10 per cent across the board, which came into effect in July 2010.

Domicile did not respond to request for data. Information correct as of 31 December 2019.

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Guam

In 1996, the governor of Guam signed a bill into law, which authorised 100 per cent abatement and rebates of corporate and gross receipts taxes, respectively, to qualified insurance underwriters and captive insurance companies incorporated in Guam.

Spurred by increasing inquiries from insurance underwriters throughout the world, the government of Guam has enacted Public Law 24-266 and Public Law 24-11; technical amendments to the original captive law to provide an attractive environment for risk and insurance management companies to locate their Pacific headquarters in Guam.

Benefits of domiciling in Guam include its geographic location in relation to the US, 100 per cent tax rebates for commercial, captive and reinsurance companies, its established financial services community and its reinsurance business.

Guam welcomes pure captives, group captives, incorporated industrial captives and protected cell captives.

Minimum capital

No pure captive insurance company, group captive insurance company incorporated as a stock insurer or industrial insured captive insurance company incorporated as a stock insurer, rent-a-captive or protected cell captive insurance company shall be issued a license unless it shall possess and thereafter maintain unimpaired paid-in capital of:

- in the case of a pure captive insurance company, not less than USD 50,000
- in the case of a group captive insurance company incorporated as a stock insurer, not less than USD 100,000
- in the case of an industrial insured captive insurance company incorporated as a stock insurer not less than USD 150,000
- in the case of a rent-a-captive or a protected cell captive, not less than 150,000 for the first client or cell, increasing by USD 150,000 for each additional client or cell up to a maximum of USD 750,000

Such capital may be in the form of cash deposited in a member bank of the Federal Reserve System licensed to do business in Guam and approved by the commissioner.

Minimum surplus; letter of credit

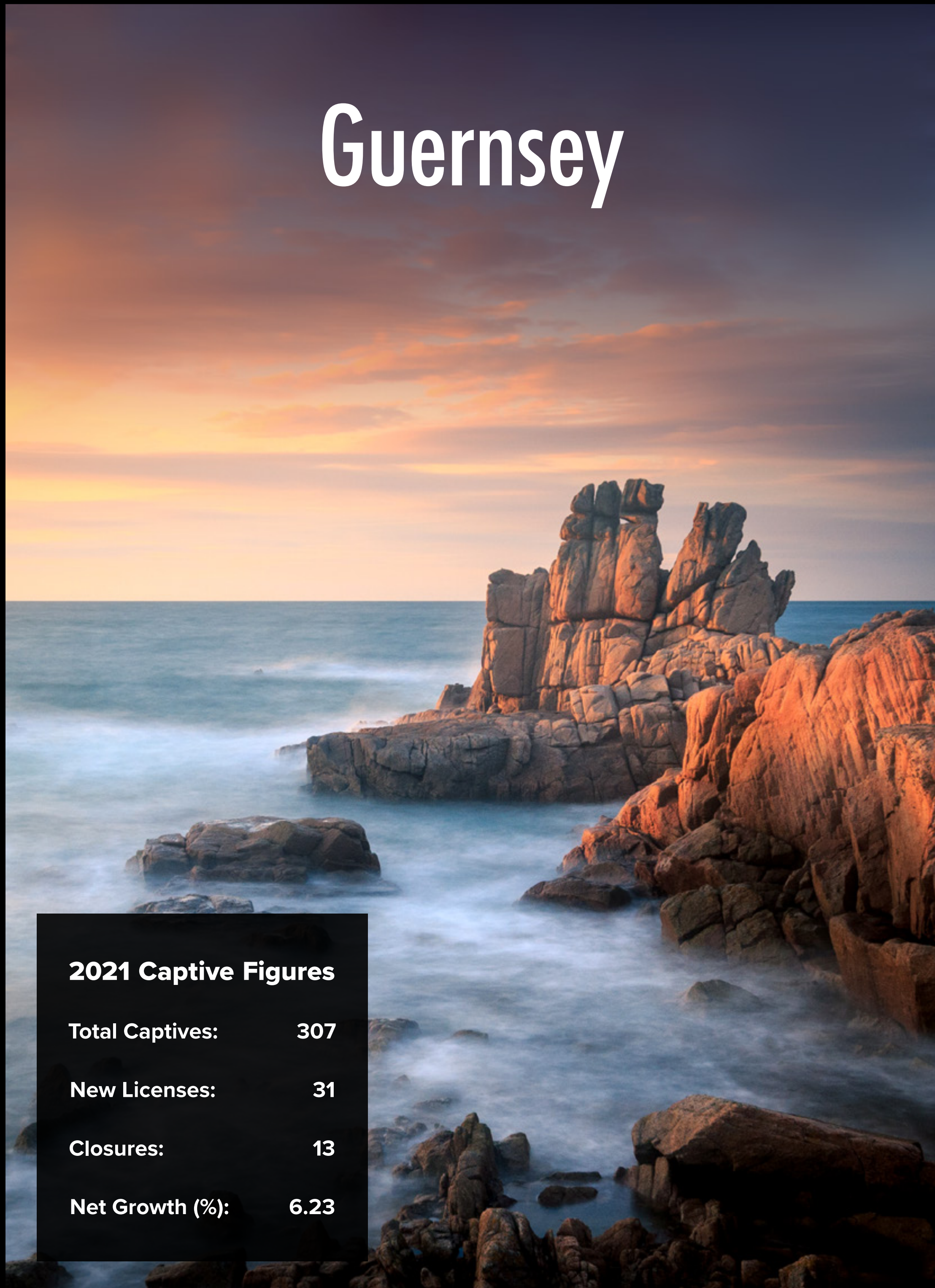
No captive insurance company shall be issued a license unless it shall possess and thereafter maintain free surplus of:

- in the case of a pure captive insurance company, not less than USD 100,000
- in the case of a group captive insurance company incorporated as a mutual insurer, not less than USD 150,000
- in the case of an industrial insured captive insurance company incorporated as a stock insurer, not less than USD 200,000
- in the case of a group captive insurance incorporated as a mutual insurer, not less than USD 200,000
- in the case of an industrial insured captive insurance company incorporated as a mutual insurer, not less than USD 200,000
- in the case of a rent-a-captive or a protected cell company, not less than USD 250,000

Such surplus may be in the form of (i) cash or an irrevocable letter of credit issued by a member bank of the Federal Reserve System and approved by the commissioner; or (ii) any other acceptable to the commissioner.

More information on captive insurance in Guam can be found at www.investguam.com

Guernsey



2021 Captive Figures

Total Captives:	**307**
New Licenses:	**31**
Closures:	**13**
Net Growth (%):	**6.23**

Guernsey is well known for its innovation in offshore insurance. The sector's origins date back to the 18th century and the first captive insurer was incorporated on the island in 1922. Today it is the largest captive domicile in Europe and in the top five jurisdictions worldwide, with an experienced insurance community of nearly 1,000 professionals, and offices of all the major global captive managers and a number of significant independents.

The island pioneered the cell company concept by introducing the protected cell company, and more recently introduced insurance-linked securities and pension longevity structures.

The island's captive insurance expertise is well regarded worldwide, with memoranda of understanding signed with Chinese authorities and captive business starting to flow from the country.

Some 20 per cent of the UK FTSE 100 have captives domiciled in Guernsey — and a number of firms join them from continental Europe the US, the Middle East, Asia, South Africa, Australia, and the Caribbean.

Guernsey saw a rise in captive formations in 2019 of 11, more than double the figure recorded in 2018 and the island's best performance since 2016. It is expecting a further increase in 2020 despite delays caused by COVID-19 lockdowns, as larger captives were going through the feasibility or set-up processes in the final quarter of 2020. Guernsey has more than a third of all captive insurance business in Europe, with more than 300 structures active there.

Towards the end of 2020, Guernsey's regulator, the Guernsey Financial Services Commission, introduced a pre-authorisation pilot scheme for insurance cells in consultation with the Guernsey International Insurance Association. The scheme permits just-in-time creation of new captive cells in existing protected cell companies. Insurance manager Artex in Guernsey implemented a captive cell solution within 48 hours of the launch. The pilot gives managers a route to act quickly and avoid missed opportunities to assist clients with urgent issues. The scheme applies to insurance-licensed protected cell companies (PCCs) owned by an insurance manager, and is available for captive cells writing a single line of general insurance business to meet an urgent business need. It must meet the standard formula minimum capital requirement and prescribed capital requirement, with no regulatory adjustments available.

Guernsey's close proximity to the UK and mainland Europe, being in the same time zone as the UK, and not being a member of the EU, place the domicile at an advantage. Being outside the EU means Guernsey has maintained a solvency regime that is fully compliant with the International Association of Insurance Supervisors but is not subject to Solvency II.

This provides a highly effective regulatory environment that encourages and facilitates companies in the use of their captives to meet their risk financing needs efficiently and effectively. Captives may be structured as companies, protected cell companies or incorporated cell companies and their respective cells.

Licensing and regulatory requirements are set under the Insurance Business (Bailiwick of Guernsey) Law of 2002. The Guernsey Financial Services Commission assesses licence applications and business plans based on applicant's ability to meet minimum statutory licensing criteria, including fitness and propriety of applicant, integrity and governance.

Captives are designated as a Category five insurer under the Insurance Business (Solvency) Rules of 2015 and are subject to a standardised risk-based solvency requirement calibrated such that there is a 90 per cent confidence level that there is sufficient capital to meet obligations over the next 12 months.

More information on captive insurance in Guernsey can be found at www.weareguernsey.com/finance-industry/insurance/captive-insurance

Hawaii

2021 Captive Figures

Total Captives:	251
Active Captives:	251
New Licenses:	17
Closures:	8
Net Growth (%):	9

Experience, reliability and accessibility best describe why Hawaii is one of the world's premier domiciles for captive insurance and alternative risk financing. With over 30 years of experience, Hawaii is a key domicile of the Pacific region and highly respected worldwide. Its partnership approach with captive owners and the industry offers a stable and prudent environment for captive organisers, ensuring the continued success of Hawaii captive programmes in this rapidly changing area. Hawaii offers multiple captive structures, including pure, group, association, sponsored and risk retention groups. The minimum required capital and surplus is determined by the insurance commissioner based on each captive programme. As a guide, the minimum statutory capitalisation requirements by class of captive licence are:

- Class 1: Single-owner; reinsurance only, USD 100,000
- Class 2: Single-owner; direct and reinsurance, USD 250,000
- Class 3: Multi-owner; association or risk retention captive, USD 500,000
- Class 4: Sponsored captive, USD 500,000
- Class 5: Reinsurance or excess insurance only, to be determined by the insurance commissioner

In Hawaii, tax is levied only on the captive's premiums. There is no minimum premium tax but it is limited to USD 200,000.

There is no taxation of captive premiums if premiums were previously subjected to tax in a jurisdiction where the underlying risk is located, or on reinsurance premiums assumed by a captive.

The premium tax rate has been set at 0.25 per cent for the first USD 25 million, 0.15 per cent for the next USD 25 million, and 0.05 per cent for between USD 50 million and USD 250 million. No tax is levied on more than USD 250 million.

Captives in Hawaii are also subject to the following fees:

- Initial incorporation: USD 50
- Application: USD 1,000
- Annual business registration: USD 50
- Annual captive licence: Class 1 and 2, USD 300; Class 3, USD 500; and Class 4 and 5, USD 1,000

More information on captive insurance in Hawaii can be found at www.cca.hawaii.gov/ins/captive

Hong Kong

2021 Captive Figures

Total Captives:	4
Active Captives:	4
New Licenses:	0
Closures:	0

Hong Kong first enacted legislation for captive insurance in 1997, with its first captive licensed in 1999. Hong Kong is known for its commitment to encouraging the establishment of captive insurers in the territory with a view to promoting Hong Kong as a captive centre within the Asian region.

It also holds a reputation for being the financial, trading and business centre in Asia, providing a sound, and internationally respected legal system and a resilient, resourceful and efficient workforce, as well as a sophisticated business environment.

The domicile is home to traditional types of captive insurers that carry on general insurance business, and sways away from more sophisticated types of captives such as rent-a-captives and protected cell captives.

It boasts a simple tax regime with a corporate tax rate as low as 16.5 per cent, while the maximum rate of personal income tax is only 15 per cent.

From the year of assessment 2013/14 onwards, there has been a 50 per cent reduction in the corporate tax rate for the offshore insurance business of captives. This has been further extended to the insurance business of onshore risks commencing from the year of assessment 2018/19.

Various policy initiatives have been launched by the Insurance Authority of Hong Kong, set up in June 2017 to replace the former Office of the Commissioner of Insurance. The strategic vision is to reshape Hong Kong into a regional insurance hub and global risk management centre through the building up of a robust insurance ecosystem.

These include expanding the scope of insurable risk for captives, developing the Specialty Risks Consortium, introducing profits tax concession targeted at insurers and broker companies underwriting marine and specialty insurance, facilitating business operation of protection and indemnity (P&I) clubs and a new bespoke regime for issuance of insurance-linked securities (ILS). More information can be found at www.ia.org.hk/en/reinsurance_specialty/introduction.html.

The minimum paid-up capital requirement for captive insurers licensed in Hong Kong is HKD 2 million (USD 260,000), while the solvency requirements stand at 5 per cent of the net premium income, 5 per cent of the net claims outstanding, HKD 2 million, or whichever is greater.

More information on captive insurance in Hong Kong can be found at: www.ia.org.hk/en/supervision/reg_insurers_lloyd/requirements_captive_insurers.html

Illinois

2021 Captive Figures

Total Captives:	2
Active Captives:	2
New Licenses:	0
Closures:	1

Illinois has the fifth highest GDP in the US and is home to the third largest US city, Chicago. In previous years, Illinois' underdeveloped captive insurance legislation and high self-procurement tax has meant the state hasn't been viewed as a feasible domicile for captives.

But in 2018, the Illinois Department of Insurance amended the captive insurance article of the Illinois Insurance Code to allow the jurisdiction to become recognised as a viable option for captives.

The amendment allows captive insurers to be formed in Illinois with lower minimum capital and surplus requirements.

The minimum capital and surplus requirements of the three types of captives that can be formed in Illinois are:

- Pure: USD 250,000
- Industrial insured: USD 500,000
- Association: USD 750,000

Other notable changes in 2018 included:

- Lowering the filing fee from USD 7,000 to USD 2,000
- Financial reporting requirements
- Allowing captives to make loans to affiliates with prior approval of the director
- Captive reinsurance pools
- Captive managers
- Dividends

More detailed information on captive insurance in Illinois can be found at www.insurance.illinois.gov

Ireland

Insurance Ireland is the representative body for the Irish insurance, reinsurance, international and captive management sector. Ireland is an international hub for insurance. Irish insurers serve more than 25 million customers in more than 110 countries worldwide, including nearly all EU Member States. We believe that there are significant growth opportunities in the Irish insurance market, particularly for internationally operating insurers, reinsurers and captives, and that the specialist insurance market in Ireland offers potential for further development.

Insurance Ireland works to ensure that the unique nature of captive insurance firms is reflected in our interactions with policymakers domestically, in Europe and globally.

Advantages of Ireland as a captive domicile

With more than 30 years of building a world-leading financial services ecosystem, Ireland provides a stable and secure operating environment, skilled staff, connectivity, urban amenities and a high quality, competitively priced business infrastructure.

This is in addition to a transparent tax regime and a business-friendly environment. The EU's Freedom to Provide Services (FoS) and Freedom of Establishment (FoE) offering to all types of international re/insurers and captives is central to Ireland's international financial services activities.

The strong ecosystem underpinning this model includes legal and associated professional services with extensive experience in supporting companies in accessing all EEA countries on a direct writing basis.

The foreign direct investment agency, IDA Ireland, promotes the Irish international financial services sector and offers a myriad of support to foreign companies establishing in Ireland. Ireland also has a unique relationship with the UK, a common mother tongue, a pro-business culture and common law legal framework.

Setting up in Ireland

The process for setting up in Ireland, which includes interaction with the Central Bank of Ireland (CBI), Ireland's sole regulatory authority for financial services, initiates a strong relationship with the applicant from the outset.

Ireland's sophisticated financial services sector is regulated by the CBI, which covers life and general insurance, credit institutions, investment intermediaries, stockbrokers, financial exchanges, collective investment schemes, funds, investor compensation and related consumer issues.

The insurance regulatory environment overseen by the CBI is well established among EU and global supervisors. The CBI adheres to the EU regulatory framework, e.g. Solvency II.

Among other aspects, the CBI has taken a comprehensive and active approach on applying Solvency II proportionately via its Probability Risk and Impact System (PRISM). Under PRISM, (re)insurers ranked as 'low' or 'medium-low' such as captives are subject to less onerous requirements.

For example, the CBI's governance code allows for fewer directors and less frequent board meetings.

Captive structures in Ireland

The captives domiciled in Ireland are direct insurance companies as well as reinsurance companies. Regulated companies can avail of FoS Ireland and FoE to write cross-border business in the EU from an Irish base.

The types of risks traditionally underwritten by captives in Ireland includes accident, sickness, aircraft, property damage, business interruption, goods in transit, motor vehicle liability, credit, employers' liability and general liability.

Captive insurers and reinsurers also cover non-traditional risks such as employee benefits, including US employee benefits through US-domiciled branches of Irish captives, product liability, miscellaneous financial loss, workers' compensation retentions and catastrophe. The CBI has prepared a set of templates available for captives that wish to apply for a direct or reinsurance license. These are available on the CBI website: www.centralbank.ie

Looking ahead

The Irish Government has established a comprehensive strategy to develop and promote the financial services sector up until 2025 — the IFS2025 strategy. IFS2025 focuses on increasing the attractiveness of Ireland as an international insurance hub and creating a desirable competitive environment for insurers, reinsurers and captives to take advantage of the benefits of locating in Ireland. A summary of the contents of the strategy is available on www.gov.ie, or get in touch with us at Insurance Ireland for further information.

While Brexit created some uncertainty for all insurers, it remains to be seen how the future regulatory frameworks between the UK and EU will work in practice. Insurance Ireland engaged with both the Irish and EU institutions in the run-up to Brexit and closely cooperated with its sister associations to clarify outstanding questions such as run-off regimes and equivalence decisions. We continue to work with policymakers to convey the industry's views on issues as they arise. Overall, Ireland has adopted a pragmatic and clear set of guidelines to assist regulated entities that wish to continue trading between the EU 27 and the UK post-Brexit.

The Brexit file is handled by the Department of An Taoiseach (Prime Minister), and details can be found on the Irish government www.gov.ie.

Insurance Ireland's objective is to move insurance and financial services further up the value chain. This is critically important for existing insurers, reinsurers and captives in Ireland and for potential new entrants. In addition, a continued focus on value chain will help cement existing jobs in the sector by allowing Irish operations of international groups to expand their roles, as well as improving Ireland's attractiveness by building on the critical mass of expertise for specialist activities.

The priority areas for all aspects of insurance, including captives, are regulatory interaction, promotion, international competitiveness, insurtech, skills, sustainable finance, culture, diversity and inclusion.

Isle of Man

2021 Captive Figures

Total Captives:	**99**
Active Captives:	**99**
New Licenses:	**0**
Closures:	**3**

The Isle of Man has a strong economy, backed by a Moody's rating of Aa3. Its pragmatic and effective regulation offers a choice of structures, including incorporated cell and protected cell companies.

It also boasts bespoke insurance-linked securities, special purpose vehicle and catastrophe bond legislation. Redomestications are allowed.

Located in the heart of the British Isles, but not part of the EU or the European Economic Area, the Isle of Man has a skilled and cost-effective workforce, along with extensive infrastructure and professional service support. Its proportional capital and solvency requirements are coupled with the ability to provide a loan back to the parent company.

The domicile offers a host of structures, including limited liability companies, protected cell companies, incorporated cell companies, insurance special purpose vehicles and limited liability partnerships.

At the formation stage, an appropriate risk-based level of capital is agreed with the regulator, the Isle of Man Financial Services Authority (IOMFSA).

Thereafter, the company is required to maintain adequate capital and resources to meet its liabilities. The current regulatory framework has prescribed minimum limits of solvency:

- General insurer: GBP 150,000
- Reinsurance company: GBP 100,000
- Captive insurer: GBP 50,000

For standalone insurers, fees include an application charge of GBP 3,123 and annual charges of GBP 6,694. Cells are subject to a minimum/maximum fee structure of GBP 792 to GBP 6,694.

The Isle of Man, in line with most other major domiciles, is introducing a revised risk-based methodology for the calculation of capital and solvency requirements based on internationally-recognised standards developed by the IAIS Insurance Core Principles.

More information on captive insurance in the Isle of Man can be found at www.iomcaptive.com. Details of all companies offering captive management services in the Isle of Man, and regulated by the IOMFSA can be found at www.iomfsa.im/register-search.

Jersey

Jersey has a growing reputation as an alternative location to establish a captive and can offer everything the more established jurisdictions can offer.

The Jersey market has grown in excess of 30 per cent over the past two years thanks to an 'open for business' approach from local managers.

The jurisdiction caters for captive insurance companies, protected cell companies and incorporated cell companies.

Jersey has the capability for both long and short-term risks, global and domestic programmes and can write on reinsurance or insurance basis.

The Jersey Financial Services Commission (JFSC) regulates all of Jersey's financial services sector. All insurance business conducted in Jersey is regulated under the Insurance Business (Jersey) Law 1996.

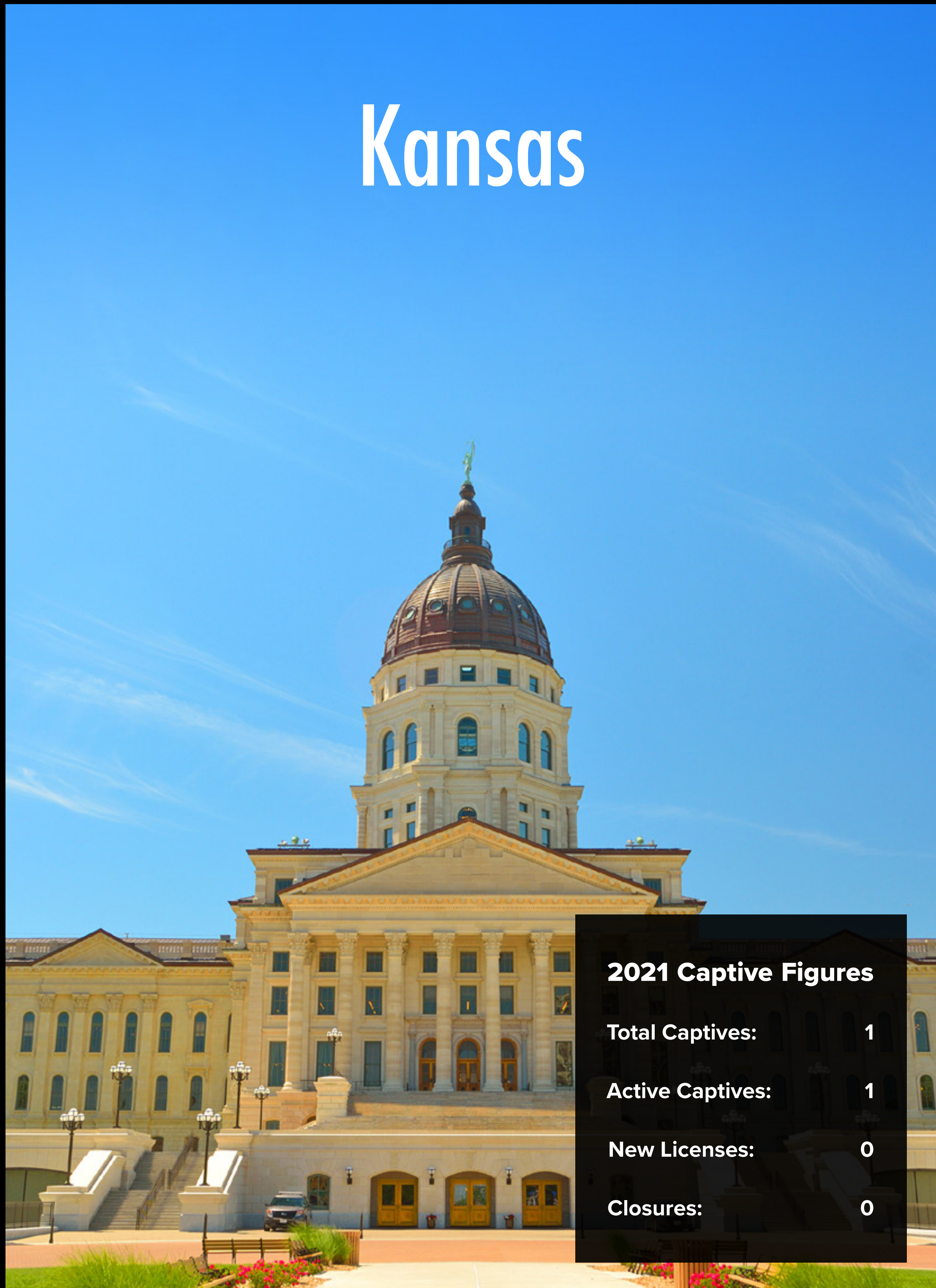
The minimum capital requirement for a captive is GBP 100,000 but the JFSC has the ability to amend this, both up and down, depending on the nature of the proposed business and financial projections.

Jersey has opted to be non-equivalent towards Solvency II and instead follows the international standards set by the International Association of Insurance Supervisors.

The solvency margin requirements for Category B permit holders are 17.5 per cent of net premium income for general business, and 2.5 per cent of the value of the long-term insurance fund or GBP 50,000, whichever is the greater, for long-term business.

More information on captive insurance in Jersey can be found at www.jerseyfsc.org/industry/guidance-and-policy/applications-under-insurance-business-jersey-law-1996

Kansas



2021 Captive Figures

Total Captives:	1
Active Captives:	1
New Licenses:	0
Closures:	0

Captive insurance law in the state of Kansas provides for pure, association, branch and special purpose captives. Capital requirements in the domicile are as follows:

- Pure captives: no less than USD 250,000 in capital
- Association captives: USD 500,000 in capital, which can come in the form of cash or a letter of credit issued by a bank chartered by the state of Kansas or the US comptroller of currency, domiciled in Kansas, and approved by the commissioner
- Special purpose captives: unimpaired paid in capital and surplus of no less than USD 5 million

For the purposes of the state's captive insurance law, a branch captive insurance company is a pure captive insurance company with respect to operations in the state, unless otherwise permitted by the commissioner.

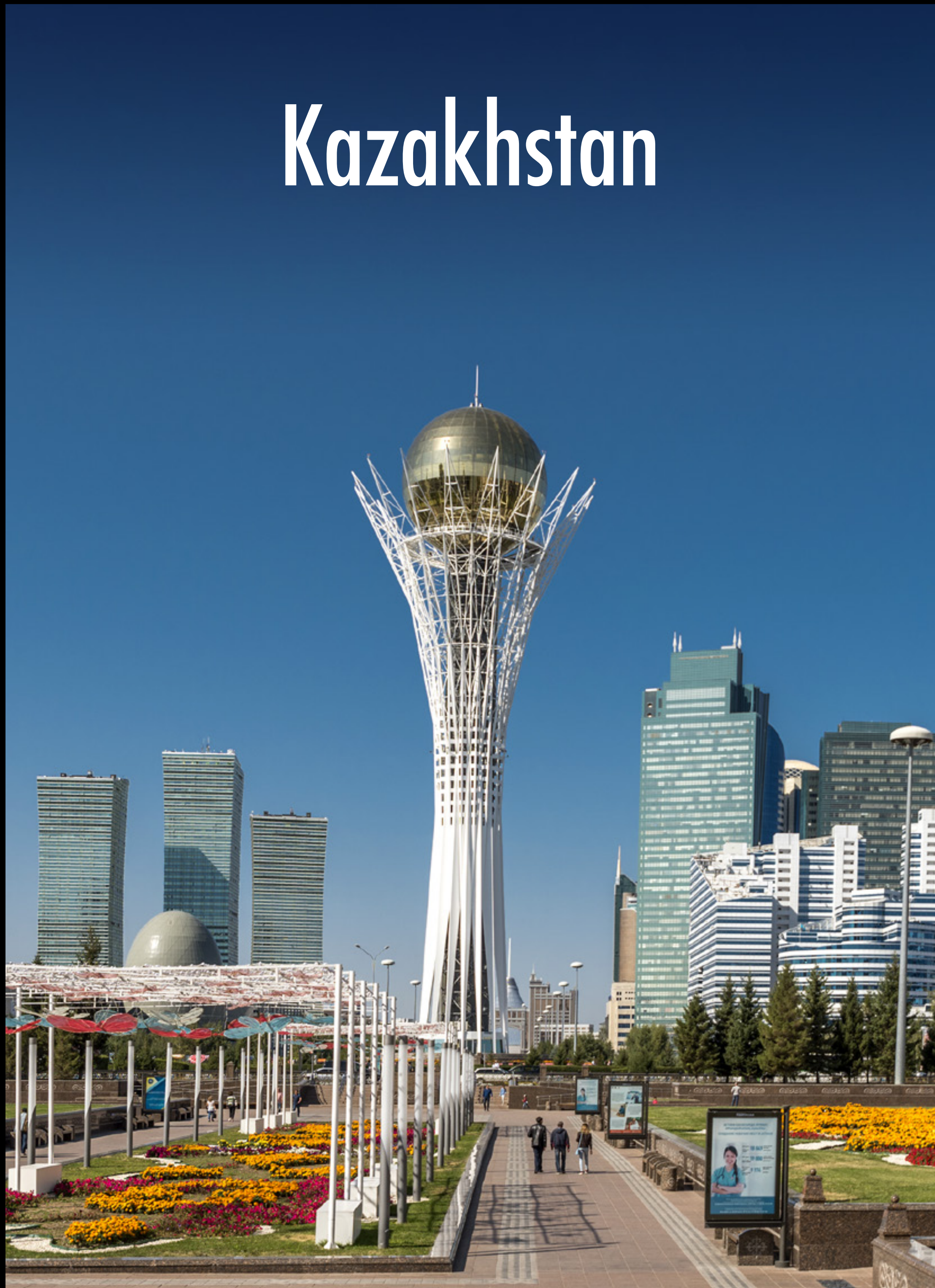
Prior to 1 March each year, every captive insurance company must submit a report of its financial condition, verified by oath of two of its executive officers, to the commissioner.

Kansas-domiciled captives are required to pay a tax on all premiums received on risks located in the state.

Interested parties should contact the financial surveillance division for more information and visit the National Association of Insurance Commissioners Uniform Certificates of Authority Application website, via www.naic.org, for applicable admission documents.

More information on captive insurance in Kansas can be found at insurance.kansas.gov

Kazakhstan



The Astana Financial Services Authority (AFSA) is the independent regulator of the Astana International Financial Centre (AIFC), a legal entity and statutory body of the Republic of Kazakhstan. The AIFC is a unique hub on the map of the financial world that brings together the best practices and opportunities offered by similar institutions around the globe — from New York City and London to Dubai, Hong Kong and Singapore.

The AIFC, which welcomes companies and individuals, is prepared to offer additional opportunities for development and growth to both large financial, industrial and trade corporations, as well as newcomers in the market. Its friendly tax regime and operational incentives help reduce expenses and make the cost of doing business in the AIFC attractive to clients, as well as increasing competitiveness.

Under AIFC acts, captive insurance business is the business of effecting or carrying out contracts of insurance only for the business or operations of the group to which the captive insurer belongs.

A captive insurer is an authorised firm with a licence to carry on insurance business as a Class 1, Class 2 or Class 3 captive insurer.

A Class 1 captive insurer is an AIFC captive insurer that is permitted under the conditions of its authorisation to effect or carry out contracts of insurance only for risks related to or arising out of the business or operations of the group to which the insurer belongs.

A Class 2 captive insurer is an AIFC captive insurer that is permitted under the conditions of its authorisation to obtain no more than 20 per cent of its gross written premium from third-party risks arising from business or operations that are closely linked to the business or operations of the group to which the Insurer belongs.

A Class 3 captive insurer is an AIFC captive insurer that: (a) is permitted under the conditions of its authorisation to effect or carry out contracts of insurance only for risks related to or arising from the business or operations of persons who engage in similar, related or common: i. businesses; ii. activities; iii. trade; iv. services; or v.operations, and (b) is owned by the persons mentioned in paragraph (i) or by a body corporate of which all such persons are members such as group captives.

In January 2020, the AFSA revealed it had issued a license to the Kazakhstan Energy Reinsurance Company to continue the regulated activities of effecting contracts of insurance and contracts of insurance as a captive insurer, after relocating from Bermuda.

The transfer of incorporation of the captive insurance firm marked a positive process of relocation of Kazakhstani capital and assets from foreign jurisdictions, according to the AIFC.

As part of investment reforms in Kazakhstan, the AIFC aims to accelerate the economic growth of the country. It has implemented a regulatory regime that allows attracting capital to the country, including repatriation of assets.

Section 14.4.1 of the AIFC Insurance and Reinsurance Prudential Rules sets the minimum capital requirement for a captive insurer.

The capital floor for a captive insurer is the highest of the following:

(a) the base capital requirement;
(b) the premium risk component;
(c) the technical provision risk component

Base capital requirement (BCR) for a captive insurer is:

(a) USD 100,000 for a Class 1 captive insurer;
(b) USD 200,000 for a Class 2 captive insurer;
(c) USD 300,000 for a Class 3 captive insurer.

Premium risk component for a captive insurer:

(a) The premium risk component for Class 1, Class 2 or Class 3 captive insurers conducting general insurance business or life insurance business is the amount calculated in accordance with the following formula:

[18 per cent of a firm's net written premium up to USD 5 million] + [16 per cent of a firm's net written premium in excess of USD 5 million]

Technical provision risk component for a captive insurer:

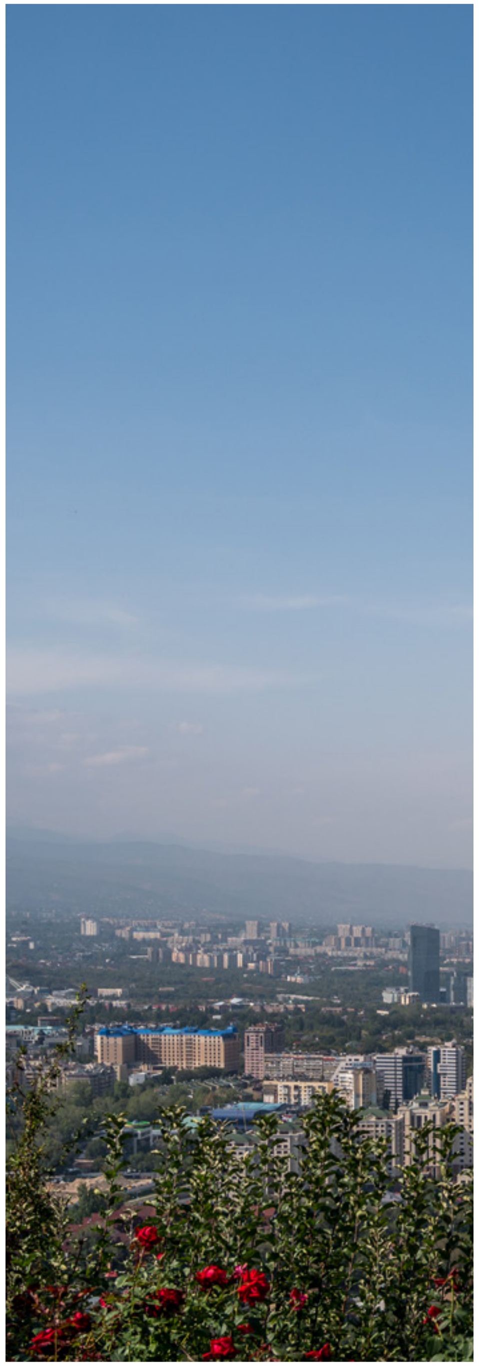
(a) The technical provision risk component for Class 1, Class 2 or Class 3 captive insurers conducting general insurance business is the amount calculated in accordance with the following formula:

[5 per cent of a firm's net claims reserve under general contracts of insurance] [15 per cent of the amount of firm's reinsurance and other recoveries expected to be received in respect of those claims]

(b) The technical provision risk component for Class 1, Class 2 or Class 3 captive insurers conducting long-term insurance business is the amount calculated in accordance with the following formula:

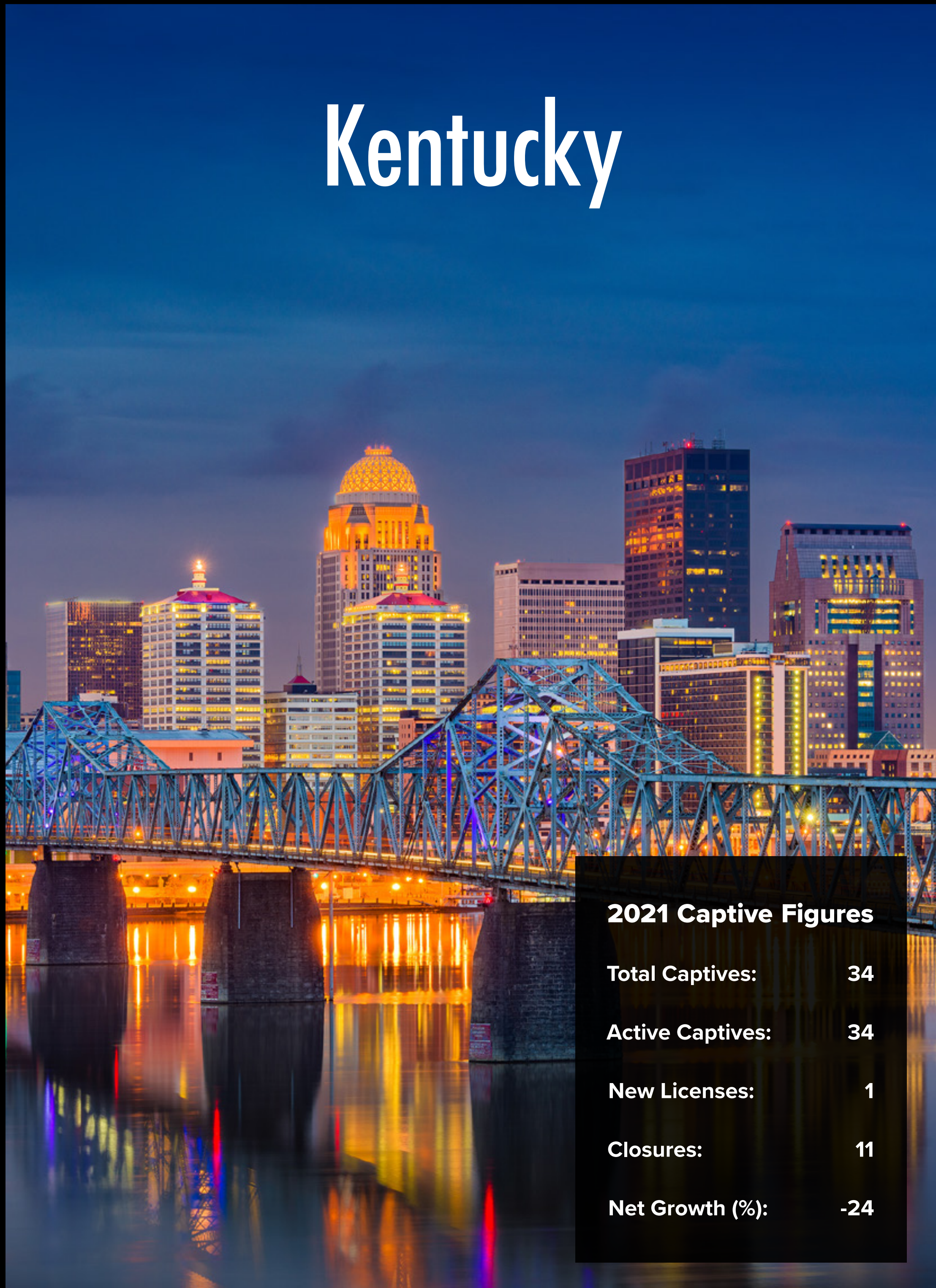
[2.5 per cent of policyholder liabilities calculated using actuarial methods for long-term insurance]

For more information, visit: aifc.kz



Kazakhstan

Kentucky



2021 Captive Figures

Total Captives:	34
Active Captives:	34
New Licenses:	1
Closures:	11
Net Growth (%):	-24

Kentucky is an established mature midwestern captive domicile focused on insurance and risk management.

For many years, Kentucky has been a successful captive domicile. It has grown to more than 80 licensed captives, with experienced captive managers and service professionals.

The Kentucky Department of Insurance has experienced staff dedicated specifically to captives.

Kentucky has not specialised in a particular type of captive or industry. Kentucky captive owners come from a number of industries, including automobile, healthcare and elder services, manufacturing, computer services, real estate and construction, banking and financial services, and shipping transport and logistics.

Total annual premiums are approximately USD 100 million. Kentucky has four risk retention groups, with three writing medical malpractice.

It also has a captive owned by an international nonprofit and a large employee stock ownership plan controlled captive.

The minimum capital and surplus requirements in Kentucky begin at USD 250,000 for pure captives and special purpose captives, and USD 500,000 for most other captives.

The premium tax starts at 0.4 per cent for the first USD 20 million and has lower graduated rates as premiums rise.

The premium tax is generally in line with other states that impose a premium tax.

A minimum of USD 5,000 per year is charged if the premium tax would not otherwise exceed that amount.

More information can be found at captive.insurance.ky.gov and www.kycaptive.com

Labuan

Labuan International Business and Financial Centre (Labuan IBFC) boasts a robust and internationally recognised regulatory framework, with a strong focus on insurance and risk management. Businesses are governed by eight modern acts, including the Labuan Islamic Financial Services and Securities Act of 2010, which is the world's first omnibus legislation governing all shariah-compliant financial services in an international business and financial centre. This Islamic act has also led to the introduction of Labuan IBFC's Islamic captives, or as they are more commonly known, takaful captives.

The domicile also has a broad range of entities and business and investment structures to cater for cross-border transactions, business dealings and wealth management needs. In the risk management sector, the Labuan IBFC landscape is dotted with various licensed entities, from insurers, reinsurers and underwriters to managers.

Labuan IBFC offers global investors and financial services providers a competitive tax structure and various tax exemptions, as well as access to the majority of Malaysia's extensive network of more than 70 double taxation treaties. In addition, Labuan IBFC is a cost-efficient, substance-enabling jurisdiction with an English speaking and well-educated workforce.

The domicile offers multiple forms of captive structures, including pure/single owner captives, group, association, master and subsidiary rent-a-captives and cell and multi-owner captives.

To set up a captive in Labuan IBFC, an applicant must be a Labuan company (including protected cell companies) incorporated or registered under the Labuan Companies Act of 1990, or a special purpose vehicle. They must also be a member of the Labuan International Insurance Association.

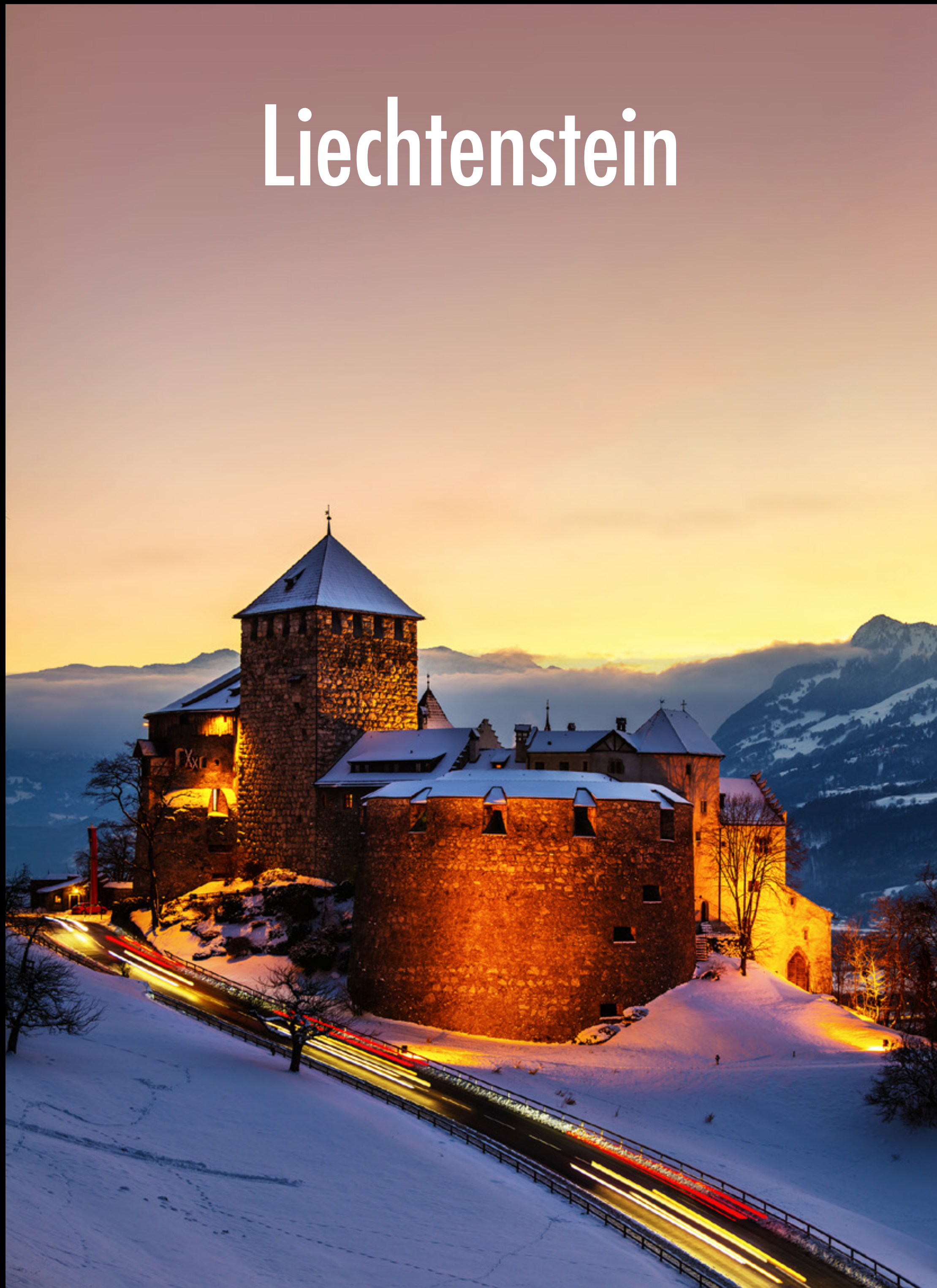
Every Labuan IBFC captive insurer must have an operational management office in Labuan IBFC, managed by a team that has adequate knowledge and expertise in the insurance business, including the captive insurance business. Otherwise, they need to appoint a licensed Labuan IBFC underwriting manager.

Control persons, directors and principal officers need to be approved by the Labuan Financial Services Authority, the statutory regulator of Labuan International Business and Financial Centre, Malaysia, set up via the enactment of the Labuan Financial Services Authority Act 1996, reporting directly to the Minister of Finance, Malaysia.

A Labuan IBFC captive insurer needs to maintain a minimum paid-up capital or working funds amounting to a specified sum with a bank in Labuan IBFC. In addition, the captive insurer needs to monitor the level of its solvency regularly. Higher capital requirements may be imposed commensurating with the Labuan IBFC captive insurer's business activities and risk exposures.

More information about Labuan captives, including the capital requirements for each type of structure, is available at www.labuanibfc.com

Liechtenstein



Liechtenstein is an international centre of insurance that is ideally located in central Europe, offering an adept workforce and unique access to both the EU and Switzerland markets. Captives are regulated by the Financial Market Authority Liechtenstein, and are subject to the Insurance Supervision Act, the Insurance Supervision Ordinance, and the Solvency II directive. The structures authorised in the domicile are single-parent captive reinsurers and direct-writing insurance captives (both life and non-life).

From Liechtenstein, captives can insure the subsidiaries and branches of their parent companies in Switzerland, the European Economic Area and third countries.

The minimum capital requirements are, in accordance with Solvency II, EUR 1.2 million for reinsurance, and EUR 2.5 million for direct writing insurers (non-life) without classes 10 to 15 (where classes 10, 11, 12 and 13 are liability insurance, and classes 14 and 15 credit are suretyship insurance), and EUR 3.7 million, including classes 10 to 15. The licensing fee for captives is CHF 30,000.

Liechtenstein does not have a tax on capital, but does have a flat tax rate of 12.5 per cent on taxable income.

More information on captive insurance in Liechtenstein can be found on www.fmali.li

Luxembourg

2021 Captive Figures

Total Captives:	192
Active Captives:	192
New Licenses:	10
Closures:	17

Luxembourg is internationally known for reinsurance and as a captive reinsurance domicile. It has a fully diversified financial centre and is the largest captive reinsurance domicile in the EU. Companies from around the globe have domiciled 199 reinsurance vehicles in Luxembourg, 80 per cent of which are captives, choosing it for a variety of reasons.

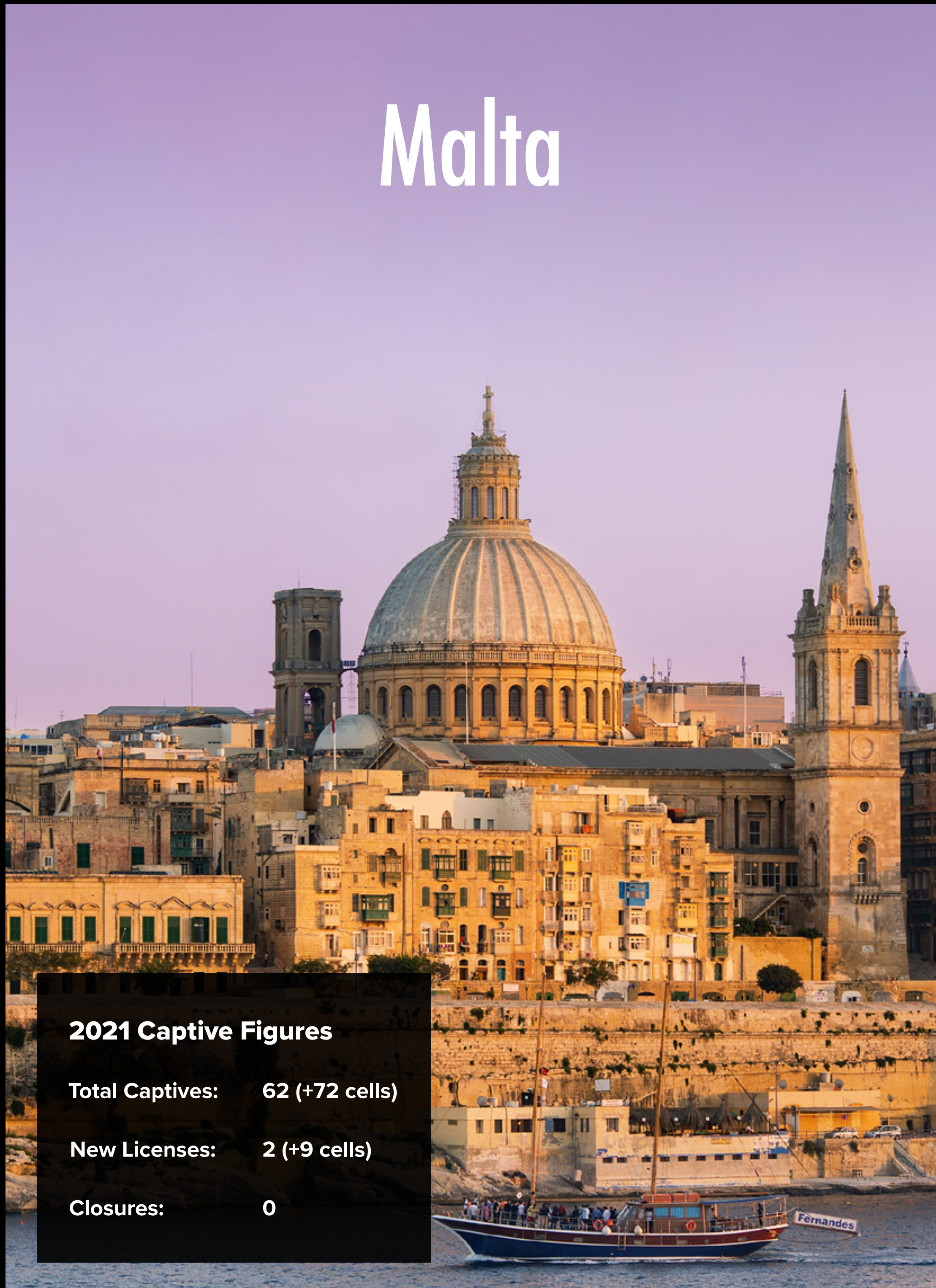
These include its stable democracy and strong economy situated in the heart of Europe, its economic, social and political stability, which ensure a secure legal and tax framework, as well as a skilled multilingual workforce, excellent infrastructure, flexible and open-minded authorities, and a modern legal and regulatory framework for captive reinsurance companies.

Luxembourg legislation requires that reinsurance companies collect adequate technical and balancing reserves, so allowing captives with less favourable risk diversification to build large technical reserves to cover their 'high risk-low frequency' exposures. It has implemented the Solvency II regime via the modified law of 7 December 2015 on the insurance sector. Any reinsurance company must be licensed by the minister before commencing its activities.

The issuance of the licence is subject to the following main requirements:

- Corporate purpose limited to the acceptance of risks ceded by insurance or reinsurance companies to the exclusion of direct insurance business
- Central administration must be established in Luxembourg
- Minimum capital requirement EUR 3.6 million for reinsurance companies and EUR 1.2 million for captive reinsurance companies
- Transparency of the direct and indirect shareholding structure
- Quality of the shareholders deemed satisfactory in view of the need the ensure the sound and prudent management of the company
- Appointment of a local manager who must be authorised by the minister
- Implementation of reliable administrative and accounting procedures and adequate internal control mechanisms

More information on captive reinsurance in Luxembourg can be found at www.caa.lu



Malta

2021 Captive Figures

Total Captives:	62 (+72 cells)
New Licenses:	2 (+9 cells)
Closures:	0

Malta has a well-diversified and resilient economy with enough fiscal space to combat the COVID-19 pandemic. In November 2021, Fitch affirmed the country's A+ long-term rating with a stable outlook.

Malta attracts global established international insurance and reinsurance groups, managers and distributors, together with captives, insurtechs and businesses wishing to add insurance to their offerings.

The number of non-domestic insurance undertakings rose to 62 in September 2021. In a year, insurance carrying cells grew 18 per cent to 72, while insurance broker cells grew to 13. In 2020, gross written premium for risks outside Malta rose 21 per cent to EUR 5.6 billion.

Malta is the only EU member state with protected cell company (PCC) legislation enabling cells beyond captives, direct insurers, and reinsurers to include brokers and insurance managers, all regulated by the Malta Financial Services Authority (MFSA).

The understanding of cell solutions in continental Europe has increased as companies seek alternative approaches to tackle the hard market, Brexit and higher stakeholder expectations.

With their shared economies of scale, Maltese PCCs provide substance and resources. While taking strength from its EU-based regulatory regime, PCCs in Malta offer unique benefits under Solvency II. They give confidence in being onshore in the EU without a standalone company's complexities, costs and time, potentially also saving capital. They offer direct access to the EU market, reducing fronting costs and requirements.

Following Brexit, some PCCs in Malta continue to provide direct access to the UK market by establishing UK branches. Pending approval, existing and new cells carry on writing new business in the UK under the UK Temporary Permissions Regime.

No minimum capital requirements apply to individual protected cells.

As per Solvency II, the minimum capital requirements at an overall company level are EUR 2.5 million or EUR 3.7 million depending on the covers, reduced to EUR 1.2 million for captive reinsurance businesses.

MFSA is a well-established, respected, yet approachable regulator within the EU. In 2019 it commenced a three-year strategy, significantly increasing its human resources and investing more than EUR 10 million in its technology to improve supervisory capacity and efficiency.

The application process for a captive or cell with the MFSA is interactive, involving consultation between applicants and the MFSA before and after an application is formally submitted.

At the forefront of introducing new legislation and innovative structures such as the reinsurance special purpose vehicles and securitisation cell companies, Malta is an onshore domicile that can enable insurance-linked securities and catastrophe bonds.

In addition, Malta is keen to facilitate blockchain technology and offer legal certainty. The Malta Digital Innovation Authority provides a framework for the voluntary certification of distributed ledger technology and related service providers. It touches upon several issues, including legal personality and applicability to smart contracts.

Information provided by Ian-Edward Stafrace, chief strategy officer of Atlas Insurance PCC Limited.

Since the enactment of Mauritius' Captive Insurance Act 2015, there has been an increasing interest in the African domicile from captive managers and companies worldwide. Mauritius is already home to a number of global players, including multinational companies, global investment funds, international banks, legal firms and audit firms.

The country provides security and stability as a proven financial centre that adheres to global best practices; risk mitigation possibilities through a network of investment promotion and protection agreements; no exchange control; a pool of innovative financial products and structures; and long-standing bilateral relations with Africa.

Its new captive rules, which are still in draft form and subject to change, proposes four classes of captive business:

- **Pure:** Gross written premium, originating from risks or insurable interests of affiliated corporations in which the parent holds at least 20 per cent but not more than 50 per cent of voting rights, will neither exceed 10 per cent of the total gross premium nor MUR 30 million (USD 842,700) for a financial year
- **Class 1 third-party:** Gross written premium, originating from risks or insurable interests of affiliated corporations in which the parent holds at least 20 per cent but not more than 50 per cent of voting rights, will be at least 10 per cent and will neither exceed 50 per cent of the total gross premium nor MUR 300 million (USD 8.5 million) for a financial year
- **Class 2 third-party:** Gross written premium, originating from risks or insurable interests of any person with which the captive insurer is related through an insurable interest, or of affiliated corporations in which the parent holds at least 20 per cent but not more than 50 per cent of voting rights, will neither exceed 50 per cent of the total gross premium nor MUR 300 million for a financial year
- **Class 3 third-party:** Gross written premium will not exceed MUR 300 million and will provide benefits through a contract of insurance with a non-related person in return for a premium

The minimum unimpaired paid-up capital requirements stand at MUR 3 million (USD 86,750) for pure captives, MUR 5 million (USD 144,600) for Class 1, and MUR 10 million (USD 290,000) for Classes 2 and 3.

More information on captive insurance in Mauritius can be found at www.fscmauritius.org/en

Domicile did not respond to request for data. Information correct as of 31 December 2019.

Michigan

2021 Captive Figures

Total Captives:	**24**
Active Captives:	**22**
New Licenses:	**1**
Closures:	**3**

Michigan can license pure captives. In terms of association captives, they can be incorporated as a stock insurer or a mutual insurer, or organised as a limited liability company.

The state also licenses industrial insured captives, either as a stock insurer or a limited liability company, as well as sponsored captives, non-profit pure captives and special purpose financial captives.

The capitalisation requirements for these types are:

- Pure captive: USD 150,000
- Association (stock insurer or limited liability company): USD 400,000
- Association (mutual insurer): USD 750,000
- Industrial insured (stock insurer or limited liability company): USD 300,000
- Sponsored: USD 500,000
- Non-profit pure: USD 250,000
- Special purpose financial: USD 250,000

Michigan does have a resident agent requirement, meaning two of three captive incorporators/organisers must be state residents. Annual board meetings of directors must be held in Michigan.

Captive managers are required to apply for placement on the captive manager approval listing in order to qualify to be employed by a Michigan-domiciled captive insurance company.

The domicile altered its captive reporting requirements in 2018, so that a captive must now submit its financial report no later than 60 days after the end of its fiscal year, as opposed to the 1 March date previously required.

Finally, the state does not have a tax rate, but it does have a renewal fee based on premium volume.

More information on captive insurance in Michigan can be found at www.michigan.gov/difs

Missouri

2021 Captive Figures

Total Captives:	80
Active Captives:	52
New Licenses:	6
Closures:	4
Net Growth (%):	2

Missouri is centrally located in the US. If a potential captive owner is not located in or around Missouri, there are daily non-stop flights between its two major metropolitan areas and most cities across the country.

In most cases, there is no need for connecting flights and all-day travel for a simple meeting with Missouri Department of Insurance, Financial Institutions and Professional Registration staff, or with the captive company's management.

Licensing and application fees are deductible and the Missouri Department of Insurance, Financial Institutions and Professional Registration is responsive and keeps costs down by only using in-house analysts and examiners who know captives, and have no incentive to drive up their consulting fees.

Missouri can license pure, association, industrial insured, branch, special purpose life insurance and sponsored cell captives, which must be meet the following minimum capital and surplus requirements:

- Pure and special purpose life insurance: USD 250,000
- Association, industrial insured, sponsored and cell: USD 500,000

Missouri's captive insurance company premium tax rates are as follows:

- USD 0 to USD 20 million: 0.38 per cent, direct; 0.214 per cent, assumed
- USD 20 million to USD 40 million: 0.285 per cent, direct; 0.143 per cent, assumed
- USD 40 million to USD 60 million: 0.19 per cent, direct; 0.048 per cent, assumed
- USD 60 million or more: 0.072 per cent, direct; 0.024 per cent, assumed

More information on captive insurance in the US state of Missouri can be found at www.insurance.mo.gov/captive




Montana

2021 Captive Figures

Total Captives:	261
Active Captives:	251
New Licenses:	29
Closures:	40
Net Growth (%):	-4

Captive insurers domiciled in the state of Montana have accessible and experienced regulators who ensure a short turnaround time on applications for credible captives and alternative risk transfer entities.

They also benefit from knowledgeable legal assistance, an extremely supportive state legislature and a strong and active industry association, the Montana Captive Insurance Association.

Montana is authorised to license pure, association, protected cell, incorporated cell, special purpose and industrial insured captives, as well as risk retention groups.

Additionally, Montana is one of the few captive domiciles that offers licensing under series limited liability company structure as a special purpose captive, which provides the potential for a smaller captive to form with a lower capital and surplus amount based on its premium writings rather than a standard minimum of USD 250,000 for a pure captive.

These captives are authorised to provide property, casualty, life, disability income, surety, marine, and health coverage or group health.

Montana captives must possess and maintain unimpaired paid-in capital and surplus of:

- Pure: USD 250,000
- Industrial insured and association: USD 500,000
- Protected cell: USD 250,000 to USD 500,000
- Reinsurance captive: One-half the normal amount based on captive type (for example, a pure reinsurance captive: USD 125,000)
- Discretionary amount for special purpose

Captives must submit an application for a certificate of authority with detailed information and annual reports, and are subject to mandatory examination at least every five years. They must also maintain a resident board member and Montana office. There is a tax on direct premiums of 0.4 per cent on the first USD 20 million and 0.3 per cent on each subsequent dollar collected. The tax on assumed reinsurance premiums has been set at a rate of 0.225 per cent on the first USD 20 million, 0.15 per cent on the next USD 20 million and 0.05 per cent on each subsequent dollar. Tax must be at least USD 5,000 and shall not exceed USD 100,000.

More information can be found at www.csimt.gov/insurance/captives and www.mtcaptives.org

The Dutch regulator De Nederlandsche Bank (DNB) offers a robust supervision framework and has a good knowledge of the specific characteristics of captive insurance companies.

The domicile has a local community of captive owners that jointly evaluate supervisory and operational topics, which provides it with a good reputation alongside its solid infrastructure and professional business environment.

The Netherlands is popular with many holding companies of international locations including Asian and American companies. It is home to both insurance and reinsurance captives.

At the end of 2019, the Netherlands had a total of nine Dutch-based active captives. It also has a well-educated workforce, with the English language being spoken by many.

More information can be found on the regulator's website: www.dnb.nl/en/supervision/vergunningen/index.jsp

Domicile did not respond to request for data. Information correct as of 31 December 2019.

Nevada

2021 Captive Figures

Total Captives:	161 (+134 cells)
Active Captives:	148
New Licenses:	4 (+17 cells)
Closures:	9 (+13 cells)
Net Growth (%):	0.3

Nevada is proud to be one of the country's oldest captive domiciles and one of the most business-friendly states in the nation. Prior to the COVID-19 pandemic, Nevada was sixth in the US for number of captive insurance companies, and ranked first in both private sector job growth and new business launches.

Nevada has been an attractive captive domicile for many reasons. Among these is its tax structure, as there are no personal or corporate income taxes.

Nevada also offers low application expenses, a fair and consistent regulatory environment, and an accessible staff dedicated to providing prompt and professional service. Captive industry stakeholders can continue to trust the strength and stability of Nevada.

In 2019, the Nevada legislature added a dormant captive insurer status to the law. Inactive companies may now retain their certificate of authority with significantly fewer compliance requirements. In addition, captive examination fees were reduced by 33 per cent.

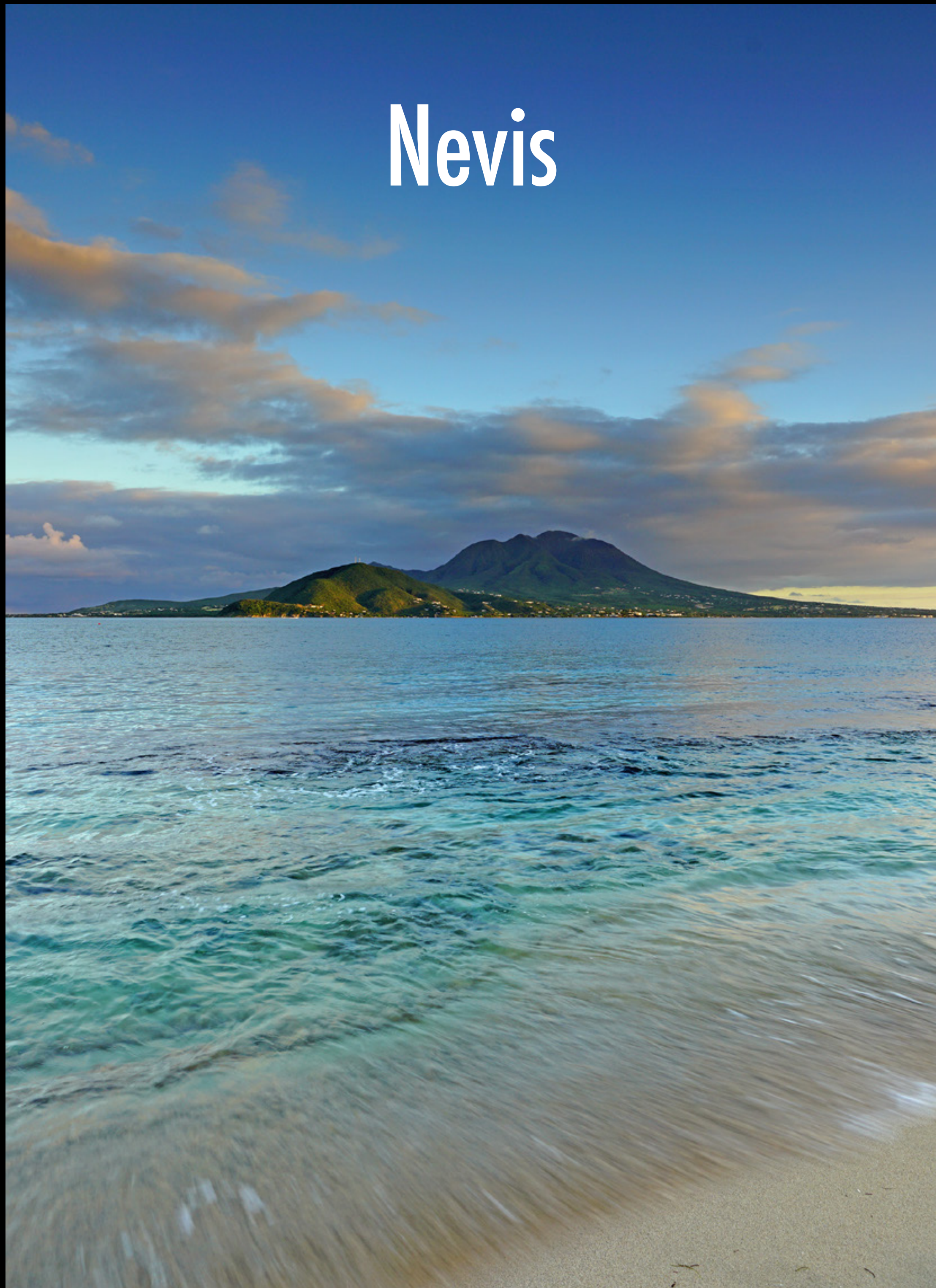
The most common types of captives and the minimum capital and surplus required:

- Pure/single-parent: USD 200,000
- Association and sponsored/ series LLC: USD 500,000
- Risk retention group (RRG): USD 500,000
- Agency: USD 600,000

Protected cells have no specific minimum capital and surplus requirements, but must provide security in an amount that is not less than the reserves associated with liabilities which are not fronted or reinsured, including reserves for losses, ALAE, IBNR, and unearned premiums for business written for the cell participant. The application to form a Nevada captive must include a detailed business plan, an actuarial feasibility study and five-year pro forma and contracts with a captive manager, actuary, and accounting service provider approved by the commissioner of insurance. Annual reports, license renewals and fees and updated business plans are due on or before 1 March. Audited financial statements are due on or before 1 June for risk retention groups and by 30 June for all other captives.

The tax rate on direct premium is 0.4 per cent on the first USD 20 million, 0.2 per cent on the next USD 20 million, and 0.075 per cent thereafter. The reinsurance premium tax rate is 0.225 per cent on the first USD 20 million, 0.15 per cent on the next USD 20 million, and 0.025 per cent thereafter. A premium tax credit of up to USD 5,000 is applicable to the first year of a captive's operation. The maximum tax payable for any year is USD 175,000.

Nevada, nicknamed The Silver State, welcomes officers and directors that meet in Nevada to the tourism capital of America. More information on captive insurance in Nevada can be found at www.doi.nv.gov/Captive-Insurance



Since the inception of its captive legislation in 2004, Nevis remains a well-regulated international captive jurisdiction that is geared towards the long-term viability of captives.

As an international captive domicile, Nevis offers a low-cost environment, responsive communications and appropriate regulatory framework. Its proficient and well-established regulatory authority ensures regulatory compatibility with the captive business objectives and the operability of the captive.

There is no tax paid on the premiums, net income or assets of the captive. The minimum capital requirements are:

- Single owner: USD 10,000
- Multiple owners (two to four): USD 20,000
- Multiple owners (five or more): USD 50,000

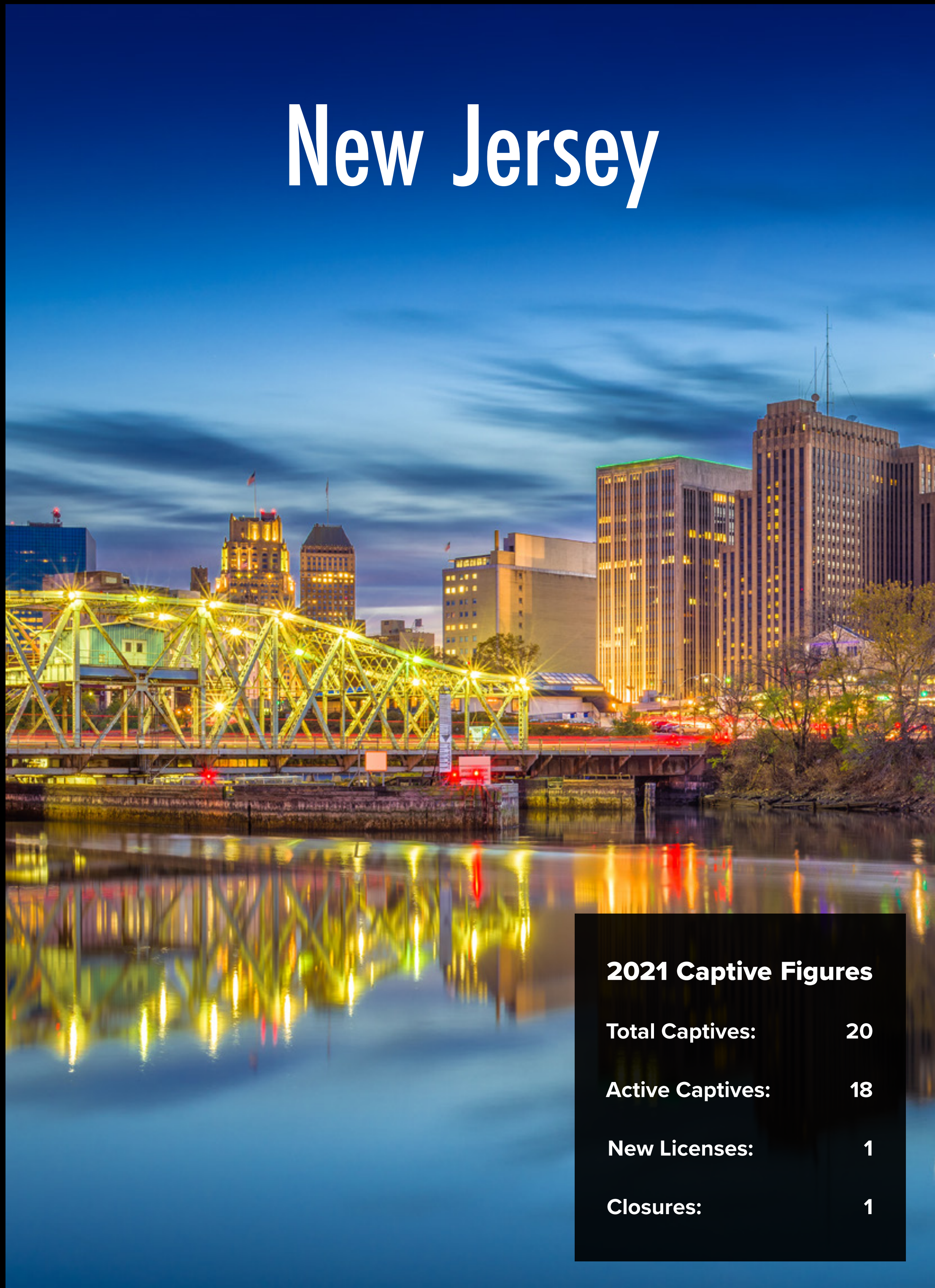
These minimum capital requirements may be increased depending on the risk-based assessment of the respective captive.

Nevis allows for captives to be formed either as pure, pure reinsurer, association or industry group. All captives are formed as a corporation that offers a menu of legal ownership options such as individuals, trusts, limited liability companies etc. or a combination of these. This enables the captive to be aligned with the sponsor’s parent structure.

Each captive is required to maintain a place of business, a registered agent/insurance manager, and books and records in Nevis. Annual reporting requirements to the regulatory authority are to be filed.

More information on Nevis and its captive product can be found at www.nevisfsrc.com/products/insurance

New Jersey



2021 Captive Figures

Total Captives:	20
Active Captives:	18
New Licenses:	1
Closures:	1

New Jersey is an easily accessible domicile, with a highly educated workforce, a strong network of service providers and a significant number of Fortune 500 companies. Regulated by the state's Department of Banking and Insurance (DOBI), the domicile welcomes both new formations and domestications, through an admissions process that is efficient and flexible. The state's DOBI commissioner Marlene Caride has made clear her intent to develop and modernise the captive market.

New Jersey enacted its captive legislation in May 2011. At year-end 2019 gross written premium for 21 licensed captives was USD 350,836,051. The capital and surplus requirements are as follows:

- Pure captive: USD 250,000
- Association captive: USD 750,000
- Industrial captive: USD 500,000
- Sponsored (protected cell) captive: USD 500,000

The commissioner has discretionary authority to prescribe capital and surplus requirements above the statutory minimum based upon the type, volume and nature of insurance offered.

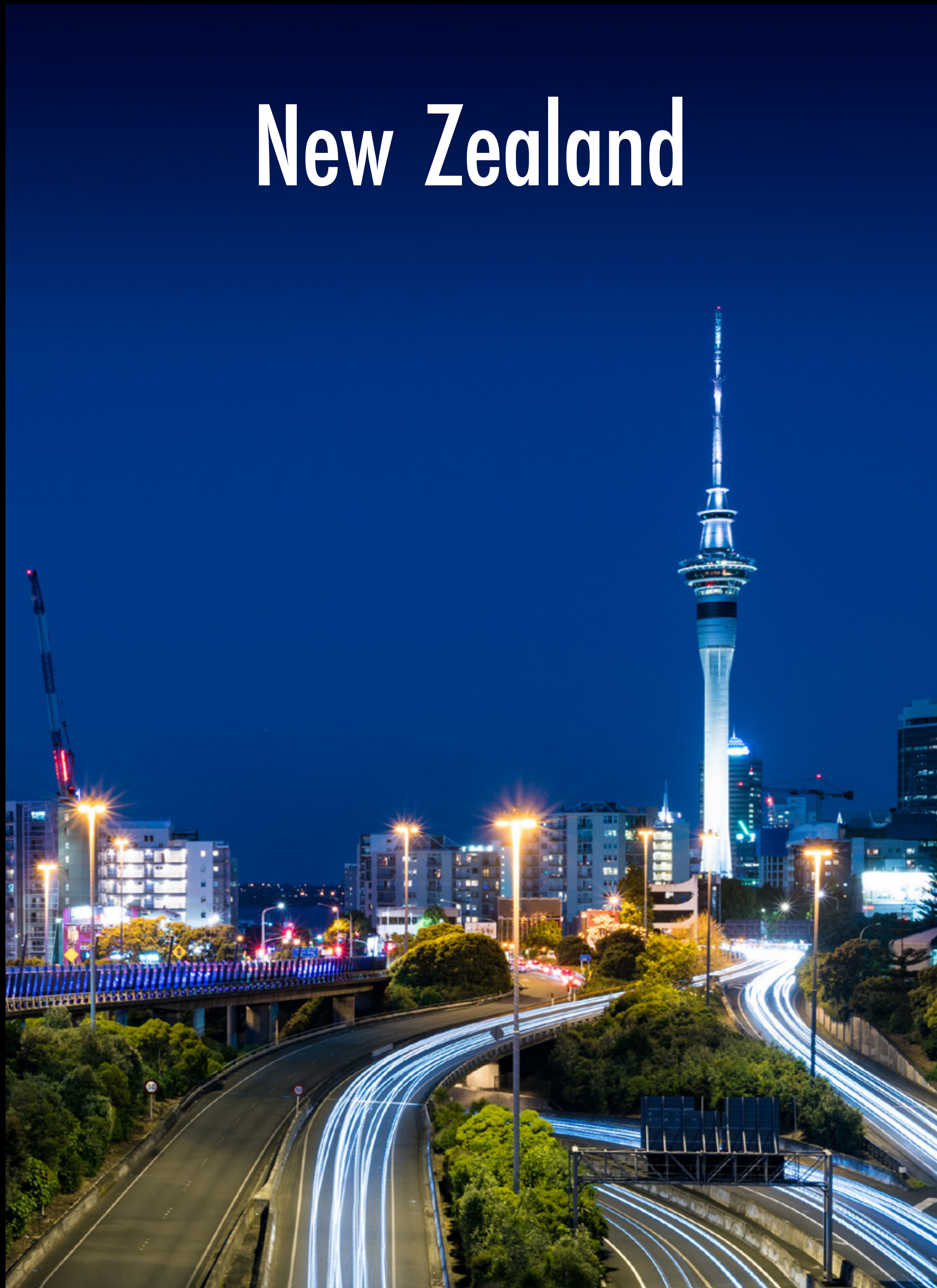
Captives are required to hold one board of directors meeting in the state per year.

The captive insurance premium tax for direct written premium is 0.38 per cent for the first USD 20 million, 0.285 per cent for the next USD 20 million, 0.19 per cent on the next USD 20 million, and 0.072 per cent thereafter, to a maximum of USD 200,000.

For assumed premium, the rate is 0.214 per cent for the first USD 20 million, 0.143 per cent for the next USD 20 million, 0.048 per cent on the next USD 20 million, and 0.024 per cent thereafter, to a maximum of USD 200,000.

More information on the New Jersey captive insurance domicile can be found at www.nj.gov/dobi/division_insurance/captive/index.html or by visiting the website of the captive insurance association, the Captive Insurance Group of New Jersey (CIGNJ).

New Zealand



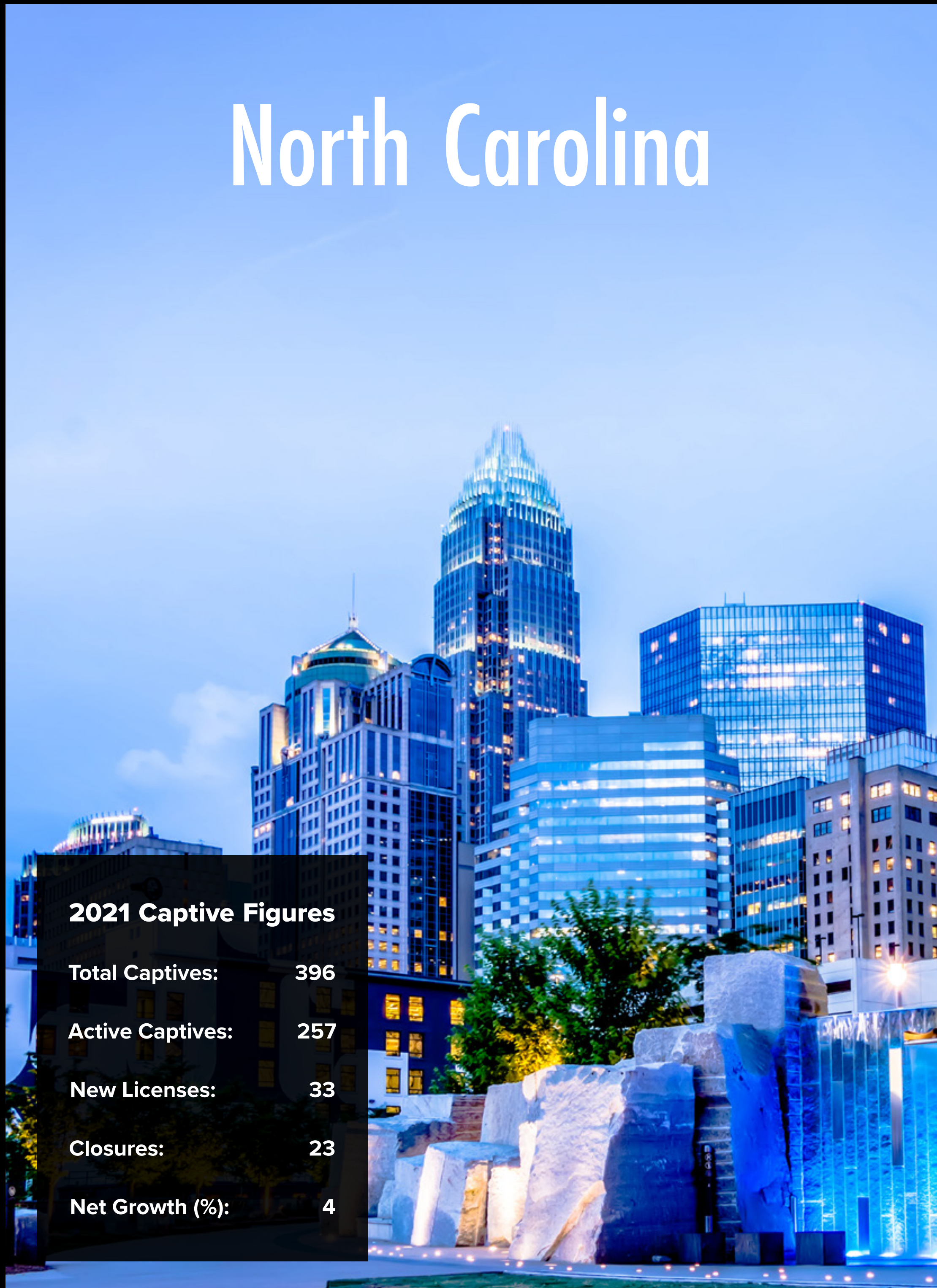
New Zealand does not have specific captive legislation. The Insurance (Prudential Supervision) Act (IPSA) 2010 applies to all insurers carrying New Zealand insurance business, including captive insurers.

It is important to note that a New Zealand-based captive insurer with no New Zealand insurance business would also fall out of the scope of IPSA and would not be eligible for an insurance licence from the Reserve Bank of New Zealand.

In general, New Zealand insurers need to hold a current financial strength rating, although IPSA contains an explicit exemption for captives. When considering a licence application, the Reserve Bank of New Zealand needs to know that, among other requirements, a captive is 'fit for business' by demonstrating that it has the capacity to manage the business it undertakes and to identify and manage its risks effectively, and that it has sufficient financial strength.

One aspect of the review is to consider whether additional tools are needed to recognise the diversity of business models in the insurance sector, which could theoretically have an impact on alternative risk transfer.

More information on captive insurance in New Zealand can be found at www.rbnz.govt.nz



North Carolina has established its prominence as a captive insurance domicile with its modern captive law, the North Carolina Captive Insurance Act; its low regulatory cost for formation and operation of captive insurance companies; and its in-house experienced, professional captive insurance regulatory team, with a mission to provide outstanding customer service through its availability, accessibility and responsiveness to the captive insurance industry.

North Carolina is continuously seeking better ways of conducting business, such as the implementation of its online captive filing system that allows for a streamlined application process while also providing additional security for the confidential information contained in the application.

The North Carolina Captive Insurance Act allows for the formation and operation of all types of captive insurers, including pure, protected cell (incorporated or unincorporated cells), association, special purpose, industrial insured, special purpose financial, and branch, as well as risk retention groups.

Through the special purpose captive insurance company provisions, agency and group captive insurers may be formed and operated.

The minimum capital requirements are as follows:

- Pure: USD 250,000*
- Protected cell: USD 250,000*
- Special purpose: USD 250,000*
- Association: USD 500,000
- Industrial insured: USD 500,000
- Risk retention group: USD 1 million

*The commissioner has the discretion to allow lesser amounts of capital for pure, protected cell and special purpose captives if the business plan and feasibility study indicate a lesser amount is adequate and the commissioner agrees.

Premium taxes are paid at the rates below:

Direct premium collected:

- Up to USD 20 million: 0.40 per cent
- USD 20 million and more: 0.30 per cent

Assumed reinsurance premium collected:

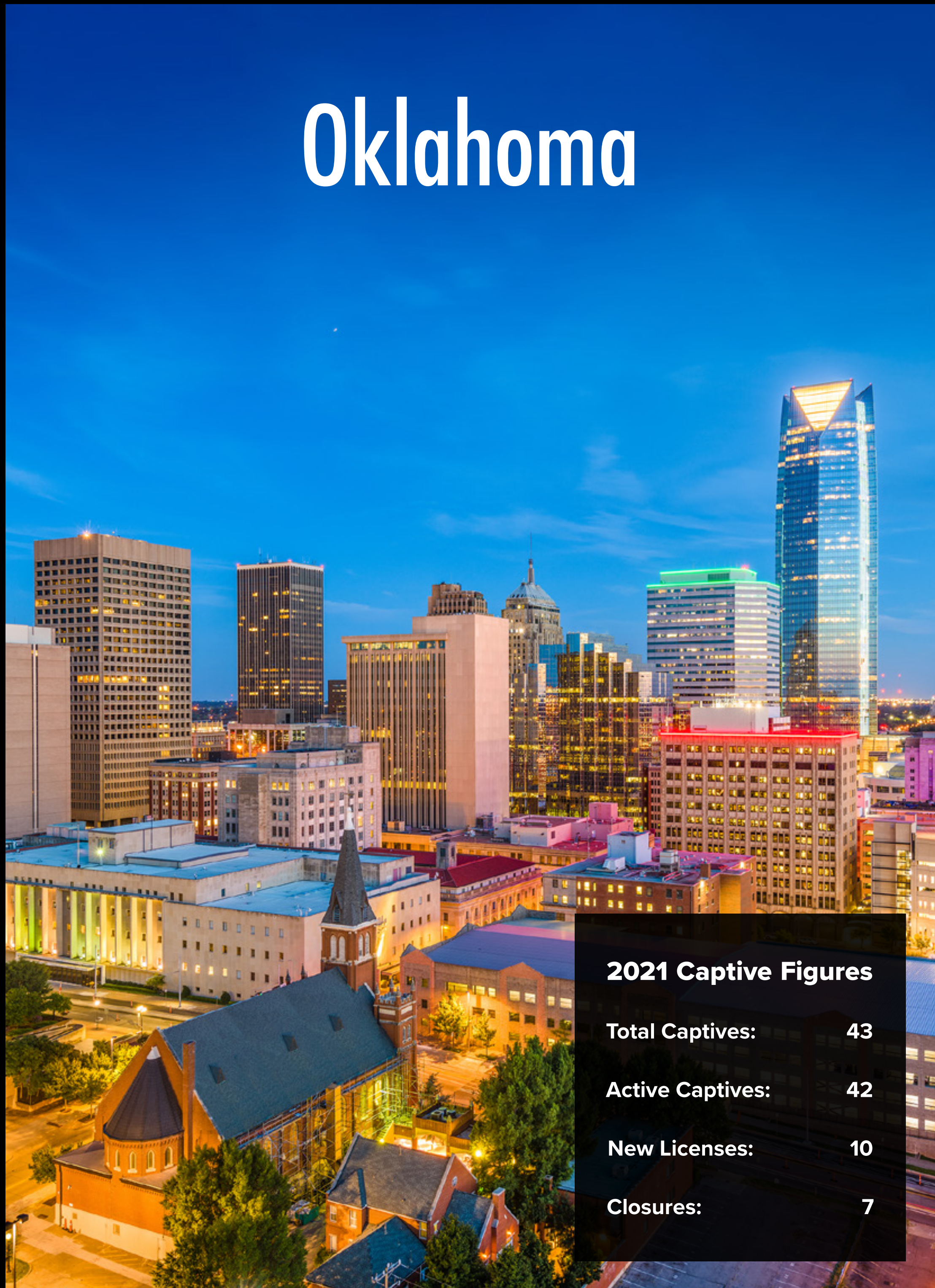
- Up to USD 20 million: 0.23 per cent
- USD 20 million — 40 million: 0.15 per cent
- USD 40 million — 60 million: 0.05 per cent
- USD 60 million and over: 0.03 per cent

**Minimum premium tax: USD 5,000 (USD 10,000 for protected cell captive insurers with more than 10 cells)*

***Maximum premium tax: USD 100,000 (USD 200,000 for protected cell captive insurers with more than 10 cells)*

More information on captive insurance in North Carolina can be found at www.nccaptives.com

Oklahoma



2021 Captive Figures

Total Captives:	**43**
Active Captives:	**42**
New Licenses:	**10**
Closures:	**7**

The state of Oklahoma strives for continuous innovation and high-quality responsiveness in all regulatory aspects, especially that of the captive industry.

The Oklahoma Captive Act offers various competitive opportunities, including a wide array of investment options, allowable coverages, and advantageous minimum capital surplus requirements and premium tax rates.

The Oklahoma Insurance Department (OID) maintains a stand-alone captive section on their website providing links to statutes, rules, lists consisting of approved: captive managers, certified public accountants and actuaries along with their direct contact information.

Oklahoma offers a variety of captive opportunities, including the following, along with their individual capital surplus required minimums:

- Pure: Minimum requirement USD 250,000 (First year requirement of USD 150,000 with the remaining USD 100,000 paid-in prior to first anniversary)
- Association: minimum requirement USD 750,000
- Industrial Insured: minimum requirement USD 500,000
- Sponsored: minimum requirement USD 500,000
- Special purpose captive (SPC) types: minimum requirement USD 250,000
- Any captive doing business as an RRG: minimum requirement USD 1 million

The unimpaired paid-in capital may be in the form of cash, cash equivalent, or through an irrevocable letter of credit. The Oklahoma Insurance Code has very few investment restrictions for most captives.

In 2020 bulletin 2020-01 was posted, allowing certain special purpose captive insurers, organised as a 'Series' pursuant to Oklahoma law, to maintain a minimum capital requirement of USD 50,000 rather than the typical USD 500,000.

Such captives are subject to this incentive if:

- It does not accept or receive direct/assumed risk
- It does not issue any form of an insurance contract
- It insures the risks of its participants only through separate participant contracts
- It funds its liability to each participant through one or more protected cells and segregates each protected cell's assets and liabilities from the assets and liabilities of other protected cells and from the assets of the SPC insurance company's general account

Oklahoma also has a highly beneficial fee structure with an initial application cost of USD 200 and license fees of USD 300. Additionally, this state has competitive premium tax requirements including two-tenths of 1 per cent on the direct premium, one-tenth of 1 per cent of assumed reinsurance premium, along with a minimum requirement of USD 5,000 while the maximum is capped at $100,000. The statute also provides a pro-rated premium tax minimum amount for new captives based upon their license issuance date.

Captives are allowed to conduct a broad selection of insurance coverages, including workers' compensation insurance as well as assuming the reinsurance for such policies. Furthermore, a captive may cede or assume reinsurance and take credit for reserves as authorised by the Oklahoma Insurance Code.

Oklahoma offers an added benefit to both new captives and captives seeking re-domestication in the form of a provisional license opportunity. This temporary license could allow a captive applicant to begin or continue their captive experience while the Oklahoma Insurance Department completes its final review and approval procedures.

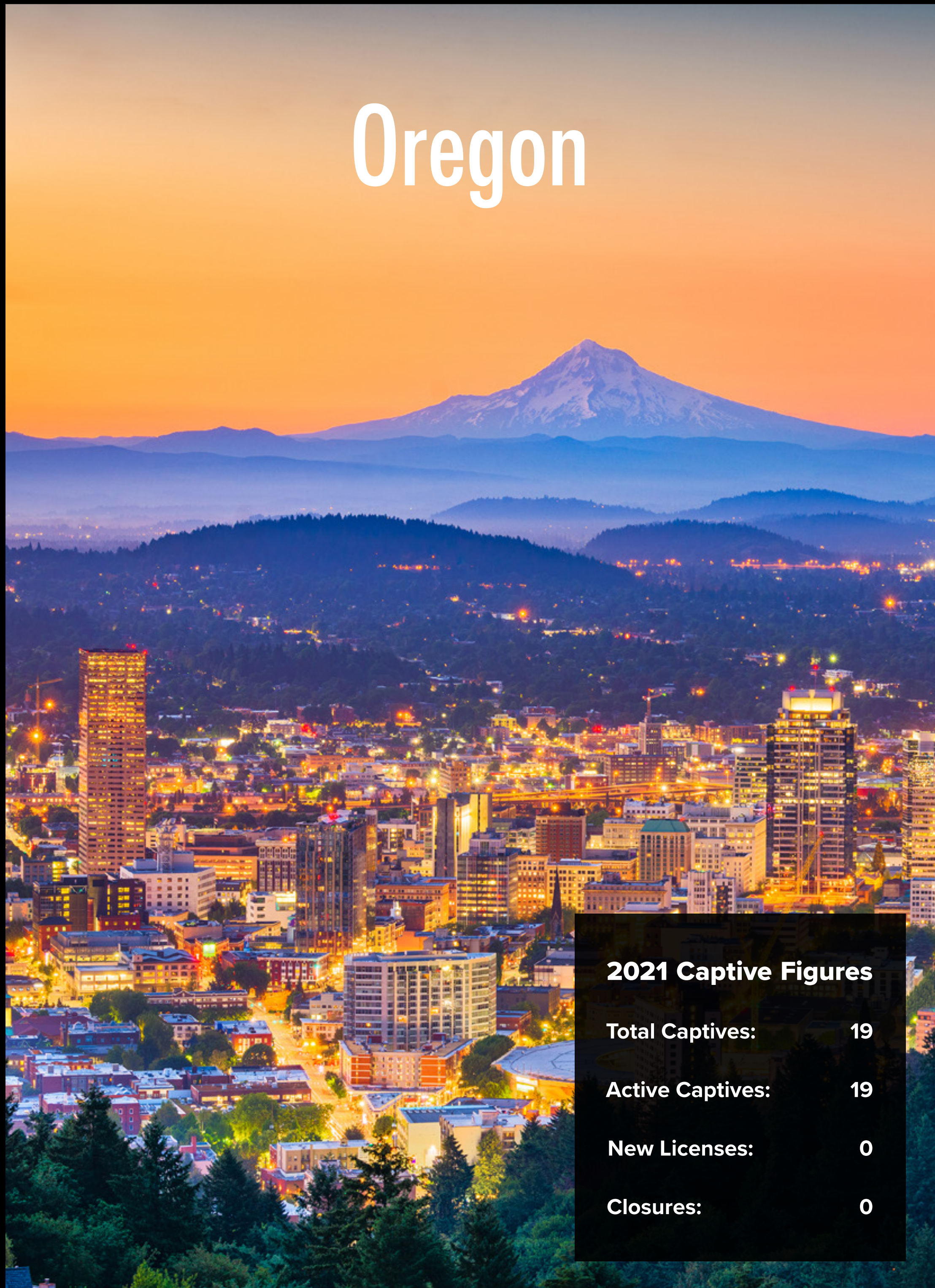
Insurance Commissioner Glen Mulready says: "Oklahoma's captive insurance industry is based primarily on the regulatory environment and the service that our department provides to captive owners."

"Oklahoma is an extremely competitive domicile. We are straightforward and efficient with our captive formation process," he adds.

"The state of Oklahoma offers a plethora of captive opportunities and benefits that make it an optimal captive domicile choice."

"We look forward to discussing current or new innovative ways that Oklahoma can serve you."

Additional information about the Oklahoma Captive Division can be found on our website at: www.oid.ok.gov/captive-insurance-division



2021 Captive Figures

Total Captives:	19
Active Captives:	19
New Licenses:	0
Closures:	0

Oregon's Division of Financial Regulation, headquartered in the state capital of Salem, implements the state's captive insurance law and promotes Oregon as a domicile for captive insurance companies.

Oregon's law allowing captive insurers passed in 2012, and the division began accepting captive insurer applications in 2012.

The state characterises itself as business-friendly, with regulators that desire to collaborate to form captives that are financially successful and comply with Oregon law.

Among its attributes, Oregon does not collect premium tax, charges low fees and deals with admissions in a timely fashion.

Oregon caters for pure, association and branch captives, as well as captive reinsurers.

The minimum capital and surplus requirements are:

- Pure: USD 250,000
- Association: USD 750,000
- Captive reinsurer: USD 300 million

Its captives are generally required to file an annual statement, an actuarial opinion, and an audited financial statement. An excise tax return must be filed with the Department of Revenue. Oregon's fee is USD 5,000 for the initial certificate of authority and the same amount annually to renew. The Division of Financial Regulation examines all captives at least once every three years, with the insurer bearing the costs.

More information on captive insurance in Oregon can be found at captive.oregon.gov. Oregon also boasts its own trade group, the Oregon Captive Insurance Association. More information can be found at www.oregoncia.com

Panama

Captive insurance in Panama is subject to Law 60 of 1996, which regulates the creation, operation and administration of captive insurance companies.

The law is flexible enough to accommodate a myriad of insurance and reinsurance activities, yet sufficiently stringent to allow the operation of sound financial ventures. It also applies to any legal entity engaged exclusively in the business of insuring or reinsuring particular or specific foreign risks, from an office physically located in Panama.

This office must be properly identified and staffed by personnel qualified to administer its operations. The legal entity must have a licence granted by the Superintendent of Insurance and Reinsurance.

The law distinguishes two types of insurable risks:

- Long term: To insure or reinsure individual, collective or group life, such as hospitalisation, pensions or life-long annuities
- General risks: To insure or reinsure any risk not defined as a long-term risk

An applicant interested in setting up a captive insurance company in Panama may apply for either or both types of licences, but the applicant must limit its operations to the type of licence obtained.

In Panama, risks of a local nature are not insurable. The law provides specific examples of local risks and creates a presumption of applicability to all risks, with the exception of those related to individuals, real estate or chattel located in Panama; automobiles, airplanes and vessels of national service; civil liability derived from damages occurring in Panama; and the shipment of goods whose destination is Panama.

Insurance captives must maintain, free of any liens, the following paid-in capital:

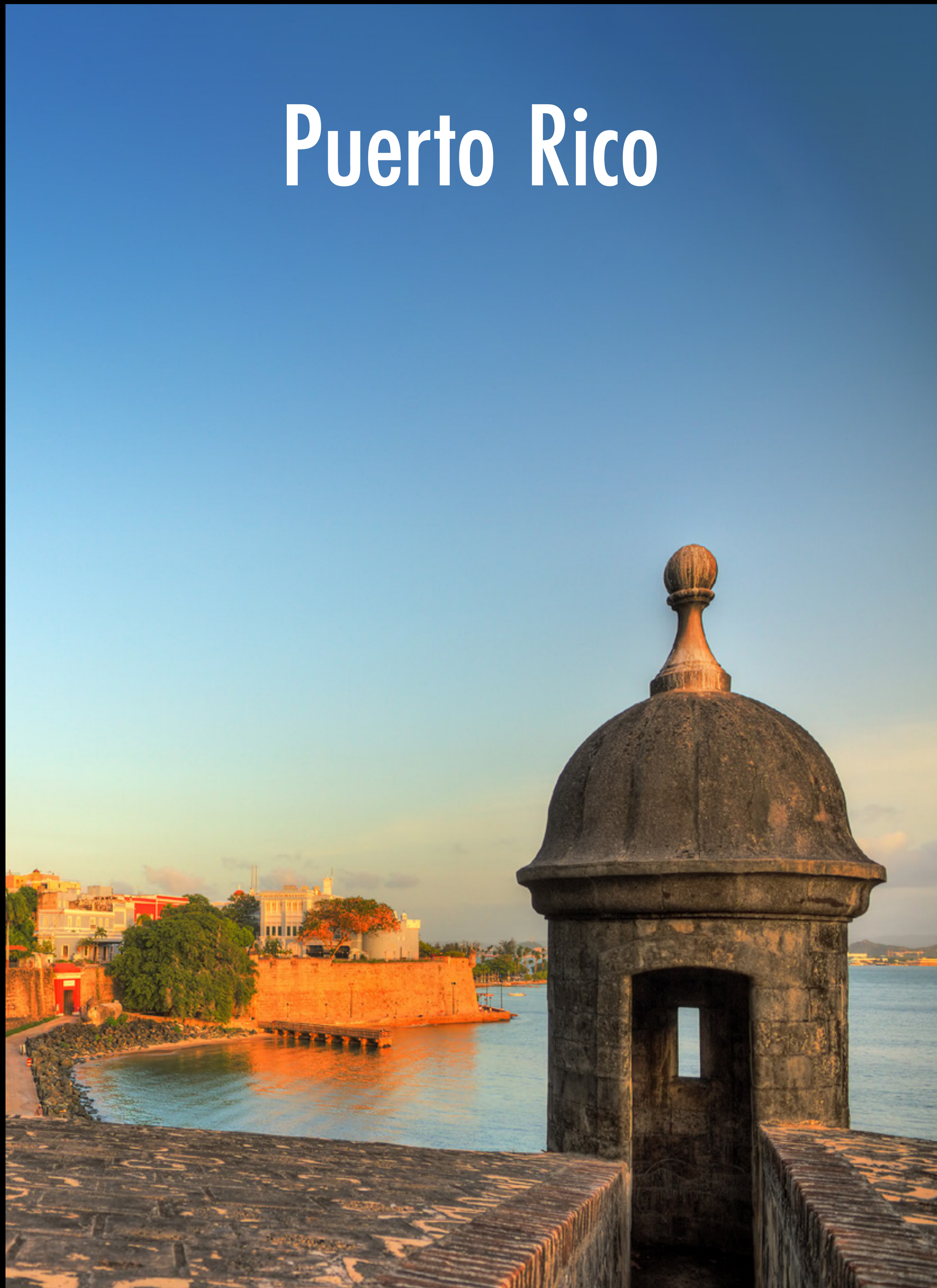
- General terms: Not less than USD 150,000
- Long-term risks or both: Not less than USD 250,000
- Annual service fee: USD 2,000, paid directly to the Superintendence of Insurance and Reinsurance

To obtain a licence to operate a captive insurance company in Panama, applicants must follow a two-stage process.

The first phase involves the registration of a legal vehicle (either a Panamanian subsidiary or a branch of a foreign corporation in the Public Registry of Panama). The second phase involves requesting an operation licence from the superintendent of insurance and reinsurance.

Records of the Superintendence of Insurance and Reinsurance of Panama show that there are currently six active insurance captives with a licence to operate in Panama. No new applications or closures were received by the Superintendence of Insurance and Reinsurance of Panama for the issuance or cancellation of a licence to operate a captive insurance company in Panama in the year 2020.

More information on captive insurance in Panama can be found at www.superseguros.gob.pa



With annual premiums in excess of USD 11 billion, Puerto Rico prides itself on being a well-regulated yet flexible jurisdiction for international insurers.

Puerto Rico is a territory of the US and has been since 1898 when it was acquired from Spain after the Spanish-American War. With approximately 3.5 million residents, Puerto Rico is the most highly populated of all US territories. People who are born in Puerto Rico are US citizens.

The domicile is an accredited member of the National Association of Insurance Commissioners. Puerto Rico is also unique in that the Office of the Commissioner of Insurance runs and manages the International Insurance Center, a one-stop regulatory centre for Puerto Rico-domiciled captive insurance companies, which helps provide cutting-edge, reliable, and high-quality regulatory oversight.

Puerto Rico's territorial self-governance with the US creates "dual sovereignty." where some matters are governed by US law while Puerto Rico law takes precedence in others, such as corporate and insurance laws. In particular, there is a separate and distinct Puerto Rico Internal Revenue Service.

In addition, US regulatory and government institutions such as the US Federal Reserve and, in some cases, the Federal Deposit Insurance Corporation, play key roles in protecting Puerto Rican banks and consumers, just like their US counterparts. This existing regulatory infrastructure ensures Puerto Rico has the capacity and experience to manage a growing captive insurance sector.

The Caribbean island, currently home to over 450 captives, caters for multiple captive structures including pure, association, protected cell and reinsurance captives. Its capital requirements are set relatively higher than most other jurisdictions, although important efficiencies are achievable due to the renewal fees structure, protected cell registration process and the preferred tax environment.

Class 1 or pure captives have the authority to transact insurance and reinsurance related to risks from the sole owner or an affiliate. A combined capital and surplus of USD 500,000 and a 5:1 premium to surplus ratio is applicable. Class 2, or association captives, cover the risks of the owners and affiliates, as well as third-party risks capped at 20 per cent of the total premium.

The surplus requirement is USD 750,000, as well as a 5:1 premium to surplus ratio, with a 3:1 ratio applicable to third-party risks. Captives within a protected cell structure are subject to an aggregated 3:1 premium to surplus ratio.

Total application fees are set up on a per Class basis, between USD 1,100 and USD 1,350. There are no individual registration fees applicable to protected cell captives.

The Puerto Rico International Insurers Association has gathered insurance and financial service providers since 2016 and is available to respond and advise related parties on insurance issues in Puerto Rico.

More information on captive insurance in Puerto Rico can be found at www.priia.org

Singapore

Singapore is home to many large multi-national corporations and global Fortune 500 companies. Some such large enterprises set up captive insurance companies to insure against business risks, as a strategic option in their group risk management. After licensing its first captive in 1983, Singapore is now the largest Asia Pacific captive domicile and one of the largest reinsurance centres in Asia.

As of 31 December 2020, Singapore is home to 80 captive insurers. The domicile is governed by the Insurance Act and administered by the Monetary Authority of Singapore.

In Singapore, the minimum paid up ordinary share capital for captives is SGD 400,000 (USD 285,000), while capital adequacy requirement is set such that equity and retained earnings is not less than the sum of SGD 400,000 and the GSIF amount.

In this regulation and regulation 6, 'GSIF amount', in relation to an insurance fund that relates to Singapore policies, means the highest of the following amounts:

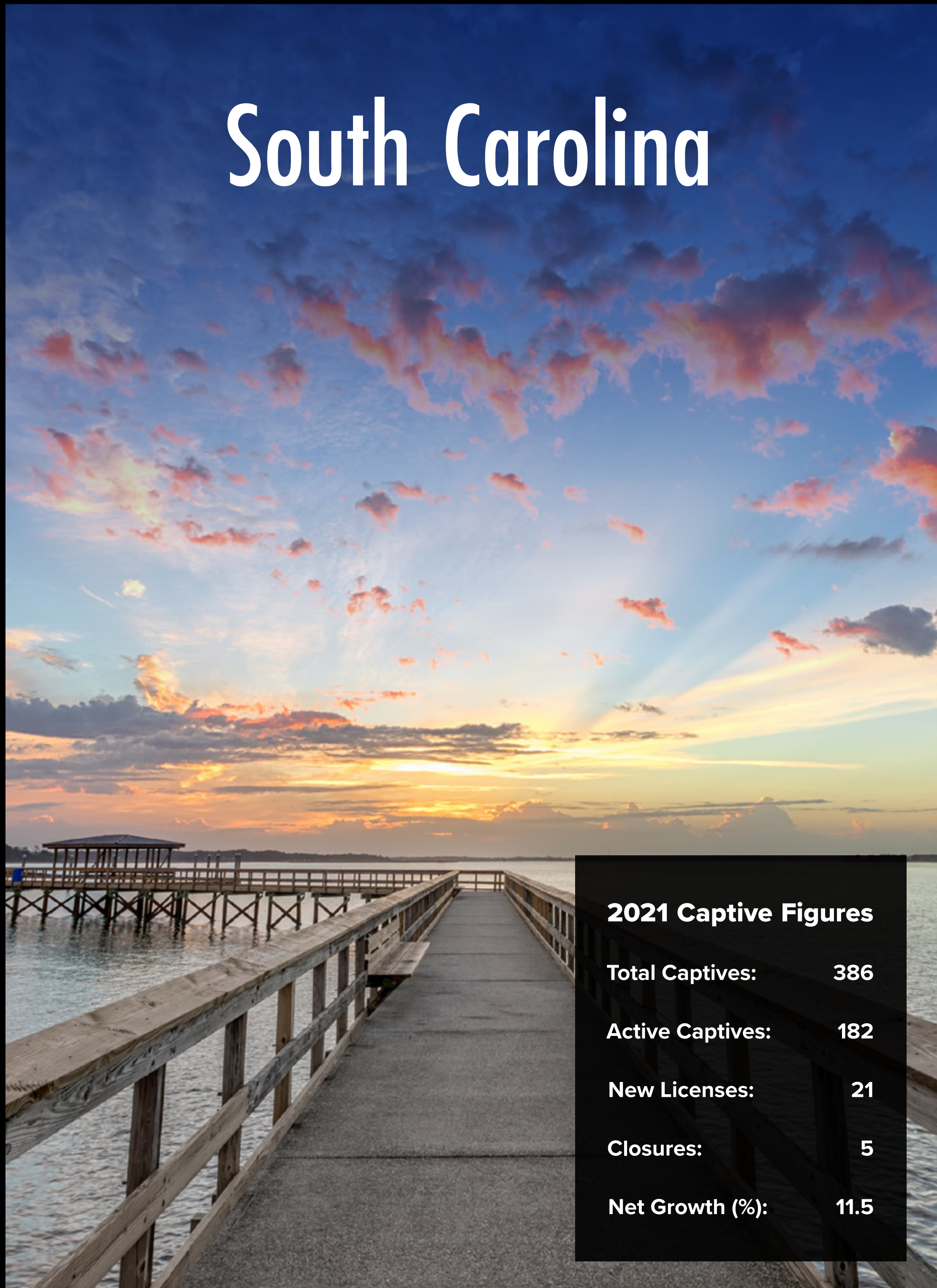
- SGD 400,000
- 20 per cent of net premiums written of the fund in the preceding financial year
- 20 per cent of the claim liabilities of the fund as at the end of the preceding financial year

For the Singapore insurance fund the surplus of assets over liabilities must be greater than the GSIF, while for the offshore insurance fund the surplus of assets over liabilities must be positive

The following corporate tax rates apply to captives in Singapore:

- The full corporate tax rate of 17 per cent (noting that SGD 152,500 (USD 110,000) of the first SGD 300,000 (USD 213,000) of chargeable income is tax exempt)
- A concessionary rate of 10 per cent relating to income derived from qualifying business activity

More information on captive insurance in Singapore can be found at www.mas.gov.sg



South Carolina

2021 Captive Figures

Total Captives:	386
Active Captives:	182
New Licenses:	21
Closures:	5
Net Growth (%):	11.5

South Carolina is the only mature domicile in the southeastern US. Now in its 22nd year of operation, it offers a business-savvy regulatory environment and a well-developed infrastructure of captive managers and service providers with significant captive experience. South Carolina offers a climate that is business-friendly and visitor-friendly. A great place to do business with world-class captive know-how. South Carolina is a highly respected domicile and focuses on owner value. The state caters for multiple structures, including pure, special purpose, association, risk retention group, special purpose financial, branch, sponsored and cell. The combined minimum capital and surplus requirements are:

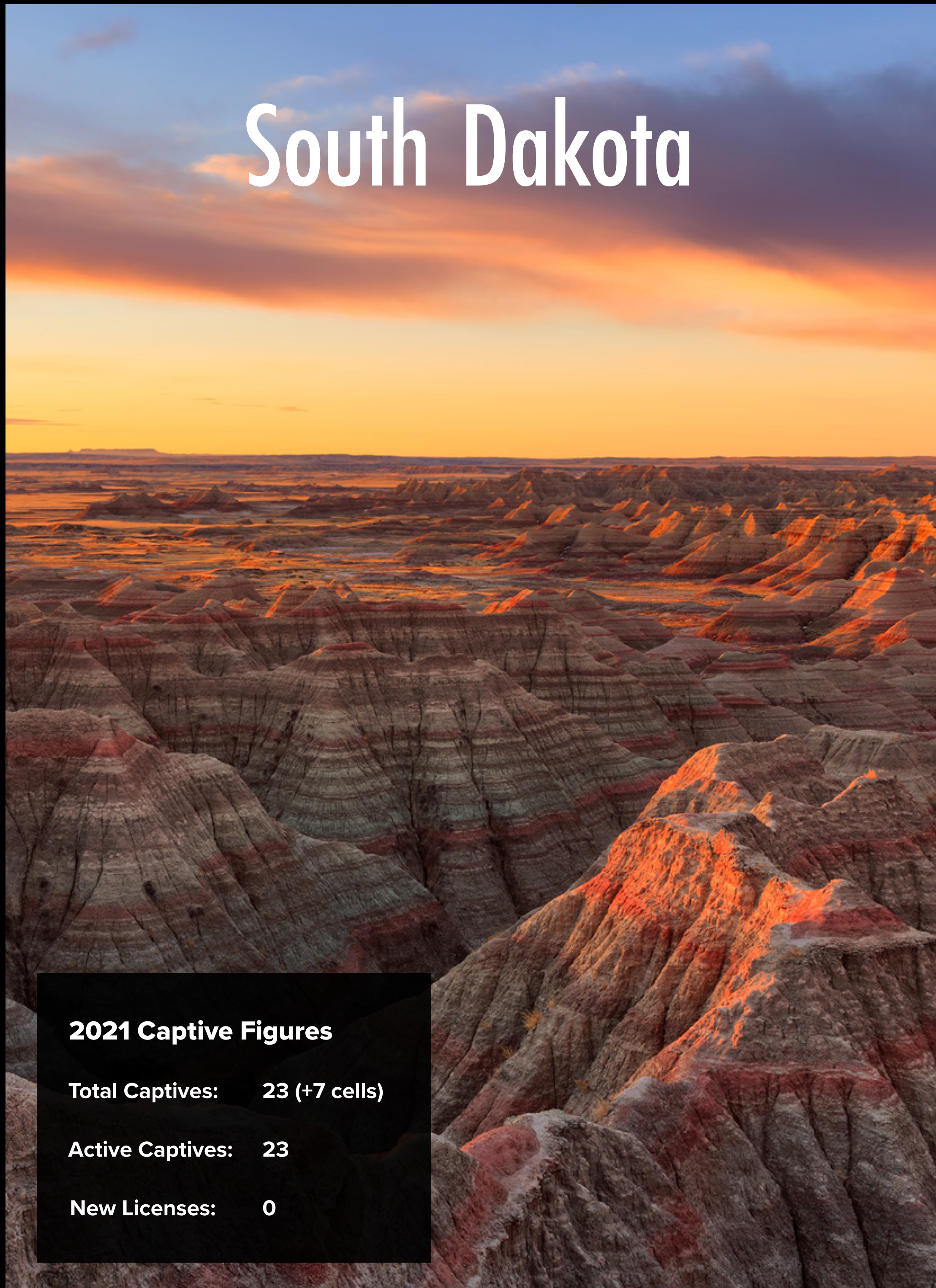
- Pure: USD 250,000
- Association: USD 750,000
- Risk retention group: USD 500,000
- Sponsored: USD 250,000
- Special purpose: As determined by the director
- Branch: Funding amount varies and uses trust fund as security

The direct premium tax rate has been set at 0.4 per cent for the first USD 20 million, 0.3 per cent for the next USD 20 million, USD 100,000 for the following USD 20 million, and then USD 100,000 again for the next USD 20 million.

The assumed premium tax rate is 0.225 per cent for the first USD 20 million, 0.15 per cent for the next USD 20 million, 0.5 per cent for the following USD 20 million, and then 0.25 per cent for the next USD 20 million. Special purpose financial captives are taxed differently.

The premium tax rate for them has been set at 0.225 per cent for the first USD 20 million, 0.15 per cent for the next USD 20 million, 0.05 per cent for the following USD 20 million, and then 0.025 per cent for the next USD 20 million.

More information on captive insurance in South Carolina can be found at www.captives.sc.gov



South Dakota

2021 Captive Figures

Total Captives:	**23 (+7 cells)**
Active Captives:	**23**
New Licenses:	**0**

South Dakota is a business-friendly state that prides itself on a responsive, common-sense regulatory environment. Captive owners will work directly with decision makers. South Dakota is also nationally recognised for its user-friendly trust laws. The state provides for pure, group, agency, sponsored, trust and special purpose captives. The application fee is USD 2,000. A sponsored captive insurance company shall pay an additional USD 1,000 for each additional protected cell application.

The minimum capital requirements are USD 100,000 for trust captives, while all others must have at least USD 250,000.

South Dakota does not charge premium taxes on captives but instead has a supervision fee. The supervision fee is the greater of USD 5,000 or 0.08 per cent of one per cent of gross premiums less return premiums. A sponsored captive must pay an additional supervision fee for each protected cell.

The fee for each protected cell is the greater of USD 500 or 0.08 per cent of 1 per cent on gross premiums less return premiums. The annual supervision fee can never exceed USD 50,000, regardless of the type of captive.

The annual supervision fee is due and payable on or before 1 March.

The captive board must hold at least one meeting each year in South Dakota with a quorum physically present.

Captives must also maintain their principal place of business in the state, although a captive manager can be utilised for this purpose at the discretion of the South Dakota Division of Insurance.

Read more information on captive insurance laws in South Dakota at www.sdlegislature.gov under South Dakota Captive Legislation Chapter 58-46.

The Eastern Caribbean island nation of St Lucia requires all applicants to conduct insurance through an international business company (IBC) and have a registered agent and office.

The International Insurance Act provides for three types of licences: Class A, for general insurance business only; Class B, for long-term insurance business; and Class C, for both general and long-term insurance business.

Companies seeking a Class A or a Class C licence may, with respect to their general insurance business, be granted a Sub-Class 1 licence if the company is a captive, or a Sub-Class 2 licence in all other cases in respect of general insurance business.

A captive must have two directors, who must be natural persons. At least one of these directors must be a resident of St Lucia.

The capital requirements for insurance companies range from USD 50,000 to USD 100,000. At least USD 50,000 must be deposited or invested in a manner prescribed by the Financial Services Regulatory Authority (FSRA).

St Lucia's Insurance Act does not specify the actual solvency margins, but the FSRA has the discretion to fix margins and has issued guidelines, which state:

- Class A(1): The greater of USD 100,000 and 10 per cent of net retained annual premium
- Class A(2): The greater of USD 150,000 and 20 per cent of the first USD 5 million of net retained annual premium plus 10 per cent of any net retained annual premium in excess of USD 5 million
- Class B: USD 150,000
- Class C(1): The sum of the margin required for Classes A(1) and B
- Class C(2): The sum of the margin required for Classes A(2) and B

As insurance companies are IBCs, they are not subject to any taxes (unless they have elected to be subject to 1 per cent tax) or stamp duties in St Lucia. There are special provisions maintaining the confidentiality of the information submitted to the FSRA on the application and protecting the confidentiality of the affairs of the licensee or the affairs of a customer of a licensee.

More information on captive insurance in St Lucia can be found at www.saintluciaifc.com.

Domicile did not respond to request for data. Information correct as of 31 December 2019.

Switzerland

Located in the heart of Europe, Switzerland boasts political, monetary and fiscal stability. Additionally, Zurich and Zug are within easy reach of Zurich airport, which directly connects to nearly every capital of the world. The quality of living, housing and education are top class. The sheer number of insurance and reinsurance companies established, mostly in the cantons of Zurich and Zug, guarantee a vast pool of well-educated and experienced staff that cover every need of a captive seeking to establish in Switzerland.

There are many excellent ancillary specialised service providers, such as law firms, captive managers, actuaries, accountants, facility managers etc. Establishing a captive is very easy and, as a rule, will take less than a year to comply with the Swiss Financial Market Supervisory Authority (FINMA) requirements.

The substance issue is very similar to other reputable locations and FINMA is not extremely onerous; the Swiss Solvency Test (SST) is basically parallel to the European requirements and offers a simplified calculation model for reinsurance captives. A captive owner deciding to locate in Switzerland will be well-served, but at a price.

Both insurance and reinsurance captives can be domiciled in Switzerland. If adequate, it is advisable to establish as a reinsurance captive because Switzerland is not part of the EU, so there are some restrictions when insuring risks within the EU depending on each EU member state's regulations.

Captives in Switzerland generally profit from more favourable outsourcing provisions and a proportional regulatory approach based on different categories of supervision that make regulatory burden adequate to the amount and complexity of risks insured.

Intra-group captives conducting direct insurance or reinsurance activities will be subject to regulatory relief and no longer subject to tied-assets regulations and other requirements, such as the obligation to hold an organisational fund or to affiliate with an ombudsman. Reinsurance captives are already subject to regulatory relief and will continue to profit from such relief.

As a re-captive one would require a fronting company to issue policies; that is, no problem, however, as there are a number of insurance companies offering such services, some of which also cover many or most other aspects of building and maintaining an insurance programme.

Switzerland has adapted its system and taxation levels for foreign-owned companies to comply with the Organisation for Economic Co-operation and Development standards.

The Federal Government and the cantons are well aware and interested in keeping foreign entities put and happy. Many cantons have accordingly lowered their corporate taxes.

You can find more information on Switzerland as a captive domicile, here: www.swisscaptives.ch/ or www.finma.ch/en/

Loyens & Loeff Switzerland LLC contributed to the information provided.

With its adoption of captive legislation in 1978, Tennessee became one of the first states to provide companies with an onshore option for forming a captive insurance company. In 2011, the captive statute was modernised to attract companies to form captive insurance companies in Tennessee, for the purpose of increasing employment and investment in the state. With the modernisation of Tennessee's captive statute, resources were devoted to the Tennessee Department of Commerce & Insurance's (TDCI) captive insurance section to ensure companies choosing Tennessee for their captive domicile would receive best-in-class customer service from a team of dedicated captive insurance professionals. As a result, Tennessee has experienced exceptional growth.

Prior to updating the captive legislation, Tennessee had licensed only two captive insurance companies. As of the end of 2021, Tennessee had licensed 230 captive insurance companies and 561 cell captives, totalling 811 risk-bearing entities. Tennessee is a top 10 captive domicile in the US and ranks in the top 20 globally. The growth of the captive insurance industry remains a priority for Tennessee Governor Bill Lee and TDCI Commissioner Carter Lawrence, ensuring a bright future for Tennessee as a captive insurance domicile.

Tennessee has developed a reputation for balancing a business-friendly approach with responsible regulation of the captive insurance industry. The department's team of captive professionals prides itself on helping captive owners and captive managers create successful captive programmes that meet the risk management goals of their owners. Jonathan Habart leads the captive section for Tennessee and brings years of experience in hospitality, finance and insurance to TDCI, as well as a business perspective that differentiates Tennessee from other domiciles.

Additionally, the TDCI works closely with the Tennessee Captive Insurance Association (the state's member-based trade group) to ensure Tennessee's captive statutes remain innovative and competitive.

Examples of recent regulatory improvements include:

- Reduction of minimum capital requirements for protected cell companies from USD 250,000 to USD 100,000
- Expansion of available coverage options to include parametric insurance
- One-year tax holiday for alien captives redomesticating to Tennessee, allowing for expense reduction or elimination for moving onshore
- Dormancy provision that provides for an easy alternative when traditional markets offer competing coverages at attractive prices (the captive can restart at any time)
- Permitting premiums and claims to be denominated and paid in foreign currency

Tennessee statute allows captives to be formed as a stock insurer, a mutual, a reciprocal, a non-profit, a limited liability company and a series limited liability company. Tennessee is one of the few states offering the series limited liability option.

Tennessee law provides series cells to be formed and approved as incorporated cells at a lower cost and administrative burden than incorporated cells created under other corporate formation types, as well as offering additional flexibility for effective dates.

Tennessee welcomes a wide variety of captive licensing types, including pure, association, industrial insured, branch, reciprocals, protected cell captives, special purpose financial captives and risk retention groups.

The minimum capital for these entities include:

- Pure captives: USD 250,000
- Protected cell captives: USD 100,000
- Association and industrial insured captives: USD 500,000
- Risk retention groups: USD 1,000,000

The minimum capital can be provided in the form of cash, cash equivalents, letters of credit or marketable securities, thereby offering a wider variety of options than some other domiciles.

The premium tax rates in Tennessee are also competitive with other captive domiciles, and are as follows:

Direct premium tax:

- 0.4% on the first $20 million
- 0.3% on each dollar after the first $20 million
- Reinsurance premium tax:
- 0.225% on the first $20 million
- 0.15% on the next $20 million
- 0.05% on the next $20 million
- 0.025% on each dollar thereafter

The minimum premium tax is USD 5,000 for each captive, other than protected cell captives with more than 10 cells, which has a minimum of USD 10,000. The maximum premium tax is USD 100,000, other than for protected cell captives with more than 10 cells, which is USD 100,000, plus an additional USD 5,000 per cell over 10.

Tennessee

Texas

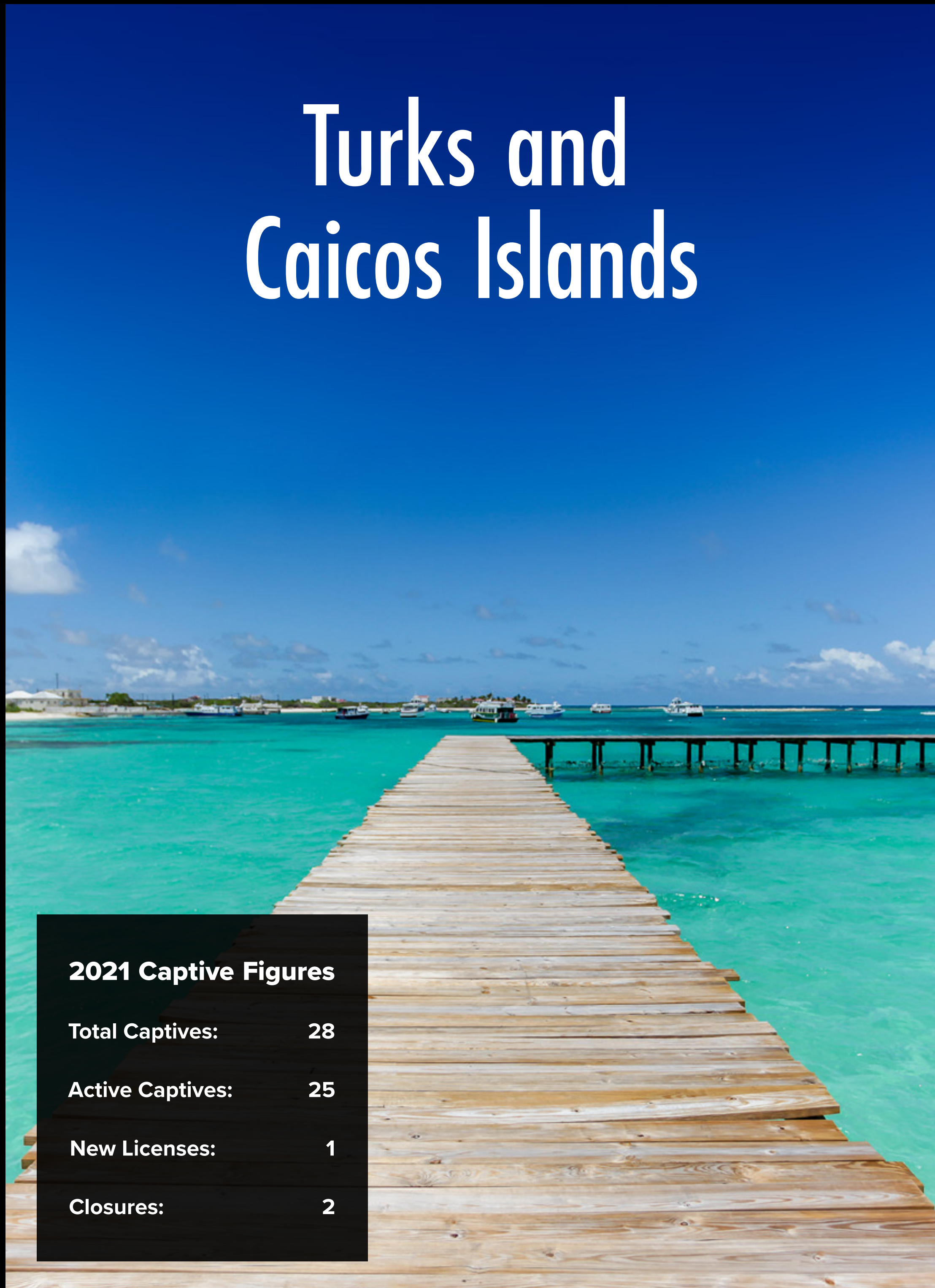
Texas is focused on enabling business owners to operate efficiently and to protect the enterprise value those businesses create. Fortune 1000 companies and mid-size captive owners will both find a supportive environment in Texas in which to domicile their captive. Geographically and philosophically, there is room to grow in Texas — for businesses and their captives alike. The Texas statute provides for single-parent captives alone at the moment, but within that capacity, the state seeks to create as broadly constructive a single-parent statute as possible. Captives must meet a minimum capitalisation requirement of USD 250,000 for the combined capital and surplus, but as in most domiciles, the Texas Department of Insurance will examine actuarial projections and other issues before making a decision on formation.

The premium tax rate has been set at 0.5 per cent, with a minimum of USD 7,500 and a maximum of USD 200,000 to be collected.

The maintenance tax varies by prior-year premium and line.

For growth initiatives as they relate to the Texas domicile, desired changes to statute, ongoing education, and a generally fun and supportive peer group environment, everyone is encouraged to contact and join the Texas Captive Insurance Association.

More information on captive insurance in Texas can be found at www.tdi.texas.gov/licensing/company/captives.html and www.texascaptives.org



Turks and Caicos Islands

2021 Captive Figures

Total Captives:	28
Active Captives:	25
New Licenses:	1
Closures:	2

Situated between the Bahamas and Puerto Rico, the Turks and Caicos Islands is a UK overseas territory with its own constitution and government. The domicile is tax neutral, with no local sales, income or corporation taxes and uses the US Dollar, with no exchange control regulations.

Captive insurance in the Turks and Caicos Islands began in 1989 when it joined other international insurance domiciles by giving its then-nascent insurance industry a sound legal and regulatory basis with the introduction of its insurance ordinance and subsidiary regulations.

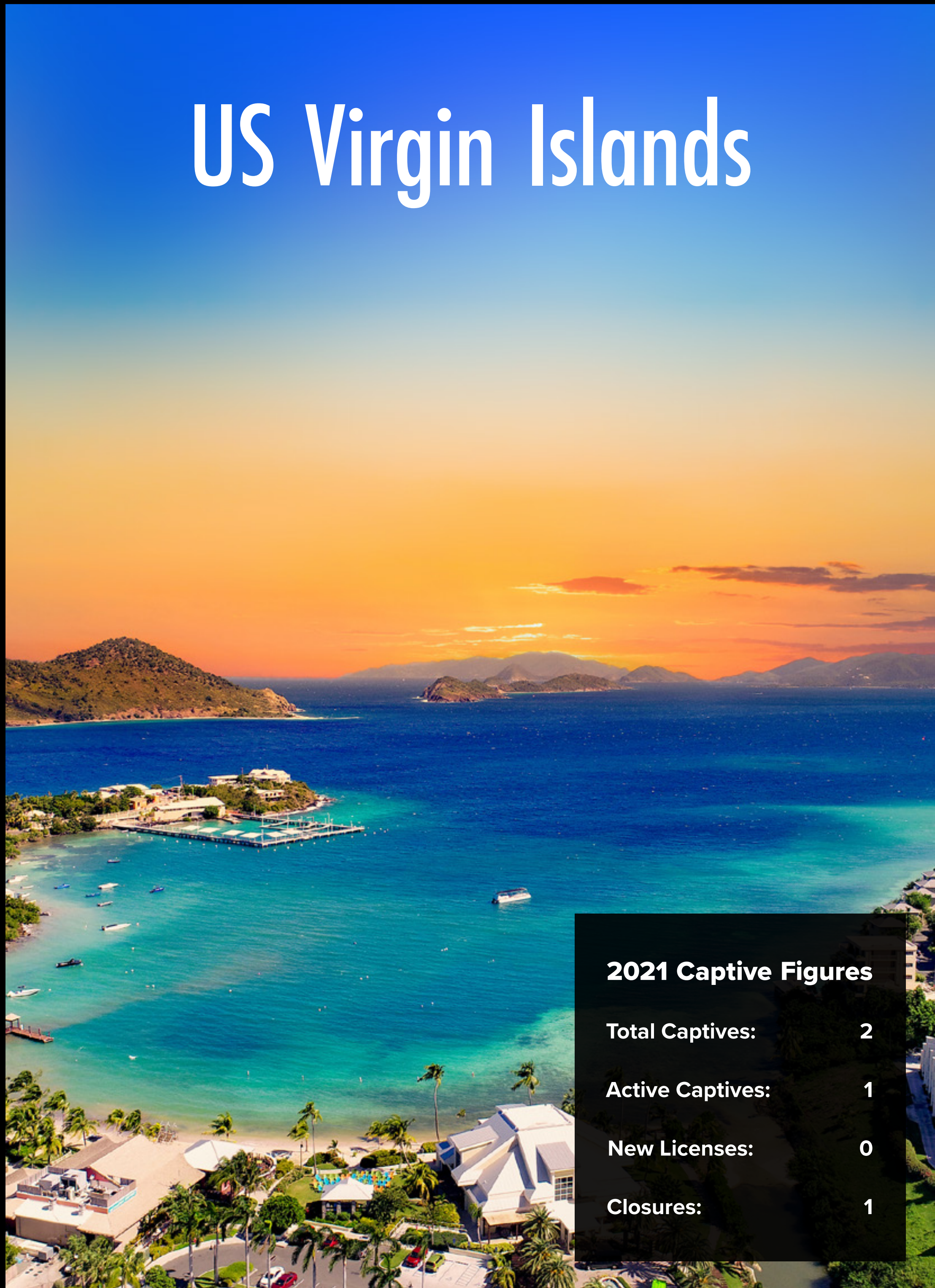
The Turks and Caicos Islands offer risk managers, brokers, fronting companies and insurers a number of advantages, including:

- The stable political environment of a British Overseas Territory
- A strong and consistent legal framework based on British common law
- A one-stop user-friendly regulatory regime
- Easy access to the regulator
- Low establishment and operating costs
- Close proximity to the US and easy and frequent air access
- A sound and well-developed legal and judicial system
- A community of professionals capable of servicing the needs of captives
- No taxation
- No exchange control
- The US Dollar as the local currency

Most applicants for insurance licenses in the Turks and Caicos Islands will be companies already incorporated there. Incorporation can be achieved within two days and the costs will vary depending on the amount of capitalisation. This can be done if all relevant documents have been filed with the application and there are no queries. Following incorporation by the companies registry, the file is passed to the Insurance Department of the Financial Services Commission (FSC) for processing. Licensing decisions are made by a Board-established Licensing Committee. Meetings of the Licensing Committee are held as often as is necessary, but at least once per month. The level of due diligence is more detailed for a pure captive than a producer-owned reinsurance company (PORC) and the timing of the issue of the license varies case by case. No business may be carried out from or within the Turks and Caicos Islands which uses the word 'insurance', or any of its derivatives that connotes insurance business, unless the entity concerned is licensed to carry out insurance business.

The time required for licensing will depend on the comprehensiveness of the business plan and the other information submitted to the FSC. A licence can normally be obtained within 10 business days if properly prepared and documented. Both pure captives and PORCs are required to have a local registered office address and registered agent, a service which is provided by most corporate service providers; a list of such service providers can be found at tcifsc.tc/company-managers-company-managers-agents. Annual filing requirements for pure captives include audited financial statements and other certificates signed by the auditor concerning solvency and the statutory books and records of the entity. Although these are to be filed within three months of the entity's year-end, an extension can be approved following a written application to the FSC, subject to the specific circumstances. PORCs are required to file financial statements (unaudited) by 31 October of the year following their year-end.

Both the pure captives and PORCs have other filing requirements including annual payment for their licenses.



US Virgin Islands

2021 Captive Figures

Total Captives:	2
Active Captives:	1
New Licenses:	0
Closures:	1

The US Virgin Islands captive programme is poised to make a gigantic leap in the captive sector based on conversations that are being held with potential captive owners looking for a domicile destination and those looking to re-domesticate. The magnitude of other domiciles renders it impossible for each captive to receive the personal attention and nurturing that is needed, especially for small- and medium-sized captives looking to position themselves in the industry.

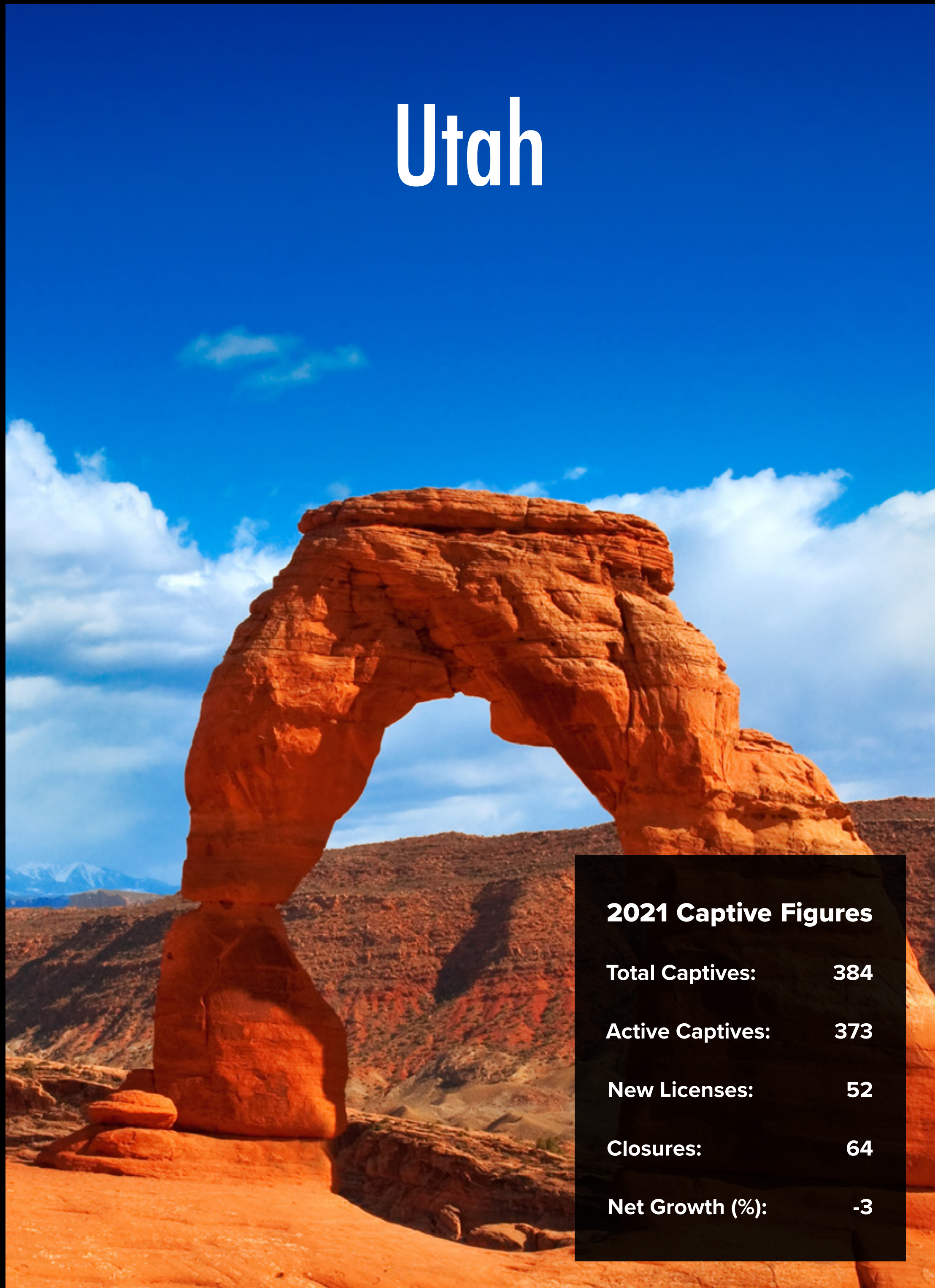
The US Virgin Islands captive programme presently has five captive companies, all of which are single-parent companies. This is an emerging market with legislation already in place (title 22, chapters 55 and 66, Virgin Islands Code) to take advantage of the surge in captive formations that is expected, especially with small and medium enterprises as well as international business entities.

The legislation also covers protected cells including segregated accounts, qualified managers, special purpose financial captives, association international insurance companies (stock or mutual) and industrial insured international insurance companies (stock insurer).

There are many reasons why you should form or re-domicile your captive in the US Virgin Islands. The domicile has the lowest minimum capital and surplus requirements in the industry.

It also has the lowest registration and annual fees; 5 per cent of qualified manager net revenues.

There is a strong investment record and a very attractive tax structure. Its proximity to the US and South America gives it a competitive advantage in linking these two regions of the Americas.



Utah

2021 Captive Figures

Total Captives:	384
Active Captives:	373
New Licenses:	52
Closures:	64
Net Growth (%):	-3

There are multiple advantages to forming a Utah-domiciled captive. A key selling point to consider is that Utah does not impose a premium tax or any other state tax — only a very reasonable annual fee of USD 6,375 (USD 1,000 for cells). Additionally, Utah is among the leading captive domiciles when it comes to technological advancement and implementation of technology. It has created a smooth and less time-consuming interaction between regulators and captive companies where all applications and annual filings may be accessed and submitted online. Utah is consistently voted among the best states in which to do business. Its regulatory environment is reasonable and effective, providing easy access to regulators and legislators. Utah is authorised to issue a licence to the following captive types: pure, branch, special purpose, association, sponsored, industrial insured and risk retention group.

Minimum capitalisation varies by captive type:

- Pure: USD 250,000
- Association: USD 750,000
- Industrial insured: USD 700,000
- Sponsor: USD 500,000 (of which a minimum of USD 200,000 must be provided by the sponsor)

Utah recently passed a new statute to amend the insurance code, including significant changes for captive insurance to ensure the state remains competitive.

It allows captive coverages for punitive damages, however no pure third-party direct or indirect coverages for punitive damages, and the coverage may not arise out of a criminal act defined as "an act for which a person receives a verdict or finding of guilt after a criminal trial or plea of guilty or nolo contendere to a criminal charge".

Some key requirements for a Utah-domiciled captive include the use of an approved captive manager, independent auditor and actuary.

Utah captives must also have a principal place of business address in the state, have a Utah-registered agent, and have at least one Utah resident on the board of directors (or managing member for limited liability companies).

The state captives file an annual statement, statement of economic benefit, statement of actuarial opinion, and independent audit report.

Captives are subject to taxes on real and personal property owned in Utah.

More information on captive insurance in Utah can be found at insurance.utah.gov/captive

Vanuatu

Vanuatu is a full-service financial centre and covers all financial services, including company formation, trusts, mutual funds, international and captive insurance.

The legislation that governs captive insurance business in Vanuatu include: Insurance (Amendment) Regulation Order No. 6 of 2010; Insurance (Amendment) Act No. 27 of 2017; Insurance (Amendment) Act No.29 of 2009; Insurance Regulation Order No.16 of 2006; and Insurance Act No. 54 of 2005.

There is also the Prudential Guidelines which are: PG No 4 - Audit Guidelines RBV 2010 and PG No 1 - Guidance notes for licence applications RBV 2010.

The Reserve Bank of Vanuatu is the chief captive insurance regulator. Its licensing fees are: USD 250 to file an application and USD 2,000 for a licence.

The basic requirements for filing for a licence include a certificate of incorporation, a minimum of two directors (who do not need to be local), a detailed business plan, the appointment of a resident insurance manager, books and records to be maintained in Vanuatu and appointment of a resident auditor.

Vanuatu's minimum capital requirements are USD 100,000 for general classes and USD 200,000 for life and long term.

Vanuatu's regulatory framework offers choice and flexibility and accommodates the challenges faced and outcomes sought by the captive insurance market. Capital requirements and reporting systems are similar to other well-regulated jurisdictions.

The establishment of a new captive programme or the repatriation of an existing captive from another jurisdiction can be effected easily and seamlessly.

More information on captive insurance in Vanuatu is available at www.insurance.vu

Vermont

2021 Captive Figures

Total Captives:	1242
Active Captives:	589
New Licenses:	45
Closures:	14
Net Growth (%):	5.3

The state of Vermont was one of the first states in the US to adopt captive legislation. 40 years later, the state continues to reign as a leader in the captive insurance industry.

The captive insurance market in the state of Vermont began in 1981, when Vermont Governor Richard Snellings signed the Special Insurers Act of 1981. This law provided captive parents with the freedom to no longer have to prove the unavailability of insurance in the traditional market to function, unlike domestic domiciles.

The Special Insurers Act also created a space where rate and form regulatory approval was not required for a captive to be established. In that same year, the Vermont Department of Bank and Insurance licensed the state's first captive — First Charter Insurance Company. In just four years, Vermont became the largest US domicile with 28 captives. In 2002, Vermont gained the title of the world's third-largest captive domicile. To date, the state of Vermont continues to lead the captive industry as the largest captive domicile in the US and the third-largest in the world.

Since its inception in 1981, the captive industry in the state of Vermont has continued to adopt legislation to enhance the captive market. While the state has consistently pushed captive legislation over the past 40 years, legislative acts were key in influencing the captive industry in Vermont. In 1987, the state designated a portion of premium taxes paid by Vermont captives to be used exclusively for captive regulation. With these changes in legislation, the premium volume generated by Vermont captives exceeded the USD 1 billion mark in 1990.

In 2016, Vermont added the 'dormancy' options for captive owners that were not currently active but wanted to keep their captive entity, while legislation adopted in 2018 strengthened the state's financial services industry by allowing insurers to form affiliated reinsurance companies. Amendments made in 2019 include, among others, clarification over the eligibility of protected cells functioning as non-profit entities to pay dividends, exemption from bonding requirements for an attorney-in-fact of a captive organised as a reciprocal, and increased flexibility for captives to develop their own investment policies.

The most recent amendments to the Vermont captive insurance statutes, passed in 2021, cover:

- Captive formation process — no longer requires certified copies of organisational documents and contribution of capital prior to licensure. Instead, capital may be contributed after licensure, and the company is required to file a statement to that effect with the department
- Reports and statements — adds agency captives to the list of companies required to file an annual report
- Protected cell conversions — provides ability for protected cells to convert to a standalone captive insurance company or to a different type of cell
- Mergers and consolidations — simplifies the merger process, provided there is unanimous consent of the parties, and creates a new section in the captive statute instead of referencing the traditional statute
- Redomestications — creates a new section in the captive statute instead of referencing the traditional insurance statute
- Service of process — changes the designated agent for service of process for foreign risk retention groups and purchasing groups doing business in Vermont from the Secretary of State to the Commissioner

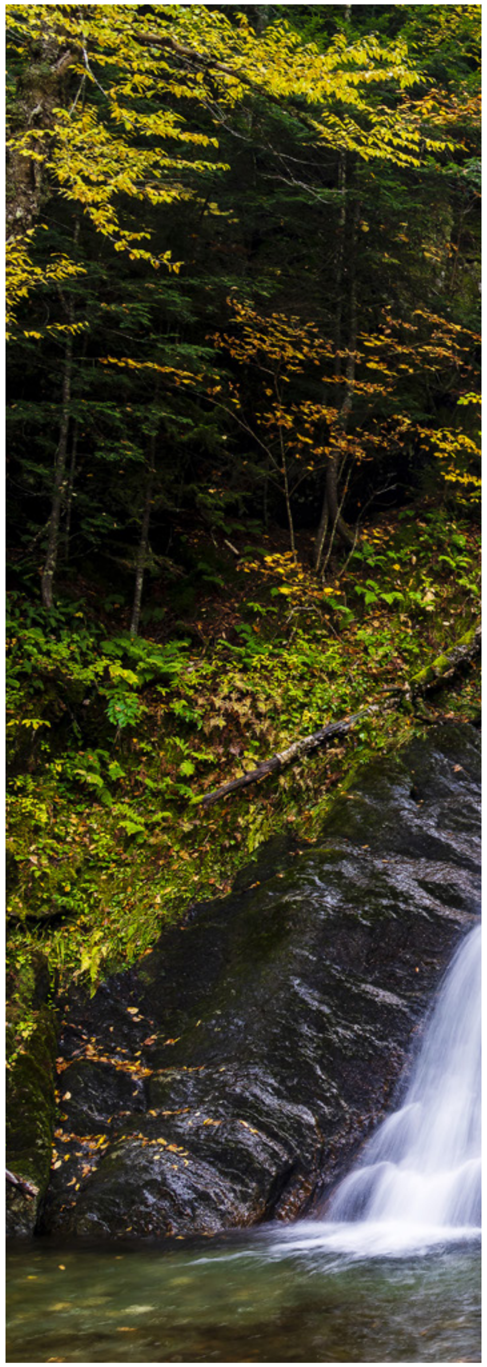
The current captive market in Vermont is growing at a consistent rate. The state licensed 45 new captive insurance companies in 2021, bringing the total number of licensed captives for the state of Vermont to 620. Vermont's 52 sponsored cell captives host nearly 500 cells and separate accounts, in addition to the licensed captive companies.

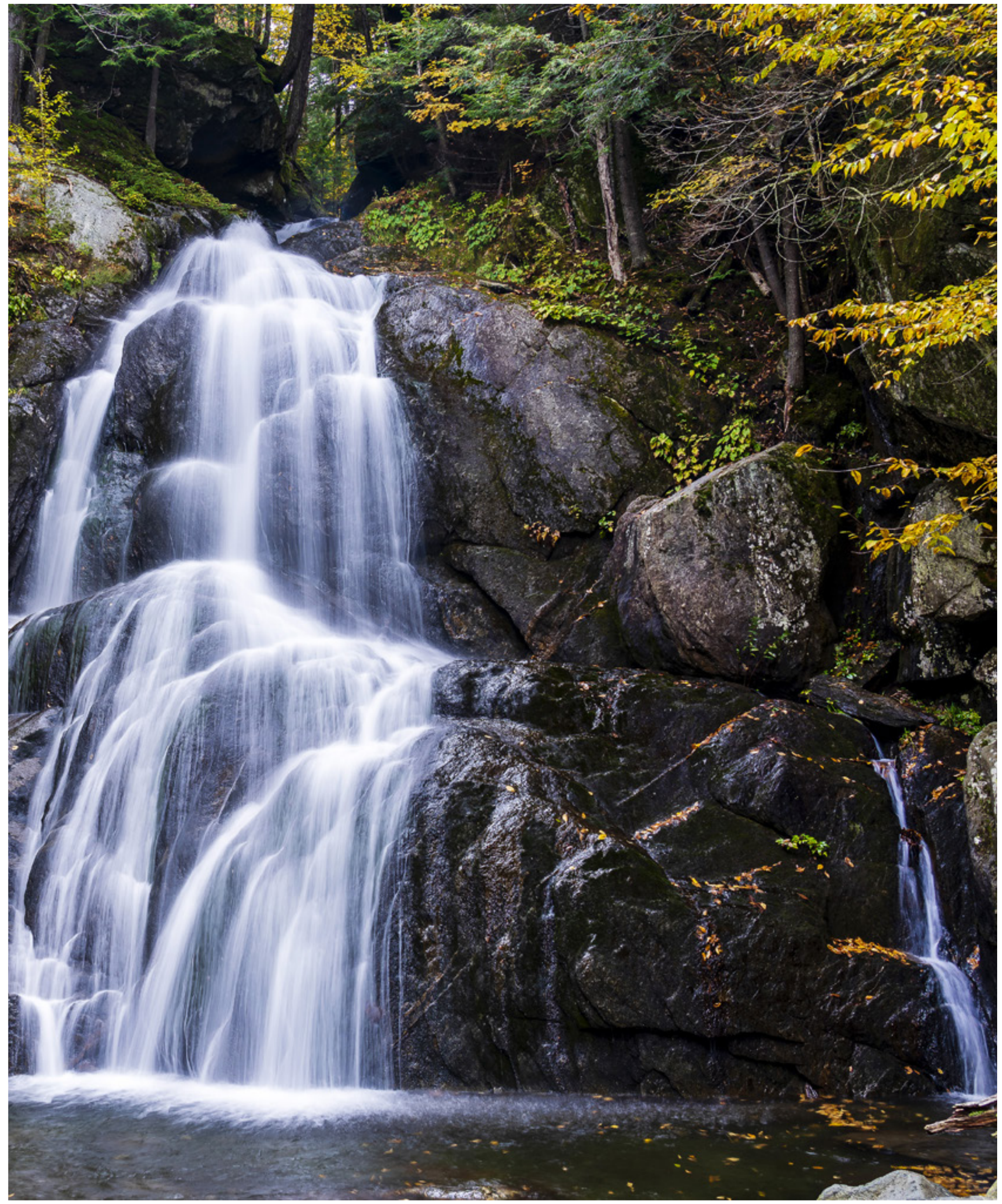
Although the captive industry in the state of Vermont is continuously growing, the capital requirements have remained consistent. The minimum solvency capital requirements are:

- Sponsored captives: USD 100,000
- Pure and branch captives: USD 250,000
- Association, industrial insured and agency: USD 500,000
- RRGs: USD 1 million
- Special purpose financial insurance and affiliated reinsurance companies: USD 5 million

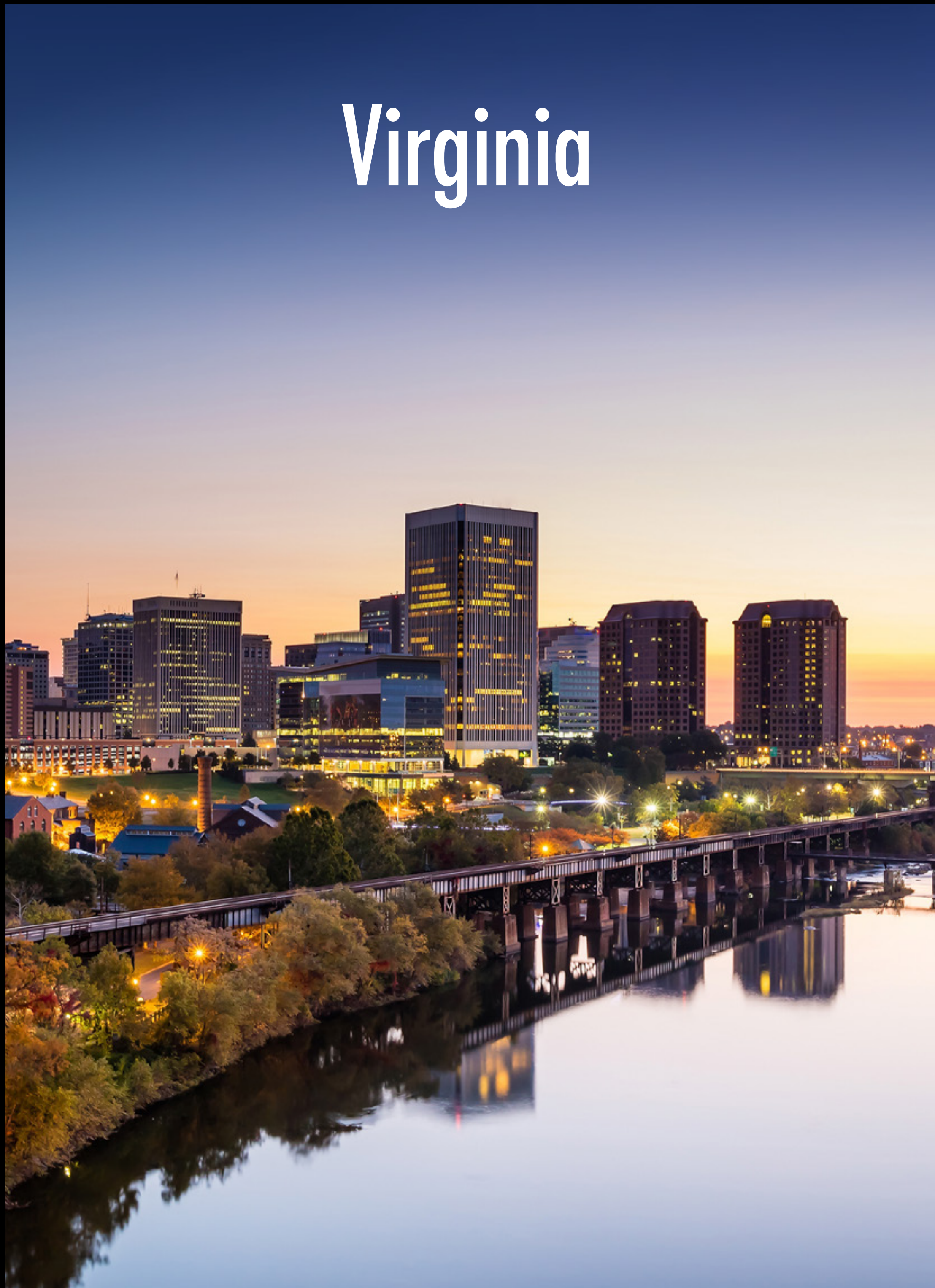
As growth in the captive insurance industry continues in 2022, the state of Vermont is expected to continue to be a leading captive domicile in the US and worldwide.

Additional information can be found online at www.vermontcaptive.com





Virginia



Virginia law (Chapter 11, Title 38.2) allows for pure and association captives, which can write only the classes of insurance described in §§ 38.2-110 through 38.2-120, 38.2-124, 38.2-126, and reinsure in accordance with 38.2-136.

Captives in Virginia can be incorporated as stock companies with USD 1 million in capital and USD 3 million in surplus, or as non-stock companies with USD 4 million in surplus.

The premium tax rate has been set at 2.25 per cent of gross premium written in Virginia and in any state in which the captive is not licensed and not subject to premium tax. Pure captives must show that their total insurance coverage necessary to insure all risks, hazards, and liabilities would develop, in the aggregate, gross annual premiums of at least USD 500,000.

This figure has been set at USD 1 million for association captives, which must also show that the insurance association has been in existence for at least one year, although this may be waived if each member has a gross annual premium in excess of USD 100,000.

The license application instructions for a captive insurer are available here: www.scc.virginia.gov/pages/Company-Licensing-and-Registration-Procedures

A

Actual Loss Sustained: Coverage applies to the actual loss sustained by the insured as a result of a covered loss.

Actuary: An individual, often holding a professional designation, who computes statistics relating to insurance.

Actuaries are most frequently used to estimate loss reserves (for both insurers and self-insureds) and to determine premiums for various coverage lines.

Professional designations are awarded by the Casualty Actuarial Society and the Society of Actuaries.

Admitted Insurer: An insurance company licensed to do business in a specified jurisdiction to underwrite insurance in that jurisdiction.

Aggregate Excess of Loss Reinsurance: A form of reinsurance that requires participation by the reinsurer when aggregate excess losses for the primary insurer exceed a certain stated retention level.

Aggregate Limit of Liability: An insurance contract provision limiting the maximum liability of an insurer for a series of losses in a given time period, for example, a year or for the entire period of the contract. Aggregate limits may be equal to or greater than the per occurrence or per accident policy limit.

An insurance policy may have one or more aggregate limits. For example, the standard commercial general liability policy has two: the general aggregate that applies to all claims except those that fall in the products-completed operations hazard and a separate products-completed operations aggregate.

Alien Insurer: An insurer domiciled outside the US.

Alternative Market: A term commonly used in risk financing to refer to one of a number of risk funding techniques or facilities that provide coverages or services outside the realm of those provided by most traditional property and casualty insurers.

The alternative market may be utilised by large corporations, for example, to provide high limits of coverage over a large self-insured retention.

It may also be utilised by groups of smaller entities, for example, participating in a risk retention group or group captive programme.

Note that the distinction between traditional and alternative markets tends to blur over time as many traditional insurers have expanded their offering of products to encompass alternative-type funding techniques, and vice versa.

Finally, retrospective funding plans, especially paid loss plans, are sometimes identified with the alternative market.

Association Captive: A captive insurance company formed and owned by a trade or professional association.

Attachment Point: The point at which excess insurance or reinsurance limits apply. For example, a captive's retention may be USD 250,000. This is the attachment point at which excess reinsurance limits would apply.

Automatic Treaty: A reinsurance treaty under which the ceding company must transfer exposures of a defined class that the reinsurer must accept in accordance with the terms of the treaty.

B

Bordereau: A report providing premium or loss data with respect to identified specific risks. This report is periodically furnished to a reinsurer by the ceding insurers or reinsurers.

Bornhuetter-Ferguson Technique: An actuarial technique for developing losses to estimate their ultimate amount. An amount for expected unreported losses (derived using the reciprocal of the loss development factor) is added to the actual reported losses to obtain the estimated ultimate loss for a given accident year. The technique is most useful when actual reported losses for an accident year are a poor indicator of future incurred but not reported claims for the same accident year, as is often the case where there is low frequency of loss but a very high potential severity.

Break Point: The loss level at which losses below the level are considered 'primary' losses and losses above are 'excess' losses. The appropriate break point in any risk financing programme is a matter of judgement and is dependent upon that programme's individual characteristics.

Brokerage Market: Reinsurers that write business through reinsurance intermediaries. Reinsurers that do not generally accept such business are referred to as the direct market.

Buffer Layer: Any layer of insurance (or risk retention) that resides between the primary (burning) layer and the excess layers. For example, if the insured's primary commercial general liability limit is USD 500,000 and its umbrella attachment point is USD 1 million, the layer of USD 500,000 excess of USD 500,000 coverage between the two is the buffer layer.

Business Income: The net income (net profit or loss before income taxes) that would have been earned by the insured if a loss hadn't occurred, as well as the numerical value of the insured's regular operating expenses.

C

Captive Insurer: A captive insurer is an insurance company that insures the risks of an associated business. For example, a parent corporation may own both an operating company and a captive insurance company as brother-sister subsidiaries where the captive insures risks of the operating company, such as for illustration, ABC Parent Corporation owns both ABC Manufacturing Company and ABC Captive Insurance Company, and ABC Captive Insurance Company insures certain of the risks of ABC Manufacturing Company. This arrangement is often called a single-owner captive. There are many other forms of captive. As an example of an alternative arrangement, a captive may be owned by a number of unrelated companies in the same industry and insure a set of risks unique or common to that group of companies.

This form of captive is often referred to as an association captive (meaning that it insures a specific industry or trade group). There are many more ways of classifying captives by type, for example, pure captives (those that write no outside business).

Catastrophic Loss: Loss in excess of the working layer, usually of such magnitude as to be difficult to predict and therefore rarely self-insured or retained.

Catastrophic Reinsurance: A form of reinsurance that indemnifies the ceding company for the accumulation of losses in excess of a stated sum arising from a single catastrophic event or series of events.

Cedant: A ceding insurer or reinsurer. A ceding insurer is an insurer that underwrites and issues an original, primary policy to an insured and contractually transfers (cedes) a portion of the risk to a reinsurer.

A ceding reinsurer is a reinsurer that in turn transfers (cedes) a portion of its reinsurance layer to a retrocessionnaire.

Ceding Commission: A percentage of the reinsurance premium retained by a ceding company to cover its acquisition costs, and sometimes, to provide a profit.

Claims Reserve: An amount of money set aside to meet future payments associated with claims incurred but not yet settled at the time of a given date.

Combined Ratio: The sum of two ratios, loss and expense, calculated by dividing incurred losses and all other expenses by earned premiums.

Used in both insurance and reinsurance, a combined ratio below 100 per cent indicates an underwriting profit.

Contingent Business Interruption (CBI) Coverage: This covers an insured's income loss resulting from covered losses experienced by an entity which the insured relies upon, for example: suppliers, manufacturers and distributors.

Contingent Commission: In reinsurance, an allowance payable to the ceding company in addition to the normal ceding commission allowance.

It is a predetermined percentage of the reinsurer's net profits after a charge for the reinsurer's overhead, derived from the subject treaty.

Credibility: An actuarial term describing the degree of accuracy in forecasting future events based on statistical reporting of past events.

Credibility tends to increase with the number of exposure bases in the observed data and to decrease with higher levels of variability in the observed data.

D

Deductible: An amount agreed between the insured and insurer whereby the insured reimburses the insurer for losses it pays within the specified deductible amount.

Dividend: The return of premium to an insured by the insurance company.

Policies on which dividends may be paid are often called participating insurance. It is important to note that it is illegal for insurers to guarantee that dividends will be paid.

Domicile: The location or venue in which a captive insurer is licensed to do business. Some factors to be considered in selecting the best domicile for a given captive include capitalisation and surplus requirements, investment restrictions, income and local taxes, formation costs, acceptance by fronting insurers and reinsurers, availability of banking and other services, and proximity considerations.

E

Earned Premium: An insurer 'earns' a portion of a policy's premium as time elapses during the policy period.

Earned Surplus: Funds earned by an insurance company (including captives and risk retention groups) after all losses and expenses have been paid. Once earned surplus is recognised, it can be allocated to capital and/or dividends.

Economic Substance: This legislation is designed to protect the reputation of offshore jurisdictions by ensuring that income streams are based on local activity to ratify the use of low-tax jurisdictions and improve tax transparency.

Enterprise Risk Management: A risk management approach that totally integrates both financial (ie, speculative) and event (ie, pure) risk into one broad programme of multiple retentions and high-excess aggregate insurance limits. To date, however, few firms have implemented such a comprehensive programme.

Nevertheless, companies are increasingly buying multi-year, multiline insurance programmes that cover disparate forms of risk (for example, property and directors and officers liability), which are designed to maximise the benefits of portfolio diversification.

Environmental, Social and Governance (ESG): Non-financial factors and intangible asset criteria that evaluate a company's material risks and growth opportunities. Environmental examines how a company engages with sustainable practices, such as conservation, waste management and biodiversity.

Social considers employee relationships, customer satisfaction, data protection and diversity, equity and inclusion initiatives.

Governance concerns a company's executive leadership, audits, lobbying, whistleblower schemes and shareholder rights.

Excess Insurance: A policy or bond covering the insured against certain hazards, and applying only to loss or damage in excess of a stated amount, a specified primary limit, or a self-insurance limit.

It is also that portion of the amount insured that exceeds the amount retained by an entity for its own account.

Excess of Loss Reinsurance: A form of reinsurance that indemnifies the ceding company against the amount of loss excess of only the specified retention.

Expected Loss: Estimated loss frequency multiplied by estimated loss severity, summed for all exposures.

This measure of loss generally refers to the total losses of an organisation of a particular type, for example, workers' compensation or general liability.

Experience Ratio: Describes any plan that uses the past loss experience and exposure levels, for example, payrolls, of the individual risk as a basis of determining premiums.

Exposure: The state of being subject to loss because of some hazard or contingency.

Also used as a measure of the rating units or the premium base of a risk.

Extra Expense: The expenses incurred by the insured during the period of restoration.

These would not have been necessary if there had been no physical loss to real or personal property caused by a covered loss. For example, temporary business equipment rentals.

F

Facultative Obligatory Treaty: The hybrid of the facultative versus treaty reinsurance approach.

It is a treaty under which the primary insurer has the option to cede or not cede individual risks. However, the reinsurer must accept any risks that are ceded.

Facultative Reinsurance: Reinsurance of individual risks on an individual 'offer' and 'acceptance' basis wherein the reinsurer has the option to accept or reject each risk offered.

Feasibility Study: A study undertaken to determine whether a contemplated risk financing programme is practicable for an organisation or group of organisations.

An actuarial analysis is often performed in conjunction with a feasibility study.

The term is often used in reference to studies that attempt to ascertain whether or not the formation of a captive insurance company is a viable risk financing option under a given set of circumstances.

Foreign Insurer: An insurer domiciled in the US but outside the state in which the insurance is to be written.

Frequency: The likelihood that a loss will occur. Expressed as low frequency (meaning that the loss event is possible but the event has not happened in the past and is not likely to occur in the future), moderate frequency (meaning the loss event has happened once in a while and can be expected to occur sometime in the future), or high frequency (meaning the loss event happens regularly and can be expected to occur regularly in the future).

Workers' compensation losses normally have a high frequency as do automobile collision losses.

General liability losses are usually of a moderate frequency, and property losses often have a low frequency.

Fronting: The process whereby an insurance company issues an insurance policy to the insured and then reinsures all or most of the risk with the insured's captive insurance company or elsewhere as directed by the insured.

This approach allows the insured to issue certificates of insurance acceptable to regulators and lenders and avoids the burden of licensing the insured's captive in all states or of becoming a qualified self-insurer in all states.

H

Hard Market: One side of the market cycle that is characterised by high rates, low limits and restricted coverage.

I

Incurred But Not Reported (IBNR): Recognition that events have taken place in such a manner as to eventually produce claims but that these events have not yet been reported. In other words, IBNR is a loss that has happened but is not known about.

Since it is impossible to know the value of a case not yet reported or investigated, a subjective estimate is often used by insurance companies to recognise losses incurred but not reported.

Incurred Losses: All open and closed claims occurring within a fixed period, usually a year. Incurred losses include reserves for open claims but do not usually include incurred but not reported losses.

Interruption by Civil or Military Authority Coverage: Provided for the insured's actual loss incurred during the length of time when access to real or personal property is prohibited by order of civil authority. For example, the surrounding area of the business is labelled a 'crime scene', and ordered to be closed off by local law enforcement.

Investment Income: The income of an insurance company derived from its investments, as opposed to its underwriting operations. The term has special significance in the insurance industry as various factions consider whether such income should be considered in ratemaking.

J

Judgement Rates: Rates that are established by judgement of an underwriter rather than by a rating authority. Judgement rates are used most often for those lines of insurance in which there are not enough similar exposure units to develop statistically credible rates.

L

Large Deductible Plan: An insurance programme that allows the insured to retain a portion of each loss through a substantial deductible and to transfer to an insurer losses in excess of that deductible. The insurer typically handles losses falling below the deductible and bills these costs back to the insured.

Law of Large Numbers: A tool used in probability and statistics. The larger the number of units independently exposed to loss, the more accurate the ability to predict loss results arising from those exposure units.

Letter of Credit: A legal commitment issued by a bank or other entity stating that, upon receipt of certain documents, the bank will pay against drafts meeting the terms of the letter of credit. Letters of credit are frequently used for risk financing purposes to collateralise monies owed by an insured under various cash flow programmes such as incurred but not paid losses in a paid loss retrospective rating programme.

Letters of credit also provide a means of meeting capitalisation requirements of captives, and are used to satisfy the security requirements in 'fronted' deductible or retention programmes.

Loss Adjustment Expense: The cost of investigating and adjusting losses. Such expenses may be termed allocated loss adjustment expenses (ALAE) or unallocated loss adjustment expenses.

Loss Development: The difference between the original loss as first reported to an insurer and its subsequent evaluation at a later date or at the time of its final disposal.

Loss Forecasting: Predicting future losses through an analysis of past losses.

Loss Portfolio Transfer: A financial reinsurance transaction in which loss obligations that are already incurred and will ultimately be paid are ceded to a reinsurer.

Loss Ratio: Proportionate relationship of incurred losses to earned premiums expressed as a percentage. If, for example, a firm pays a USD 100,000 annual premium for workers' compensation insurance, and its insurer pays and reserves USD 50,000 in claims, its loss ratio is 50 per cent (USD 50,000/USD 100,000).

Loss Reserve: An estimate of the value of a claim or group of claims not yet paid. A case reserve is an estimate of the amount for which a particular claim will ultimately be settled or adjudicated. An insurer will also set reserves for its entire books of business to estimate its future liabilities.

Loss Trending: One step in the process of predicting future losses, through an analysis of past losses.

Leader Property: Otherwise known as an 'attraction property', a leader property is not owned, controlled, or operated by the insured. Instead, it attracts customers to an insured's place of business. For example, a souvenir shop located next to a museum, selling museum-related merchandise.

M

Market Cycles: Market-wide fluctuations in the prevailing level of insurance and reinsurance premiums. A soft market, ie, a period of increased competition, depressed premiums, and excess capacity, is followed by a hard market — a period of rising premiums and decreased capacity.

Medical Stop-Loss: Insurance coverage that protects against unforeseen or catastrophic losses. Medical stop-loss insurance is typically purchased by employers looking to reduce health benefit costs, maintain control over cash reserves, and offer comprehensive health coverage for employees. Under medical stop-loss policies, employers that have opted to self-insure their employee benefit plans do not assume 100 per cent of the liability for losses that may arise from those plans. Liability is transferred to the insurance company for eligible losses that exceed certain limits called deductibles.

Minimum Premium: The least amount of premium to be charged for providing a particular insurance coverage. The minimum premium may apply in any number of ways such as per location, type of coverage or policy.

O

Obligatory Treaty: A reinsurance treaty between an insurer and a reinsurer (usually involving pro rata reinsurance), in which the insurer agrees to automatically cede all business that falls within the terms of the treaty. The reinsurer, in turn, is obligated to accept such business. Automatic treaty is another term for obligatory treaty.

Outstanding Losses: Losses that have been reported to the insurer but are still in the process of settlement. Paid losses plus outstanding losses equal incurred losses.

P

Parametric Insurance: An alternative insurance solution that covers the probability of a triggering event meeting predefined parameters, rather than indemnifying the actual physical losses incurred from the event.

Commonly used in climate-related risk, an insurable trigger must have the ability to be modelled in order to establish an objective parameter or index. The predefined payout threshold is generally adjusted to the company's risk tolerance and existing business continuity plan.

Participating Reinsurance: A form of reinsurance under which the reinsurer and primary insurer share losses in the same proportion as they share premiums and policy limits. Quota share reinsurance and surplus share reinsurance are the two types of participating reinsurance. Pro rata reinsurance is another term often used to describe participating reinsurance.

Payout Profile: A schedule illustrating the typical rate of dollars paid out in claim settlements over time. For example, on average, less than 30 cents of the total loss dollar for workers' compensation claims is paid during the first year of coverage. Even less is paid on average for general liability claims. Depending upon the particular type of risk, an additional five to 10 years can elapse before the full 100 per cent of the loss reserve is paid out on a particular claim.

During this long pay-out period, the loss reserves (ie, the not-yet-paid-out funds that are set aside by the insurer to cover the loss claims) can be a source of significant investment income to the insurer, and the payout profile is instrumental in estimating this source of profit for any given category of risk.

Period of Restoration: The time needed to repair or replace property after loss or damage occurs.

Pool: An organisation of insurers or reinsurers through which particular types of risks are underwritten with premiums, losses, and expenses shared in agreed ratios. Pools are also groups of organisations that are not large enough to self-insure individually and so form a shared risk pool, also referred to as risk pooling.

Portfolio Reinsurance: A form of reinsurance under which a reinsurer assumes the entire book of the ceding company's business in a certain class or classes.

Pro Forma Financial Statements: A set of financial statements (usually an income statement, balance sheet, and statement of cash flows) designed to exhibit 'as-if' financial results, often used to project future financial results, based on a set of assumptions. These statements are commonly used to evaluate the feasibility of proposed risk funding programmes such as captives and risk retention groups.

Pro Rata Reinsurance: A term describing all forms of 'proportional' reinsurance. Under pro rata reinsurance, the reinsurer shares losses in the same proportion as it shares premiums and policy amounts. Quota share and surplus share are the two major types of pro rata reinsurance.

Probability: A numerical measure of the chance or likelihood that a particular event will occur. Probabilities are generally assigned on a scale from zero to one. A probability near zero indicates an outcome that is unlikely to occur, while a probability near one indicates an outcome that is almost certain to occur.

Producer-Owned Reinsurance Captive (PORC): This is a type of captive reinsurance company that underwrites risks of an affiliated operating business by means of having those risks directly underwritten by a fronting insurance company, which then cedes those risks on through to the captive as reinsurer. The insurance is 'producer-owned' in the sense that the producer of the initial insurance contract owns the captive. In some instances, this type of reinsurance company is owned by an insurance agent and broker, in which case, it is not technically-speaking a captive insurer since it is not owned by the owners of the affiliated operating company.

Professional Reinsurer: A company whose business is confined solely to reinsurance and peripheral services offered by a reinsurer to its customers. This is in contrast to primary insurers that exchange reinsurance or operate reinsurance departments as adjuncts to their basic business of primary insurance.

Profit Commission: A provision found in some reinsurance agreements that provides for profit sharing. Parties agree to a formula for calculating profit, an allowance for the reinsurer's expenses, and the cedant's share of profit after expenses.

Prospective Rating: A method used in arriving at an insurance or reinsurance rate and premium for a specified period based in whole or in part on the loss experience of the prior period.

Purchasing Group: Authorised by the US Liability Risk Retention Act of 1986, a group formed to obtain liability coverage for its members, all of which must have similar or related exposures.

The act requires a purchasing group to be domiciled in a specific US state. In contrast to risk retention groups, purchasing groups are not risk-bearing entities.

Pure Risk: The risk involved in situations that present the opportunity for loss but no opportunity for gain. Pure risks are generally insurable, whereas speculative risks (which also present the opportunity for gain) generally are not. See Speculative Risk.

Q

Quota Share Reinsurance: A form of reinsurance whereby the reinsurer accepts a stated percentage of each exposure written by the ceding company on a defined class of business.

R

Rating Bureau: An organisation that collects statistical data on losses and exposures of businesses and promulgates rates for use by insurers in calculating premiums. The two most important US rating bureaus are the National Council on Compensation Insurance and the Insurance Services Office. However, a number of US states also use their own rating bureaus.

Reinsurance: Insurance in which one insurer, the reinsurer, accepts all or part of the exposures insured in a policy issued by another insurer, the ceding insurer. In essence, it is insurance for insurance companies.

Reinsurance Assumed: That portion of a risk that a reinsurer accepts from an original insurer (also known as a primary insurer) in return for a stated premium.

Reinsurance Ceded: That portion of a risk that an original insurer (also known as a primary insurer) transfers to a reinsurer in return for a stated premium.

Reinsurance Intermediaries: Brokers who act as intermediaries between reinsurers and ceding companies. For the reinsurer, intermediaries operate as an outside sales force. They also act as advisers to ceding companies in assessing and locating markets that meet their reinsurance needs.

Reinsured: An insurer that contracts with a reinsurer to share all or a portion of its losses under reinsurance contracts it has issued in return for a stated premium. Also called a ceding company.

Reinsurer: An insurer that accepts all or part of the liabilities of the ceding company in return for a stated premium.

Rent-A-Captive: An arrangement in which a captive insurer 'rents' its facilities to an outside organisation, thereby providing the benefits that captives offer without the financial commitments that captives require.

In return for a fee (usually a percentage of the premium paid by the renter), certain captives agree to provide underwriting, rating, claims management, accounting, reinsurance, and financial expertise to unrelated organisations.

Reporting Lag: The span of time between the occurrence of a claim and the date it is first reported to the insurer.

Reserve: An amount of money earmarked for a specific purpose. Insurers establish unearned premium reserves and loss reserves indicated on their balance sheets. Unearned premium reserves show the aggregate amount of premiums that would be returned to policyholders if all policies were cancelled on the date the balance sheet was prepared. Loss reserves are estimates of outstanding losses, loss adjustment expenses, and other related items. Self-insured organisations also maintain loss reserves.

Retention: Assumption of risk of loss, generally through the use of non-insurance, self-insurance, or deductibles. This retention can be intentional or, when exposures are not identified, unintentional. In reinsurance, it is the net amount of risk the ceding company keeps for its own account or that of specified others.

Retention Plan: A dividend plan normally used in writing workers' compensation insurance in which the net cost to the policyholder is equal to a 'retention factor' (insurance company profit and expenses) plus actual incurred losses subject to a maximum premium equal to standard premium less premium discount.

Retrocession: A transaction in which a reinsurer transfers risks it has reinsured to another reinsurer.

Risk-based Capital (RBC) Requirements: A method developed by the National Association of Insurance Commissioners (NAIC) to determine the minimum amount of capital required of an insurer to support its operations and write coverage. The insurer's risk profile (ie, the amount and classes of business it writes) is used to determine its risk-based capital requirement. Four categories of risk are analysed in arriving at an insurer's minimum capital requirement: asset, credit, underwriting, and off-balance sheet.

Risk Financing: Achievement of the least-cost coverage of an organisation's loss exposures, while assuring post-loss financial resource availability.

The risk financing process consists of five steps: identifying and analysing exposures, analysing alternative risk financing techniques, selecting the best risk financing techniques, implementing the techniques, and monitoring the selected techniques. Risk financing programmes can involve insurance rating plans, such as retrospective rating, self-insurance programmes, or captive insurers.

Risk Purchasing Group: A group formed in compliance with the Liability Risk Retention Act of 1986 for the purpose of negotiating for and purchasing insurance from a commercial insurer. Unlike a risk retention group which actually bears the group's risk, a risk purchasing group merely serves as a vehicle for obtaining coverage, typically at favourable rates and coverage terms.

Risk Quantification: Measurement of risk to make risk financing decisions. Loss frequency and loss severity are the dimensions of measurement. The value of loss and the variation in value from one period to the next will quantify the impact of the risk.

Risk Retention: Planned acceptance of losses by deductibles, deliberate non-insurance and loss-sensitive plans where some, but not all, risk is consciously retained rather than transferred.

Risk Retention Act: Federal legislation that facilitates the formation of purchasing groups and group self-insurance for commercial liability exposures.

Risk Retention Group: A group self-insurance plan or group captive operating under the auspices of the US Liability Risk Retention Act of 1986. A risk retention group can cover the liability exposures, other than workers' compensation, of its owners.

Risk Sharing: Also known as 'risk distribution', risk sharing means that the premiums and losses of each member of a group of policyholders are allocated within the group, based on a predetermined formula. Risk is considered to be shared if there is no policyholder-specific correlation between premiums paid into a captive, for example, and losses paid from the captive's reserve pool.

S

Self-Insurance: A formal system whereby a firm pays out of operating earnings or a special fund any losses that occur that could ordinarily be covered under an insurance programme. The moneys that would normally be used for premium payments may be added to this special fund for payment of losses incurred.

Section 831(b) Election: A section of the Internal Revenue Code that allows nonlife insurance companies to elect to only be subject to tax on investment income, leaving underwriting income exempt from federal income tax to be returned as a shareholder dividend or remain in the captive as surplus. To qualify for the election, the insurance company must have net written premiums of no more than USD 2.2 million per taxable year, and must meet certain diversification requirements — for example, a single policyholder must not pay more than 20 per cent of an elected company's annual net written premiums.

Electing companies are a focus of scrutiny from the Internal Revenue Service, with Notice 2016-66 identifying these micro captives as transactions of interest under the contention that they do not meet the criteria of an insurance company in relation to insurance risk, risk shifting and risk distribution.

Self-Insured Retention: The amount of each loss for which the insured agrees to be responsible before a commercial insurer begins to participate in a loss. This is in contrast to a deductible in that the commercial insurer is responsible for losses even within the deductible limit.

Although the deductible insurer looks to the insured for reimbursement of such losses, the insurer's responsibilities are unaffected by the insured's failure to reimburse.

Service Interruption: Coverage for an insured for direct physical loss, damage or destruction to electrical, steam, gas, water, sewer, or other utility.

Settlement Lag: The span of time between the first report of a claim and the date on which it is ultimately settled.

Severity: The amount of damage that is (or that may be) inflicted by a loss or catastrophe. Severity is sometimes quantified as a severity rate, which is a ratio relating the amount of loss to values exposed to loss during a specified period of time.

Soft Market: One side of the market cycle characterised by low rates, high limits, flexible contracts and high availability of coverage. Contrast with hard market.

Speculative Risk: Uncertainty about an event under consideration that could produce either a profit or a loss, such as a business venture or gambling transaction. A pure risk is generally insurable, while a speculative risk is usually not.

Spread of Risk: Consideration of the number of independent exposures to loss in a given time period. As the number of units exposed independently to loss increases, the spread of risk expands and the likelihood that all units will suffer loss diminishes. Predictive ability increases as the spread of risk increases. This is often called the 'law of large numbers'.

Stop-Loss Reinsurance: A form of reinsurance also known as 'aggregate excess of loss reinsurance' under which a reinsurer is liable for all losses, regardless of size, that occur after a specified loss ratio or total dollar amount of losses have been reached.

Structured Settlement: A settlement under which the plaintiff agrees to accept a stream of payments in lieu of a lump sum.

Structured settlements can be tailored to the individual's inflation-adjusted living costs, anticipated future medical expenses, education costs for children, and other lifetime needs.

Annuities are usually used as funding mechanisms.

Surplus Reinsurance: Reinsurance amounts that exceed a ceding company's retention.

In surplus reinsurance, the reinsurer contributes to the payment of losses in proportion to its share of the total limit of coverage.

Surplus Share Reinsurance: Proportional reinsurance in which the reinsurer assumes pro rata responsibility for only that portion of the risk that exceeds the ceding company's established retention.

T

Third-Party Administrator (TPA): A firm that handles various types of administrative responsibilities on a fee-for-services basis for organisations involved in cash flow programmes.

These responsibilities typically include claims administration, loss control, risk management information systems and risk management consulting.

Treaty: An agreement between an insurer and a reinsurer stating the types or classes of businesses that the reinsurer will accept from the ceding insurer.

Treaty Reinsurance: A form of reinsurance in which the ceding company makes an agreement to cede certain classes of business to a reinsurer.

The reinsurer in turn agrees to accept all business qualifying under the agreement, known as the 'treaty'. Under a reinsurance treaty, the ceding company is assured that all of its risks falling within the terms of the treaty will be reinsured in accordance with treaty terms.

U

Unallocated Loss Adjustment Expense: Salaries, overheads, and other related adjustment costs not specifically allocated to the expense incurred for a particular claim.

Unbundling: The practice of separating risk handling and risk funding services either from a multiline insurer or from themselves.

Captives that require a 'front' may also be required to purchase all or some of the services from the same insurer.

This is a 'bundled' programme. Unbundling indicates the ability to purchase services from any vendor, not just those associated with the fronting insurer.

V

Valuation Date: The cutoff date for adjustments made to paid claims and reserve estimates in a loss report. For example, a workers' compensation loss report for the 1996 policy year that has a 1998 valuation date includes all claim payments and changes in loss reserves made prior to the 1998 valuation date.

W

Weighted Average Loss Forecasting: A method of forecasting losses that assigns greater weight, typically to more recent years, when developing a forecast of future losses. Recent years receive a greater weight because they tend to more closely approximate current conditions (for example, benefit levels, nature of company operations and medical expenses).

Working Layer: A dollar range in which an insured or, in the case of an insurance portfolio, a group of insureds, is expected to experience a fairly high level of loss frequency.

For many organisations, this loss frequency is adequate to provide some degree of statistical credibility to actuarial forecasts of the total expected losses during a specific period of time, for example, one year. This is the layer typically subject to deductibles, self-insured retentions, retrospective rating and similar programmes.

Wrap-Around Risk Financing Programme: A risk financing programme in which two or more different risk financing approaches are combined into one overall programme.

Typically, a wrap-around is used for workers' compensation insurance so that the most cost-effective programme in each state can be used to an insured's advantage.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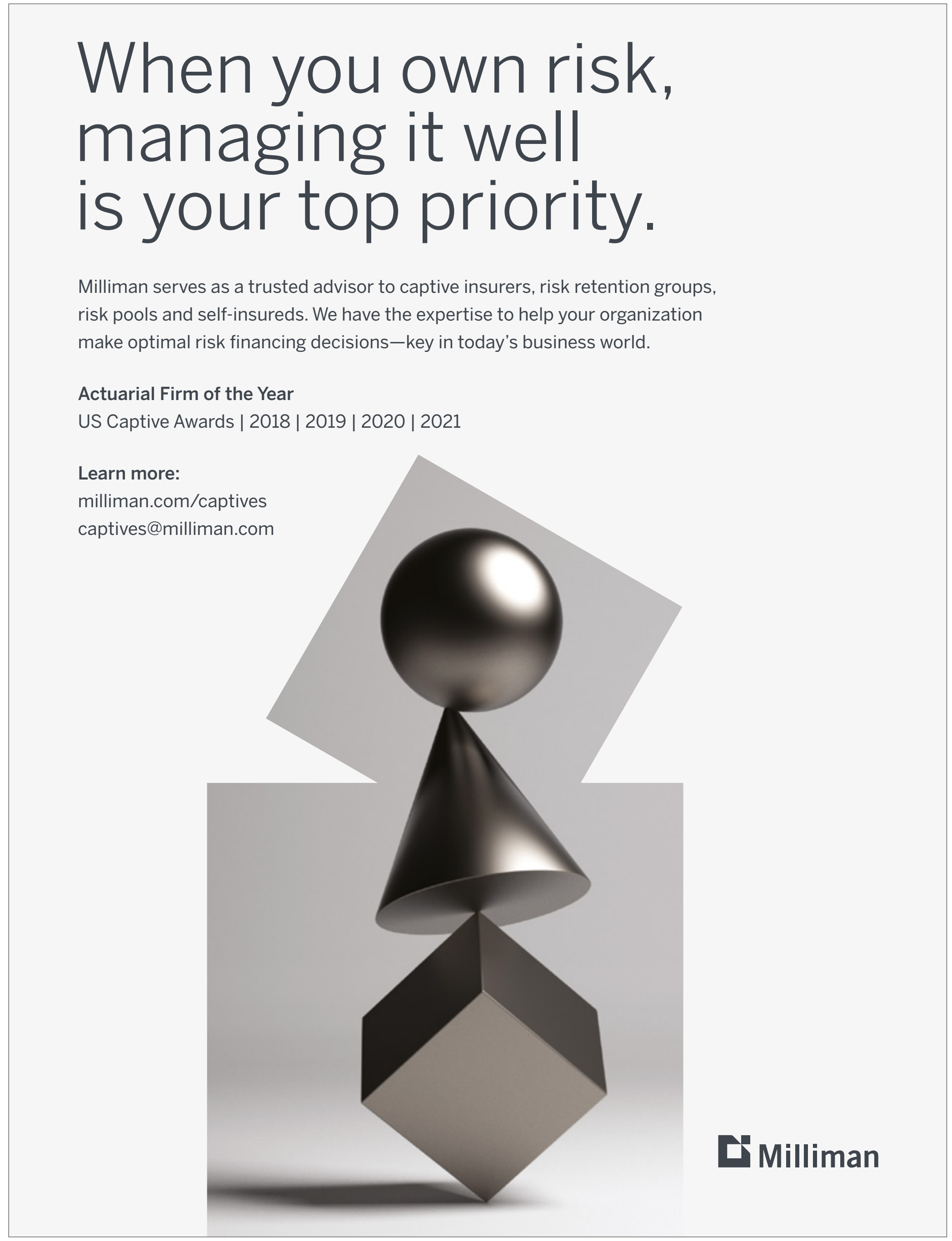
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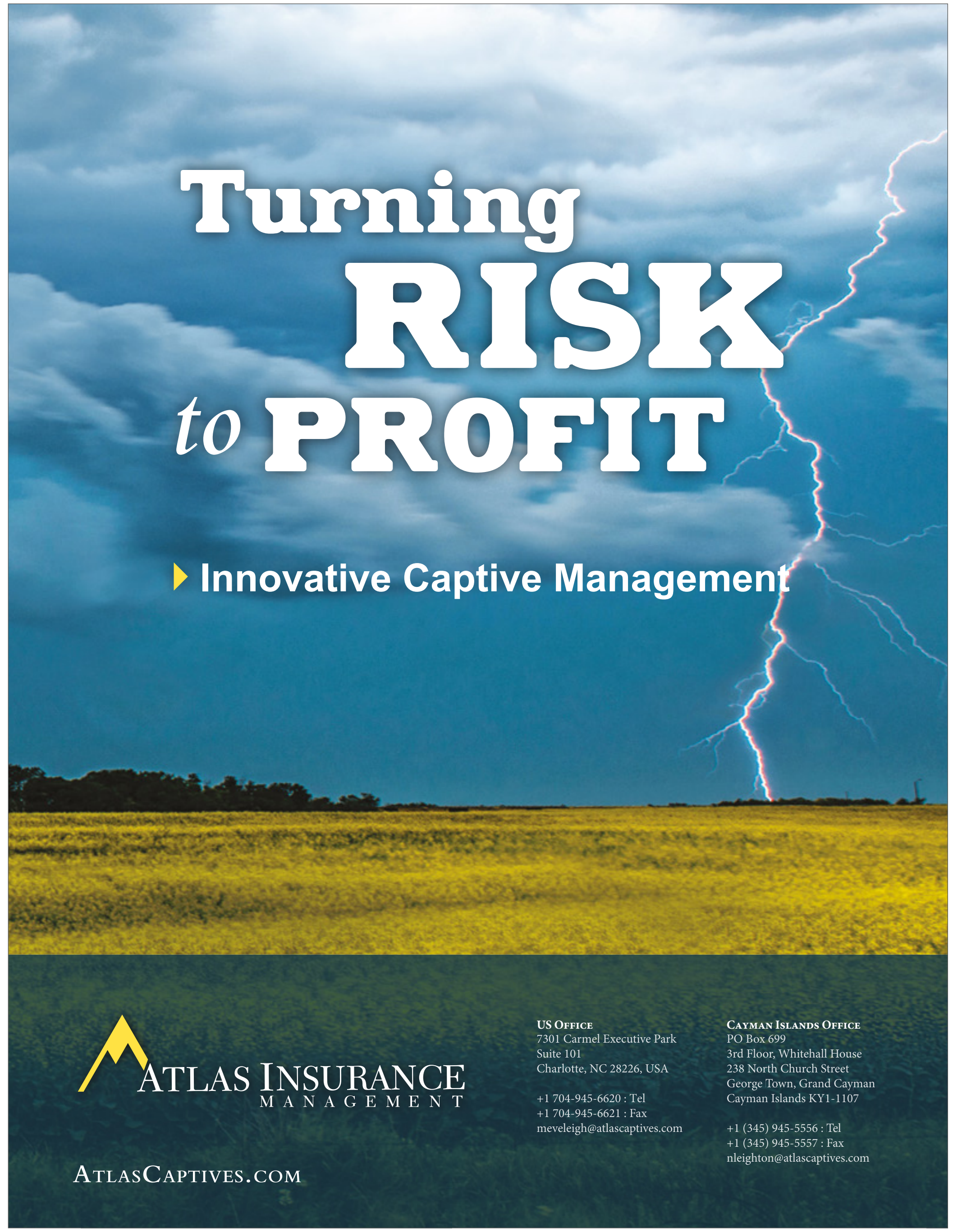

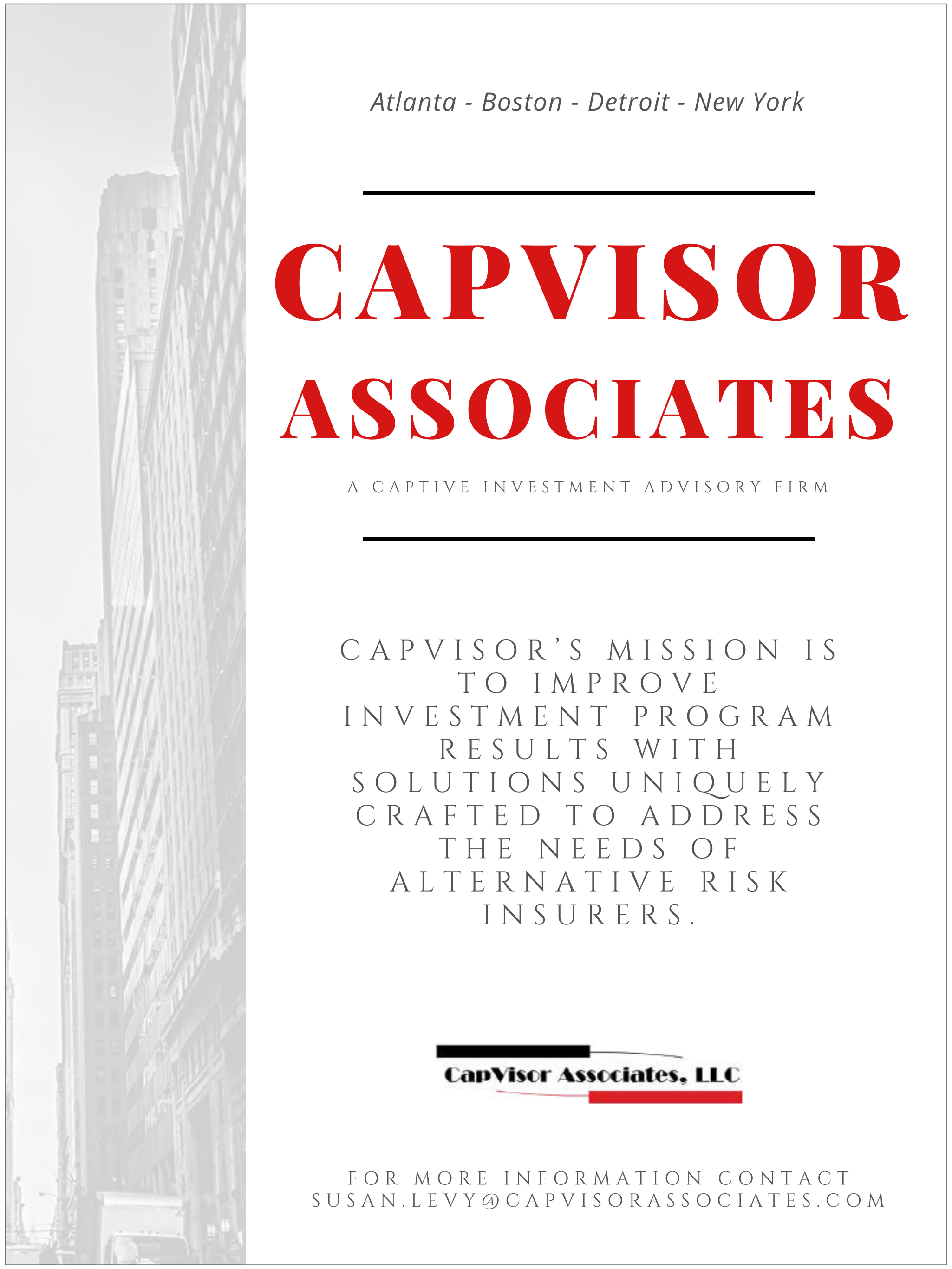
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Atlas Insurance PCC - an EU Insurance Protected Cell Company
Set up a protected cell in Malta with the experts
Low-cost alternative to owning an EU standalone insurer or captive
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Why Atlas?
A leading Maltese insurer since the 1920s. In 2006 was the first EU insurer to convert to a PCC.
Recognised independent EU PCC experts having assessed and implemented a variety of direct third-party, reinsurance and captive cells, including hosting cells for clients of global management companies and consultancies.
Active non-cellular core - Allows greater flexibility including cells writing third party or compulsory classes.
Why Malta?
Only full EU member state with PCC legislation also offering a regulatory environment that is stable, reliable & tax efficient.
Avoid fronting cost through EU Passporting.
We offer benefits under Solvency II
Less costs thanks to shared governance, risk management and reporting.
Less capital required as Atlas core capital surplus over SII requirements provides significant support.
Contact us to find out what we can do for your company
t: +356 2343 5221 e: cells@atlaspcc.eu
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Atlas Insurance PCC Limited is a cell company authorised by the Malta Financial Services Authority to carry on general insurance business.


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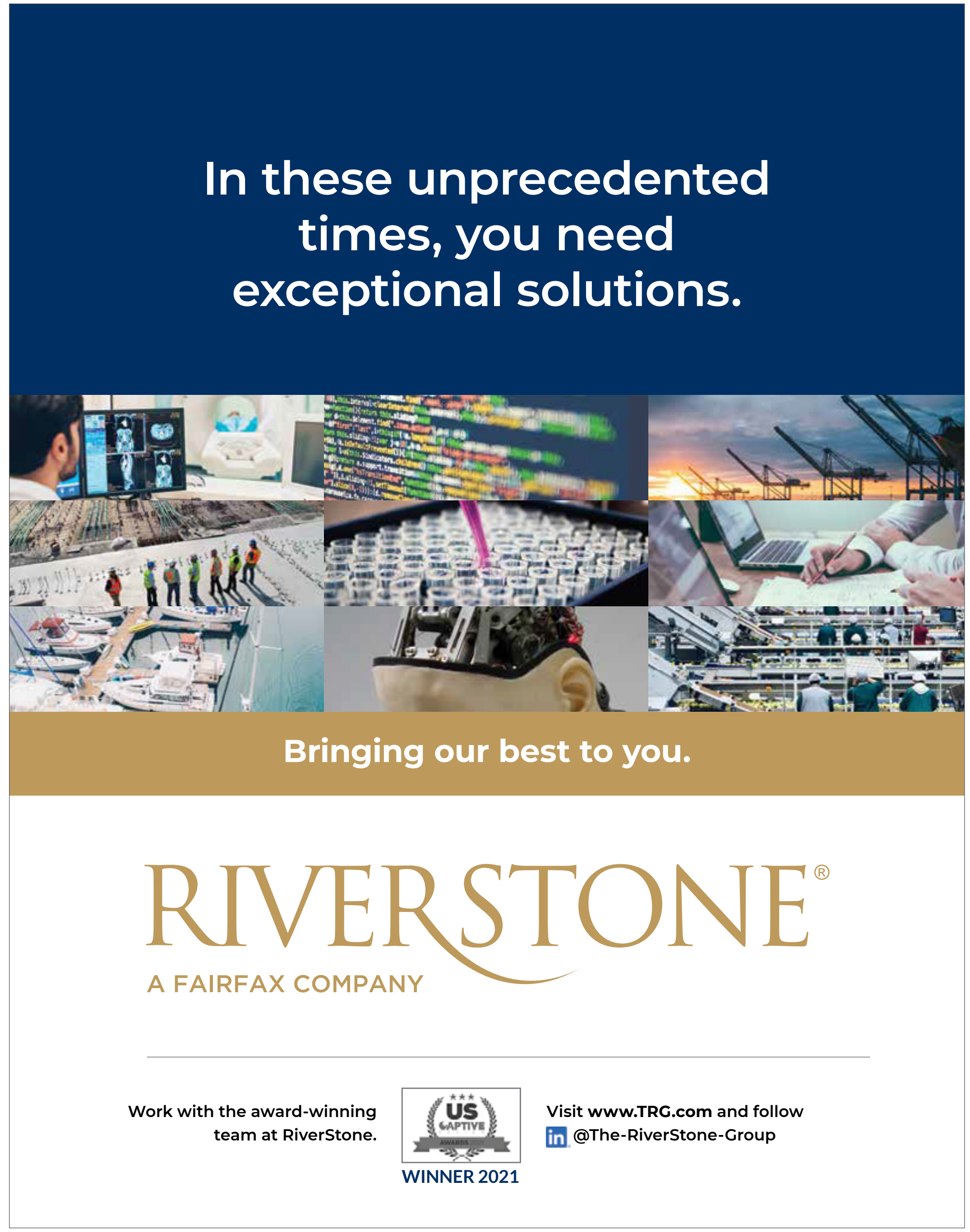
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FOR MORE INFORMATION, PLEASE CONTACT:
BRIAN FUGERE | brian.fugere@ipfs.com | 913.558.2900
ANDY RODERIQUE | andy.roderique@ipfs.com | 630.917.1481
DICK CRNKOVICH | dick.crnkovich@ipfs.com | 253.310.1966
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