



Captive insurance in the Bahamas

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Introduction

The recent insurance industry briefing, co-sponsored by the Bahamas Financial Services Board and the Insurance Commission of the Bahamas, on the regulatory regime for captives has highlighted a renewed interest in the Bahamas as a jurisdiction of choice for captive companies. In this regard, the Bahamas enjoys the following advantages:

- a key geographic location and accessibility from the United States and South America;
- an established and respectful financial infrastructure;
- authorities (the Bahamas Financial Services Board and the Insurance Commission) which are committed to growing the captive business;
- close consultation between the government and the private sector ensuring regulatory flexibility and a business friendly environment;
- strong asset protection provisions; and
- a tax-neutral environment for business. There is no direct taxation on:
 - capital gains;
 - corporate earnings;
 - personal income;
 - inheritance; or
 - dividends.

Captive insurance requirements

Captive companies are registered as restricted external insurers under the External Insurance Act. Captive companies may be incorporated as standalone captives under either the Companies Act or the International Business Companies Act. They may also be formed as cell accounts in a segregated accounts company structure under the Segregated Account Companies Act.

The External Insurance Act also provides for the licensing of companies incorporated outside the Bahamas which are licensed to undertake insurance business in their home country and have undertaken business in that country for a period satisfactory to the commission and pursuant to regulations under a regime comparable to the Bahamas.

Licensing requirements

In order to obtain a licence in the Bahamas, applicants must meet the following prerequisites:

- the company name must be approved by the commission before incorporation;
- the company's shareholders must meet fit and proper requirements, and appoint two directors and a resident representative who must also meet fit and proper requirements;
- the company must submit a viable business plan to the commission, including projections and a feasibility study; and
- capital must be adequate to support the business model and associated risk.

Capital

A restricted external insurer's licence (single parent captive) may be issued where that company has capital as approved by the commission. It will require the following minimum capital:

- general insurance (property and casualty) business – \$100,000; and
- long-term insurance (life and annuity) business – \$200,000.

Solvency

Insurers must maintain a minimum positive net worth (assets in excess of liabilities). General insurers are required to maintain assets in excess of liabilities.

Net premium income	Minimum net worth
Up to \$5 million	20% of net premium income
Over \$5 million	\$1 million plus 10% of net premium in excess of \$5 million

Life insurers are required to maintain assets in excess of liabilities (including actuarially determined claims reserves) of \$200,000.

Investments

Allowable investments for solvency calculation includes:

- bonds;
- debentures;
- fixed deposits;
- equities listed on a recognised stock exchange; and
- mortgage loans on real estate.

Irrevocable letters of credit drawn or confirmed by a bank licensed in the Bahamas are also allowable for the solvency calculation.

Fees

Fees are payable to the commission as follows:

- application fee (non-refundable) – \$100;
- annual registration fee – \$2,500; and
- annual registration fees for individual cells in a segregated accounts company – \$500.

Application

Application requirements are as follows:

- Applicants should arrange to meet with the commission to discuss the proposed business plan before submitting an application.
- The commission encourages applications to be made through a licensed insurance manager who can also act as the resident representative for the captive insurer.
- Applicants should allow approximately 30 days for a restricted (captive) licence or 60 days for unrestricted licences after a complete application package has been received by the commission.

Ongoing minimum reporting requirements are as follows:

- the licence is renewable annually;
- annual audited financial statements are required within four months of year end;
- annual actuarial report (for life insurance business) is required; and
- any other documents for examination and supervision of captive insurers.

For further information on this topic please contact Arthur Seligman at Lennox Paton by telephone (+1 242 502 5000), fax (+1 242 328 0566) or email (aseligman@lennoxpaton.com).

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