Selecting a Captive Domicile

Issues to Consider

• Geographical proximity.
• Flexibility and stability of regulatory environment.
• Premium tax.
• Capitalization.
• Operating costs.
• Ability for intercompany loans.
• Federal Excise Tax (offshore only).
• Investment restrictions.
• Experienced service infrastructure.
• Need to write US Employee Benefits or access US terrorism reinsurance pool.
• Need for admitted paper in the EU (if significant European exposure exists).

Distinctions of US Onshore vs. Offshore Domiciles

<table>
<thead>
<tr>
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<th>Onshore</th>
<th>Offshore</th>
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<tbody>
<tr>
<td>Premium Tax</td>
<td>Imposed by majority of US domiciles</td>
<td>None</td>
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</table>
| US Federal Excise Tax   | None    | Imposed by the US tax authorities when an insured procures insurance from a foreign insurer:
  • 4% on direct placements.
  • 1% on reinsurance placements.
  By electing to treat the captive as US taxpayer per Section 953(d) of the US Tax Code, no federal excise tax is imposed. |
| Ability to Write US Employee Benefits | Permitted | Permitted with a US branch captive. |

FIGURE 3
Active Captives by Domicile for Year Ended 2017 – Total Active Captives: 6,647
SOURCE: BUSINESS INSURANCE, 2018 CAPTIVE MANAGERS & DOMICILES, RANKINGS + DIRECTORY: 5