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

	Onshore	Offshore
Premium Tax	Imposed by majority of US domiciles	None.
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.
Ability to Access US Government Terrorism Reinsurance Pools	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