

MARSH CAPTIVE SOLUTIONS: CAYMAN ISLANDS

Marsh Management Services Cayman Ltd., established in 1976, is part of Marsh Captive Solutions, a leading manager of various types of captives and insurance programs including single-parent, group, and segregated cell captives; we also have staff dedicated to Special Purpose Reinsurer (SPR) and Insurance Linked Securities (ILS) corporate administration. Our team provides captive insurance management, company management, registered office, direct insurance placement, brokerage, principle representation, feasibility study, and insurance licence application services.

GENERAL INFORMATION

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| Location | The Cayman Islands are a British overseas territory consisting of three small islands in the Western Caribbean, approximately 460 miles south of Miami. |
| Accessibility | The islands are accessible on regularly scheduled flights from Miami, Houston, Charlotte, Atlanta, Tampa, Dallas, London – UK, Kingston, Jamaica, Philadelphia, New York, Detroit, and Toronto, Canada. |
| Applicable Legislation | The Insurance Law (2010 Revision); Insurance (Amendment) Bill, 2013. |
| Number of Captives | There are 669 active captives as of year-end 2017. |
| Regulatory Agency | The Cayman Islands Monetary Authority (CIMA). |

REGULATORY ISSUES

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| Acceptable Insurance Subsidiaries | Pure and Association Captives, Rent-a-Captive Vehicles, Deferred Variable Annuities, Special Purpose Vehicles, Segregated Portfolio Companies (SPCs), and Portfolio Insurance Companies (PICs). |
| Acceptable Corporate Forms | Stock or mutual. |
| Permitted Business | Non-Cayman parent (including member companies) and third party risk with approval. |
| Direct Insurance Permitted | All lines permitted. |
| Reinsurance Permitted | All lines permitted. |
| Policy Form and ate Approval | None required. |
| Local Office Requirement | Registered office and licensed management company required. Minimum of two directors required (no resident director required). |

Senior Team

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MARSH CAPTIVE SOLUTIONS: CAYMAN ISLANDS CONTINUED

CAPITALIZATION & SOLVENCY REQUIREMENTS

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| Restricted Class B insurer | No requirements. | | |
| Unrestricted Class B insurer | For a pure captive, Class B(i), the minimum capital is US\$100,000 and there is a prescribed capital requirements as per below. CIMA reserves the right to approve various classes of assets. Maintain minimum capitalization. Letters of credit or cash are acceptable to secure any excess surplus. | | |
| Class B(i) | General Business | US\$100,000 | Prescribed Capital Requirement (PCR) = Minimum Capital Requirement (MCR) |
| | Long-Term | US\$200,000 | PCR = MCR |
| | Composite | US\$300,000 | PCR = MCR |
| Class B(ii) | General Business | US\$150,000 | <ul style="list-style-type: none"> • 10% of Net Earned Premium (NEP) to first US\$5,000,000. • 5% of additional NEP up to US\$20,000,000. • 2.5% of additional NEP in excess of US\$20,000,000. |
| | Long-Term | US\$300,000 | PCR = MCR |
| | Composite | US\$450,000 | Amount required to support the general business plus MCR. |
| Class B(iii) | General Business | US\$200,000 | <ul style="list-style-type: none"> • 15% of NEP to first US\$5,000,000. • 7.5% of additional NEP up to US\$20,000,000. • 5% of additional NEP in excess of US\$20,000,000. |
| | Long-Term | US\$400,000 | PCR = MCR |
| | Composite | US \$600,000 | Amount required to support the general business plan MCR. |
| Class C | General Business | US\$500 | PCR = MCR |
| | Long-Term | US\$500 | PCR = MCR |
| | Composite | US \$500 | PCR = MCR |
| Class D | Commercial insurer or reinsurer. | | |
| Solvency | Further to the PCR ratios, The Head of Insurance Supervision has the authority to make regulations on liquidity margins and ratios. | | |
| Premium Taxes | No local premium tax is imposed. Premium for US risk may be subject to Federal Excise Tax of 4% on direct policies and 1% on reinsurance policies/policies of life insurance if the captive is viewed as an insurance company for US federal tax purposes. | | |
| Intercompany Loans | Parent loans are subject to approval of the Head of Insurance Supervision. Permission is based upon the reasonableness of the financial condition. Parent loans are generally permitted for large US firms. Interest earned on the loan by the captive may be subject to 30% US federal withholding tax. | | |
| Investment Restrictions | There are no formal investment restrictions. However, a captive's investment program will be subject to the Head of Insurance Supervision's approval when the business plan is submitted. Also, the Head of Insurance Supervision must be notified of any significant alterations to the investment programme. | | |
| Taxation | No income tax, plus 20-year guaranteed tax-exempt status upon incorporation. | | |
| Reporting Requirements | Audited financials filed within six months of fiscal year end. IASO (Annual Statement of Operations) required within 14 days of calendar year end. Certified loss reserves required for long-term business (life and disability) only. | | |