

MARSH CAPTIVE SOLUTIONS: BRITISH COLUMBIA

GENERAL INFORMATION

Location	British Columbia (BC) is the western-most province of Canada (Pacific Standard Time).
Accessibility	Vancouver is serviced by regular daily flights from all parts of North America, Europe, and the Far East.
Applicable Legislation	The Insurance (Captive Company) Act was passed in 1987.
Regulatory Agency	Financial Institutions Commission.

REGULATORY ISSUES

Acceptable Insurance Subsidiaries	Single parent ("pure captive"), association captives, and Sophisticated Insured Captive.
Acceptable Corporate Forms	Stock corporation.
Permitted Business	Property, casualty, liability, and employee benefits lines of business. No surety, individual automobile, or third party business.
Direct Insurance Permitted	Yes. However, BC captives are not admitted in other Canadian provinces, so generally the only direct premiums will be for local BC risk. Premiums from other parts of Canada are generally fronted.
Reinsurance Permitted	Yes.
Policy Form and Rate Approval	Not required.
Local Office Requirement	Registered office.

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MARSH CAPTIVE SOLUTIONS: BRITISH COLUMBIA CONTINUED

CAPITALIZATION & SOLVENCY REQUIREMENTS

Minimum Paid-In Capital	CDN\$200,000.
Solvency Margin	The captive must maintain reserves of at least CDN\$100,000. In effect, the solvency requirement is Capital + Surplus of \$300,000.
Premium Taxes	<p>BC premium tax, generally 4%, is payable on direct written premiums on BC risks. Premiums for risk outside of BC are not subject to BC premium tax. Premiums for risk in other Canadian provinces are subject to premium taxes by province, generally 3% to 4.5% on licensed (fronted) policies.</p> <p>Premiums from Ontario, Quebec, and Manitoba are also subject to provincial sales tax of 8% to 9%. Reinsurance premiums from outside Canada will be subject to appropriate local taxes e.g., in the US, this may include premium taxes, self-procurement taxes, and Federal Excise Tax.</p>
Intercompany Loans	Permitted - the Captive Act is silent.
Investment Restrictions	There are no statutory restrictions on investments held by captives.
Taxation	British Columbia captives are Canadian residents for tax purposes and subject to full federal and provincial income tax - typically a combined rate between 35% and 45%. As an insurance company, a captive is allowed to deduct loss reserves on a discounted basis. Income generated from outside Canada may be exempt from the provincial portion of the tax, but will still pay the 28% federal tax. In addition, Canada has a network of tax treaties with many countries.
Reporting Requirements	<p>GAAP. Audited Financials.</p> <p>BC captives are required to undergo an independent audit each year and loss reserves must be substantiated by an actuarial statement.</p>