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Captive Insurance Benchmarking The Bahamas



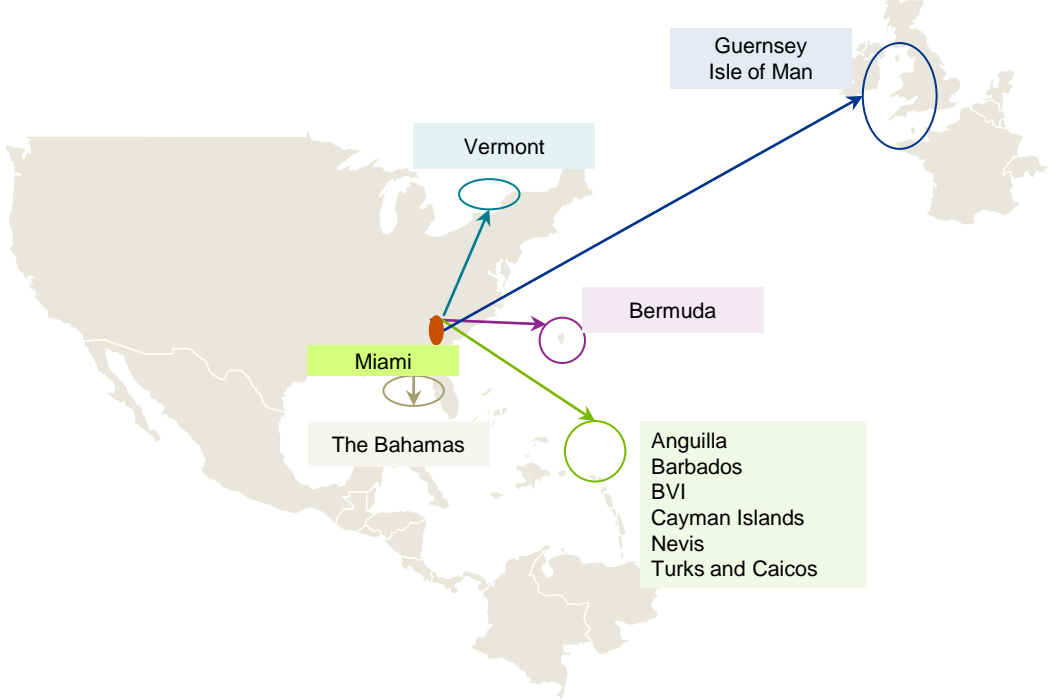
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Domicile comparison

Travel cost and time analysis

Captives based in The Bahamas would benefit from low travel cost and travel time, which reduces the operating cost of the captives.

Distance between the Miami (USA) and captive domicile locations



The Bahamas is the closest destination to Miami International airport with travel time of approximately 55 minutes at an average cost of \$298. Miami is the gateway to South America and therefore a convenient travel hub to The Bahamas.

With the introduction of Copa Airlines in The Bahamas, there are direct flights to Panama with travel time of approximately 180 minutes at an average cost of \$600.

Miami to (country)	Travel time (in minutes) ¹	Travel cost (in US\$) ¹
Vermont	246	373
Bermuda	155	799
The Bahamas	55	298
Barbados	210	594
Turks and Caicos	95	691
Cayman Islands	90	416
Nevis	175	733
British Virgin Islands (BVI)	195	1,892
Anguilla	513	1,522
Isle of Man	639	1,870
Guernsey	710	4,001

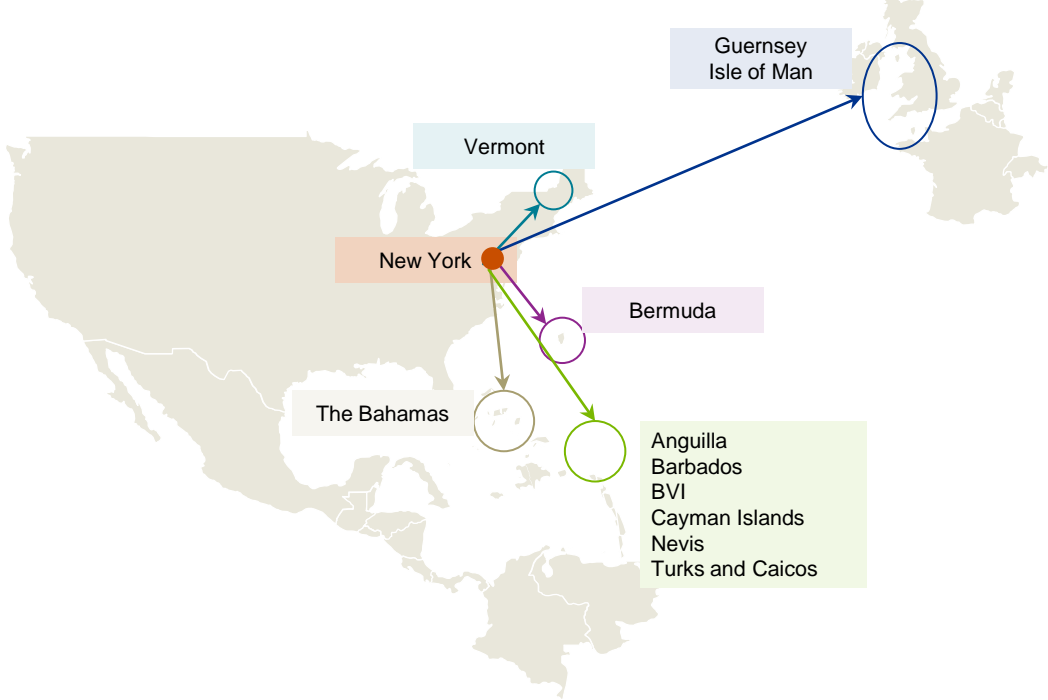
Note: (1) Represents indicative travel time and cost obtained through dummy bookings.

Domicile comparison

Travel cost and time analysis

Captives based in The Bahamas would benefit from low travel cost and travel time, which reduces the operating cost of the captives.

Distance between the New York (USA) and captive domicile locations



The Bahamas is also one of the closest regions to New York and has very low travel costs, leading to a lower operating cost. Further, The Bahamas is likely to benefit from SMEs based in Eastern and Southern regions of the US as these companies would find the country a more approachable and economically feasible domicile location.

New York to (country)	Travel time (in minutes) ¹	Travel cost (in US\$) ¹
Vermont	69	166
Bermuda	145	310
The Bahamas	205	359
Barbados	283	473
Turks and Caicos	205	394
Cayman Islands	229	302
Nevis	270	782
British Virgin Islands (BVI)	279	694
Anguilla	312	1,059
Isle of Man	445	1,172
Guernsey	615	1,913

Note: (1) Represents indicative travel time and cost obtained through dummy bookings.

Domicile comparison

Summary of regulatory requirements and costs

The Bahamas have competitive regulatory requirements, start-up and operating costs for captive insurance business when compared to other jurisdictions with similar infrastructure and economy.

Captive domicile	Regulatory requirements (see appendix for solvency requirements)	Start-up costs (US\$)			Operating costs (US\$)	
	Capital (US\$)	Application fee	Insurance license fee	Registration fee	Annual license fee	Annual registration fee
The Bahamas	100,000 – 200,000	100	2,500	1,000-1,500	2,500	500-1,500
Bermuda	120,000 –100,000,000	500 –100,000	3,000 – 50,000	971– 260,000	3,000 – 50,000	971– 260,000
Cayman Islands	6,098 – 200,000	10,366 –12,805		5,000	Same as per initial application & licence fees	n/a
Vermont	250,000 –1,000,000	200	300	n/a	500	n/a
Guernsey	158,660	8,155 (plus 2,300 per cell)		n/a	8,155 (plus 2,665 per cell)	793 –1,190 (validation fee)
Anguilla	25,000 –100,000	500	1,500 – 2,000	327 (government fee)	2,000	180
Barbados	125,000	250	10,000	n/a	10,000	n/a
Nevis	10,000 – 50,000	380	225 (incorporation fee)	1,500 – 2,105	220 (incorporation fee)	1,000 – 1,200
British Virgin Islands	100,000	1,000	3,500 – 7,500	350 – 8,000	3,500 – 7,500	350 – 5,500
Isle of Man	237,990	3,506 (plus 1,761 per cell)	7,536 (plus 0.2% of NWP per cell)	5,553 – 7,933 (government fee)	7,536	571
Turks and Caicos	100,000	500	n/a	100-1,000	2,000	n/a

Note: n/a refers to the data points which are not available on public domain

Appendix

The Bahamas – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
General insurance business	100,000
Long term insurance business	200,000
Registration and incorporation fees	
Application fee	100
Company registration application fee: Exempt company	1,000
Company registration application fee: Segregated Account Company	1,500
License fee	2,500

Operating costs	US\$
Government and regulatory fees	
Annual license fee (includes annual registration fee)	2,500
Annual registration fee: Segregated account company	1,500
Annual registration fee: Per Segregated Account	500
Taxes	None

Other requirements

Solvency provisions (whichever is greater)

(a) Minimum paid-up capital

(b) Where the NPI¹ is less than US\$5 million, 20% of NPI

(c) Where the NPI exceeds US\$5 million, US\$1 million plus 10% of the amount in excess of US\$5 million

Audit requirement: Annual audit required

Representative requirement: Must appoint a resident representative

Insurance manager: Appointment of an insurance manager is optional, and can also serve as a resident representative

Investment restrictions: There are no investment restrictions however, for solvency purposes only admissible assets considered

Director: Appointment of local directors is not mandatory

Note: (1) NPI refers to 'Net Premium Income'

Appendix

Bermuda – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
Class 1: A single parent captive insurance company underwriting only the risks of the owner and its affiliates	120,000
Class 2: A single parent or multi-owner captive underwriting no more than 20% of net premiums from risks which are not related to the owners and their affiliates	250,000
Class 3: A captive insurer not included in any other category and writing 20-50% unrelated business	1,000,000
Class 3A: A body corporate with over 50% of NPW ¹ from unrelated business (subject to a maximum premium of US\$50 million)	1,000,000
Class 3B: A body corporate with over 50% of NPW from unrelated business (subject to a minimum premium of US\$50 million)	1,000,000
Class 4: A body corporate whose total statutory capital and surplus is not less than US\$100 million and it intends to carry on insurance business, including excess liability business or property catastrophe reinsurance business	100,000,000
Registration and incorporation fees	
Application fee	500-100,000
Insurance license fee	3,000-50,000
Company incorporation fees	1,995-31,120
Registration fee: Class 1	971
Registration fee: Class 2	2,200
Registration fee: Class 3	12,000
Registration fee: Class 3A	19,000-30,000
Registration fee: Class 3B and 4	180,000-260,000

Operating costs	US\$
Government and regulatory fees	
Annual license fee	3,000-50,000
Annual business fee	Same as paid for initial registration
Taxes	None

Other requirements
Solvency provisions (whichever is greater)
(a) Minimum paid-up capital
(b) Class 1 / 2: 20% of NPW up to US\$6 million plus 10% of NPW over US\$6 million
Class 3 / 3A / 3B: 20% of NPW up to US\$6 million plus 15% of NPW over US\$6 million
Class 4: Varies with the company size and profitability, among other factors – test is 50% of NPW with maximum deduction for reinsurance of 25% of GWP
(c) Class 1 and 2: 10% of net loss reserves Class 3, 3A, 3B and 4: 15% of net loss reserves
Audit requirement: Annual audit required
Representative requirement: Must appoint a resident principal representative
Insurance manager: Appointment of insurance manager is optional
Investment restrictions: No restrictions except that only relevant assets are allowed for consideration in liquidity calculation (for instance, investments in funds and intercompany receivables are not considered to be relevant)
Director: Minimum of one representative who is ordinarily resident (either of the following options can be opted)
(a) Resident representative or resident secretary; or
(b) One director (other than alternate directors)

Note:(1) NPW refers to 'Net Premium Written'

Domicile website – www.bma.bm

Appendix

Cayman Islands – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
A Captive in the Cayman Islands operates under a Class 'B' or Class 'C' insurer's licence as follows:	
Class B (i) at least 95% of the net premiums written (NPW) will originate from the insurer's related business	100,000
Class B (ii): over 50% of the NPW will originate from the insurer's related business	150,000
Class B (iii): 50% or less of the NPW will originate from the insurer's related business	200,000
Class C: provision of reinsurance arrangements in respect of which the insurance obligations of Class C insurer are limited	500
Registration and incorporation fees	
Application fee - Class B (i)	10,366
Application fee - Class B (ii)	11,585
Application fee - Class B (iii)	12,805
Application fee - Class C	6,098
Incorporation cost (approx)	5,000

Operating costs	US\$
Government and regulatory fees	
Annual license fee	same as initial application fee
Local taxes	None

Other requirements
Solvency provisions (whichever is greater)
Class B (i): Minimum paid-up capital (US\$100,000)
Class B (ii): 10% of Net Earned Premium (NEP) to first US\$5 million, 5% of additional NEP up to US\$20 million, 2.5% of additional NEP in excess of US\$20 million
Class B (iii): 15% of NEP to first US\$5 million, 7.5% of additional NEP up to US\$20 million, 5% of additional NEP in excess of US\$20 million
Class C : Minimum paid-up capital (US\$500)
Audit requirement: Annual audit required
Representative requirement: Must appoint a resident representative
Investment restrictions: None, however, the law permits any assets deemed inappropriate, by the regulator, to be excluded
Insurance manager: Must appoint a resident insurance manager
Director restrictions: Minimum of two Directors - there is no requirement for residency

Appendix

Vermont – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
Pure	250,000
Association	500,000
Industrial Insured	500,000
Sponsored	500,000
Risk Retention Group	1,000,000
Registration and incorporation fees	
Application fee	200
Insurance license fee	300

Operating costs	US\$	
Government and regulatory fees		
Insurance license fee	500	
Taxes (Min-max: US\$7,500-200,000)	Direct	Reinsurance
GPW ¹ : US\$1-20 million	0.380%	0.214%
GPW: US\$20-40 million	0.285%	0.143%
GPW: US\$40-60 million	0.190%	0.048%
GPW: Over US\$60 million	0.072%	0.024%

Other requirements
Solvency provisions
(a) Minimum paid-up capital
Audit requirement: Annual audit required
Registered agent: Must appoint a local registered agent to accept service of process and to otherwise act on its behalf
Investment restrictions: No restrictions for pure and industrial insured captives
Director: At least one local director; minimum of 3 directors; one directors' meeting in domicile annually

Note:(1) NPW refers to 'Net Premium Written'

Domicile website – www.dfr.vermont.gov/captives

Appendix

Guernsey – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
General insurance business only (£100,000)	158,660
Registration and incorporation fees	
Application and license fee: Captive, protected and incorporated cell companies (£5,140)	8,155
Application and license fee: Cells of a protected cell company (£1,450)	2,300

Operating costs	US\$
Government and regulatory fees	
Insurance license fee: Captive, protected and incorporated cell companies (£5,140)	8,155
Insurance license fee: Cells of a protected cell company (£1,680)	2,665
Annual filing fee: Captive company (£500)	793
Annual filing fee: Protected and incorporated cell companies company (£750)	1,190
Taxes	None

Other requirements
Solvency provisions (whichever is greater)
18% of the first £5.0million of net earned premiums, plus 16% of any excess, or 5% of the loss reserves
Audit requirement: Annual audit required
Representative requirement: Must appoint a resident general representative (executive director or employee or agent of the insurer)

Appendix

Anguilla – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
Five classes under Class 'B' as follows:	
Class 1: Unrestricted licence for general and long term insurance businesses	200,000
Class 2: General licence for general insurance businesses only	100,000
Class 3: Association licence for general and long term insurance business with 2 or more owners of the insurer and its affiliates . Must carry on no more than 50% of its insurance business or 100% of reinsurance business with persons who are non-owners or affiliates	100,000
Class 4: Group licence for general and long term insurance business with a single owner of that insurer and its affiliates and employees	50,000
Class 5: Single licence for general and long term insurance business, with the sole owner of the insurer, if it is a company	25,000
Registration and incorporation fees	
Application fee	500
Insurance licence fee: Class 1 and 2	2,000
Insurance licence fee: Class 3, 4 and 5	1,500
Government corporate fee	327

Operating costs	US\$
Government and regulatory fees	
Annual licence fee	2,000
Registry fee (excluding local agent's fee)	180
Taxes	None

Other requirements
Solvency provisions (whichever is greater)
(a) Minimum paid-up capital, or
(b) Where the NRAP ¹ of the insurer is less than US\$5 million, 20% of NRAP, and
(c) Where the NRAP of the insurer exceeds US\$5 million, US\$1 million plus 10% of the amount in excess of US\$5 million
Audit requirement: Annual audit required
Representative requirement: Must appoint a resident representative
Insurance manager: Must appoint an approved resident insurance manager
Director: Appointment of local directors is not mandatory

Note: (1) NRP refers to 'Net Retained Annual Premium'

Appendix

Barbados – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
Exempt insurance business	125,000
Registration and incorporation fees	
Application fee	250
Insurance licence fee	10,000

Operating costs	US\$
Government and regulatory fees	
Insurance licence fee	10,000
Taxes	None

Other requirements
Solvency provisions
(a) Year1: Minimum paid-up capital
(b) Subsequent years: 20% of NPW up to US\$5 million plus 10% of excess amount
Audit requirement: Annual audit required
Representative required: Must appoint a resident representative
Director: Appointment of at least one resident director is mandatory

Note: (1) All currency conversions are at 1 BBD = 2.00 USD as on 16 September 2013

Domicile website – www.fsc.gov.bb

Appendix

Nevis – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
Class A: Single owner	10,000
Class B: Two to four owners	20,000
Class C: Five or more owners	50,000
Registration and incorporation fees	
Application fee	380
International Business Company (IBC) incorporation fee	225
Initial registration fee	1,500 - 2,105

Operating costs	US\$
Government and regulatory fees	
Annual IBC incorporation fee	220
Annual registration fee	1,000 - 1,220
Taxes	None

Other requirements
Solvency provisions (whichever is greater)
(a) Minimum paid-up capital
(b) Class A, B and C: 20% of Net Retained Premium (NRP) up to US\$5 million plus 10% of NRP over US\$5 million
Audit requirement: Annual audit required
Representative requirement: Must appoint a resident representative (insurance manager or registered agent)
Insurance manager: Appointment of resident insurance manager is not mandatory. In case a non-resident is appointed as the insurance manager, the insurance manager must appoint a Registered Agent in Nevis
Investment restrictions: The Registrar of Insurance prescribes the allowable asset classes (such as cash, debt securities (government and corporate investment grade), precious metals, irrevocable letters of credit, equities, mutual funds, hedge funds, commercial loans, premiums receivable and reinsurance receivables)
Director: At least two resident directors or managers

Appendix

British Virgin Islands – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
General insurance business	100,000
Registration and incorporation fees	
Application fee	1,000
Insurance license fee: Class C (non SPC ¹)	3,500
Insurance license fee: Class C ² (SPC) and Class D ³	7,500
Registration fee: Under 50,000 shares	350
Registration fee: Over 50,000 shares	1,100
IBC incorporation fees	350
Formation fees (including registered office/agent, manager)	8,000

Operating costs	US\$
Government and regulatory fees	
Insurance license fee: Class C (non SPC)	3,500
Insurance license fee: Class C (SPC) and Class D	7,500
Registration fee: Under 50,000 shares	350
Registration fee: Over 50,000 shares	1,100
Government annual fees	350
Registered office/agent, manager fees	5,500
Taxes	None

Other requirements
Solvency provisions (whichever is greater)
(a) Minimum paid-up capital
(b) Where the Net Retained Annual Premium (NRAP) is less than US\$5 million, 20% of NRAP
(c) Where the NRAP exceeds US\$5 million, US\$1 million plus 10% of the amount in excess of US\$5 million
Audit requirement: Annual audit required
Representative requirement: Must appoint a resident representative (who hold an insurance intermediary's license or an insurance manager's license)
Insurance manager: Must appoint an approved resident insurance manager
Director: Appointment of local directors is not mandatory

Domicile website – www.bvifc.gov.vg

Note: (1) SPC refers to 'Segregated Portfolio Company'
 (2) Class C – BVI registered company carrying on insurance business (that is not domestic business), including reinsurance business, that is not open-market
 (3) Class D – BVI registered company, carrying on reinsurance business, including open-market

Appendix

Isle of man – Regulatory requirements and cost

Start-up costs	US\$
Minimum paid-up capital requirements	
General insurance business (£150,000)	237,990
Registration and incorporation fees	
Application fee: Protected Cell Company (PCC) or Incorporated Cell Company (ICC) (£2,210)	3,506
Application fee per Cell (£1,110)	1,761
Insurance license fee: PCC and ICC (£4,750)	7,536
Insurance license fee per cell	0.2% of NWP
Registration fee (government fee) (£3,500)	5,553
Stamp duty: max £5,000	7,933

Operating costs	US\$
Government and regulatory fees	
Insurance license fee (£4,750)	7,536
Annual fees (£360)	571
Taxes	None

Other requirements
Solvency provisions (whichever is greater)
(a) Minimum paid-up capital
(b) 15% of Net Written Premium (NWP)
Audit requirement: Annual audit required
Insurance manager: Appointment of insurance manager is not mandatory
Investment restrictions: None (however, minimum capital plus 10% of the difference between minimum and initial capital must be in cash deposited at an Isle of Man based bank)
Director: At least two directors to be Isle of Man residents, but may be less at the discretion of the Regulator

Note: (1) All currency conversions are at 1 GBP = 1.5866 USD as on 16 September 2013

Domicile website – www.gov.im/ipa/insurance

Start-up costs	US\$
Minimum paid-up capital requirements	
General insurance business	100,000
Registration and incorporation fees	
Application fee	500
Registration /incorporation fees	100-1,000

Operating costs	US\$
Government and regulatory fees	
Insurance license fee	2,000
Taxes	None

Other requirements

Other requirements

Solvency provisions (whichever is greater)

(a) Minimum paid-up capital

(b) 15% of Net Written Premium (NWP)

Audit requirement: Annual audit required

Representative requirement: Resident agent required

Investment restrictions: None (however, minimum capital plus 10% of the difference between minimum and initial capital must be in cash deposited at an Isle of Man based bank)

Director: At least two directors to be Isle of Man residents, but may be less at the discretion of the Regulator

The Insurance Commission of The Bahamas is an independent authority responsible for licensing and regulating insurance companies operating in and from The Bahamas. The Insurance Commission of The Bahamas was established on July 2, 2009, under The Insurance Act, Chapter 347.

The insurance sector is of fundamental economic and social importance both domestically and internationally. It is therefore important for the sector to be regulated in accordance with international standards and best practices, so as to ensure that both the domestic insurers and those insurers operating on an international level, but domiciled in The Bahamas, are appropriately supervised, in order to maintain efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders.

Having an independent regulatory agency is a fundamental requirement of international best practices embodied in the core principles of the International Association of Insurance Supervisors (IAIS). These core principles are the standards for international best practices for insurance supervision, and are used by the World Bank and the International Monetary Fund in their Financial Sector Assessment Programme (FSAP).

Since July 2009 the Commission and the industry have made significant progress in developing the local regulatory and supervisory regime, so that it is more closely aligned with international standards.

The Commission is both the Prudential and Market Conduct regulator, and its purpose is to ensure a sound and stable insurance marketplace and consumer confidence in the insurance industry. The mandate of the Commission includes:

- Administration of the Insurance Act and the External Insurance Act
- Insurance market surveillance
- Promoting and encouraging sound and prudent insurance management and business practices
- Advising the Minister responsible for insurance matters
- Compliance with FTRA and AML legislation.

The Commission contributes to the overall safety and soundness of regulated financial institutions and regulates market conduct through a programme of supervision, regulations and public information.

Policyholder protection is of paramount importance and significance.

Contact

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www.icb.gov.bs

About BFSB

The Bahamas Financial Services Board (BFSB), launched in April 1998, represents an innovative commitment by the financial services industry and the Government of The Bahamas to promote a greater awareness of The Bahamas' strengths as an international financial centre.

BFSB is a multidisciplinary body that embraces active contribution from individuals within government, banking, trust and investment advisory services, insurance and investment fund administration as well as interested legal, accounting and management professionals.

BFSB represents and promotes the development of all sectors of the industry, including: banking, private banking and trust services, investment funds, capital markets, investment advisory services, accounting and legal services, insurance, and corporate and shipping registry. In addition to its coordinated programs to increase confidence and expand knowledge of The Bahamas among international businesses and investors, the private sector-led BFSB will continue to consult with government to develop new initiatives to meet the rapidly changing demands of international financial markets

The Bahamas' long-standing tradition of democracy (one of the oldest in the hemisphere), and independent stability since 1973, have been significant attributes in the development of financial services sector. BFSB is guided by the same principles. It does not supplant existing financial services associations that continue to serve individual professional groups within the industry as they have in the past. Rather, BFSB complements them, drawing much of its strength from close intra-industry participation and collaboration. BFSB's costs, including those of an experienced, active, full-time executive director, are shared by government and the private sector through membership fees. Board members are elected to two-year terms by voting member representatives.

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A global network

KPMG is a global network of professional services firms of KPMG International Cooperative, a Swiss entity. Our member firms provide audit, tax and advisory services through industry-focused, talented professionals who deliver value for the benefit of their clients and communities. With more than 152,000 people worldwide, KPMG member firms provide audit, tax and advisory services in 156 countries working closely with our clients, helping them to mitigate risks and grasp opportunities.

KPMG in The Bahamas

KPMG in The Bahamas is one of the largest accounting and advisory service firms in the country, operating from offices in Nassau and Freeport. The firm has a total staff of 81 led by 5 partners and 4 principals.

KPMG in The Bahamas provides a wide range of professional services to businesses around the world. We provide our clients with focused industry knowledge, multidisciplinary teams and substantive experience in audit, tax and advisory.

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