



## Summary of 2016 Significant Changes to the Alabama Captive Act

1. *Modernizing the language and capital requirements for Protected Cell captives*
  - Simplified definition of a cell sponsor
  - Sponsored captive language replaced with Protected cell language.
  - Incorporated cells and Series LLCs now allowed
2. *Allowing captives to be formed as any entity allowed by law* — The update allows for all types of entities, including the newly authorized Series LLC, mutuals, and not-for-profits.
3. *Allowing for a 60 day provisional license* — This small business friendly update makes it for easier entry into the captive insurance market.
4. *Updating of initial capital requirements*
  - Initial capital may now be in a wide array of assets (including cash, cash equivalents, CDs, bonds, stocks, letters of credit)
  - Pure captives: \$250,000 or other amount as determined by the Commissioner and supported by an actuarial study
  - Protected cell captives: \$250,000 or other amount as determined by the Commissioner and supported by an actuarial study
  - Risk retention groups: \$500,000 or other amount as determined by the Commissioner and supported by an actuarial study
  - Industrial insureds: \$500,000
  - Reciprocal: \$1,000,000
5. *Clarifying premium tax requirements and codifying current Insurance Department practice regarding how premium taxes are levied*
  - New cap on premium taxes of \$100,000
  - No premium tax on dormant captives
  - Premium tax prorated in first year of operation
  - Credits are now allowed to offset premium tax
    - Examination fees paid
    - Business Privilege Taxes paid