



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