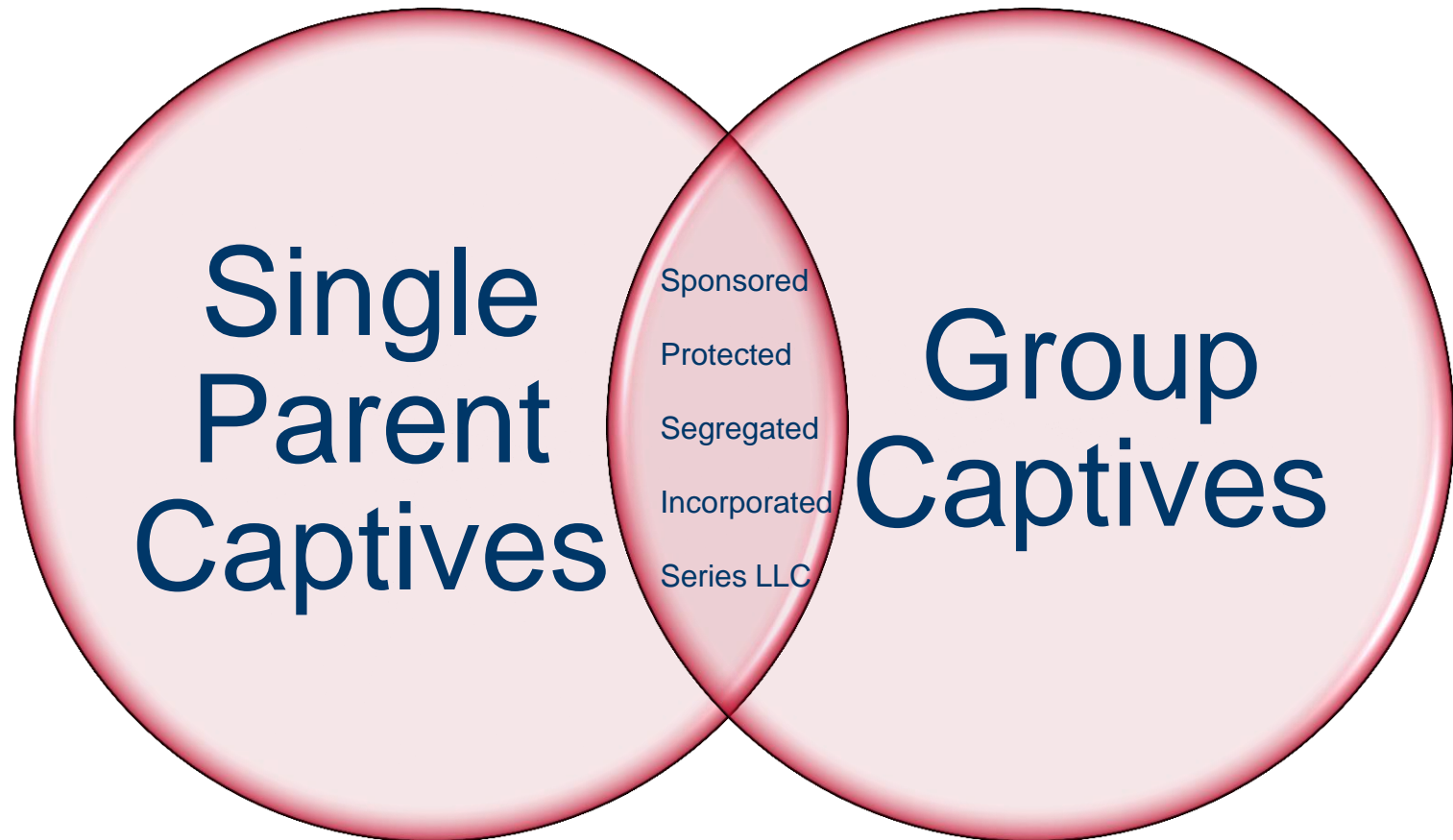




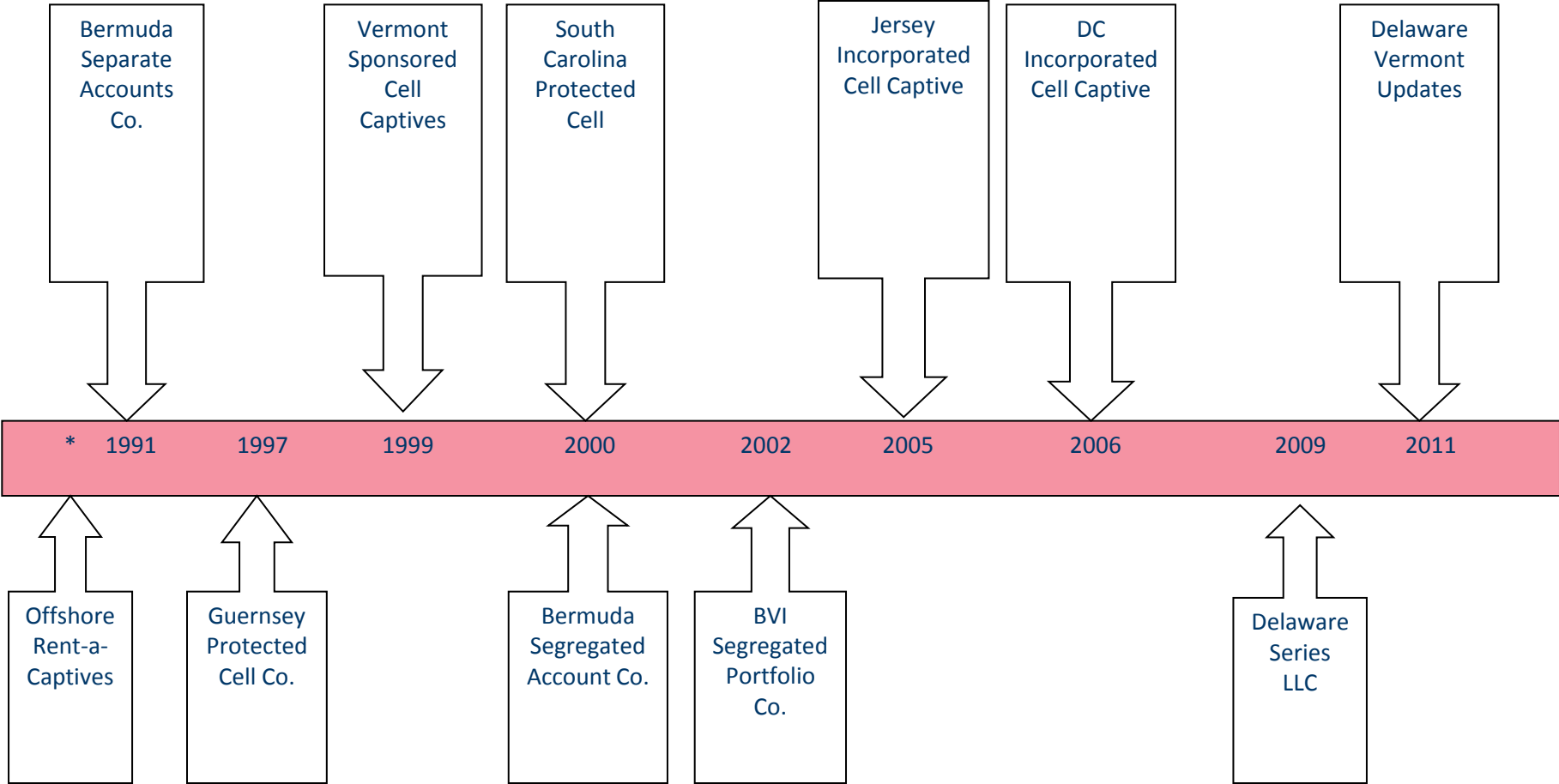
**Captive Insurance Council
of the District of Columbia
10th Annual Conference**

**Incorporated Cells
Enhanced Flexibility**

Captive Universe



Cell Captive Insurance Evolution



Cell Captive Insurance Evolution - Domiciles

Anguilla	Arizona	Bahamas
Barbados	British Virgin Islands	Cayman
Delaware	District of Columbia	Dubai
Gibraltar	Guam	Guernsey
Hawaii	Iowa	Isle of Man
Jersey	Kentucky	Malta
Mauritius	Montana	Namibia
Nevada	Oklahoma	South Africa
South Carolina	St. Lucia	Utah
Vanuatu	Vermont	

Cell Captive Insurance Evolution

- Expansion/Growth Driven By:
 - General Industry Growth
 - 5,000+ captives, how many cells?
 - Competition
 - Domiciles and Promoters
 - Innovation
 - Alternative Income Generation
 - Insurance Carriers, Brokers & Agent, Financial Institutions, Other Captive Service Providers
 - Increased Efficiency & Cost Reduction
 - Middle Market Entrance

- Separate Account, Segregated Account, Segregated Portfolio, Sponsored Captive, Protected Cell, Incorporated Cell, Series LLC
 - So many alternatives.....
 - Are they really one and the same at the end of the day?
 - Which is the best alternative?




Who Uses Cell Captives

Most of Today's Cell Growth is Profit Center Focused

- Insurance Company Owned
- Insurance Produced Owned
- Associations
- Entrepreneurs

Cell Advantages

- Less expensive to:
 - Organize
 - Capitalize
 - Cost Sharing of Service Providers
- Turn Key Operation
- Rapid Implementation
- Use someone else's capital



District of Columbia Captive Law: Philosophy

- Relatively low capitalization
- Flexible laws
- Designed to encourage both small and large captives



District of Columbia Law: Differences From Other Domiciles

- Capital Requirements
- Limitations on Business
- Sponsor
- Corporate Structure
- Core Liability
- Cell to Cell Agreement

District of Columbia Captive Law: Cells and Cell Companies

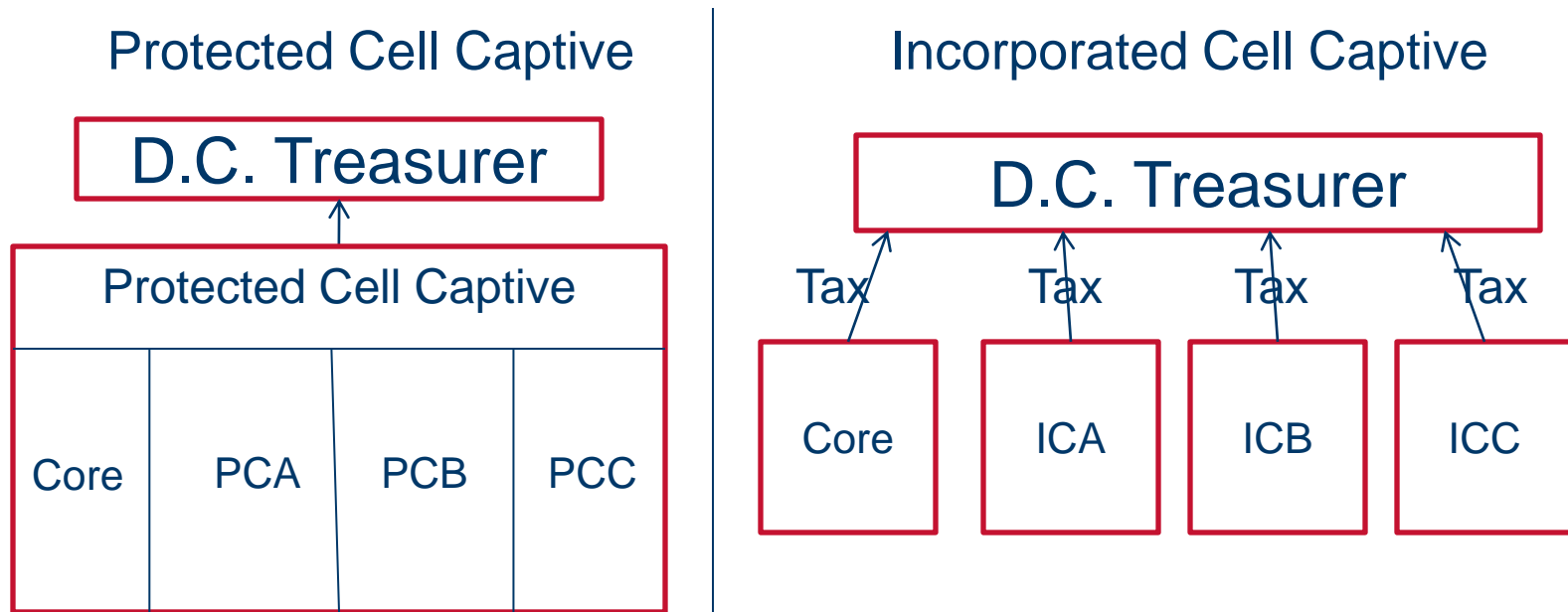
- Meaningful legal description of the relationship between core and cell and cell and cell in D.C. law
- Two Types of Cell Companies
 - Protected Cell Companies (PCC)
 - Incorporated Cell Companies (ICC)
- Two Types of Cells
 - Protected Cells (PC) – defined legal characteristics
 - Incorporated Cells (IC) – own legal identity
- May mix protected and incorporated cells
- Cell may be any form of business entity permitted in D.C.
- Core and cells each subject to minimum/maximum premium tax
- U.S. Branch Captive
- Best Practices



District of Columbia Captive Law: Benefits of Incorporated Cell Captive

- Own FEIN and tax filing
- Each cell may have own directors and officers
- Inter cell agreements specifically permitted
- Each cell treated as a captive insurer for purposes of the Act
- Core capital may be exposed to liability or not
- Cell may become stand alone captive and captive may become cell

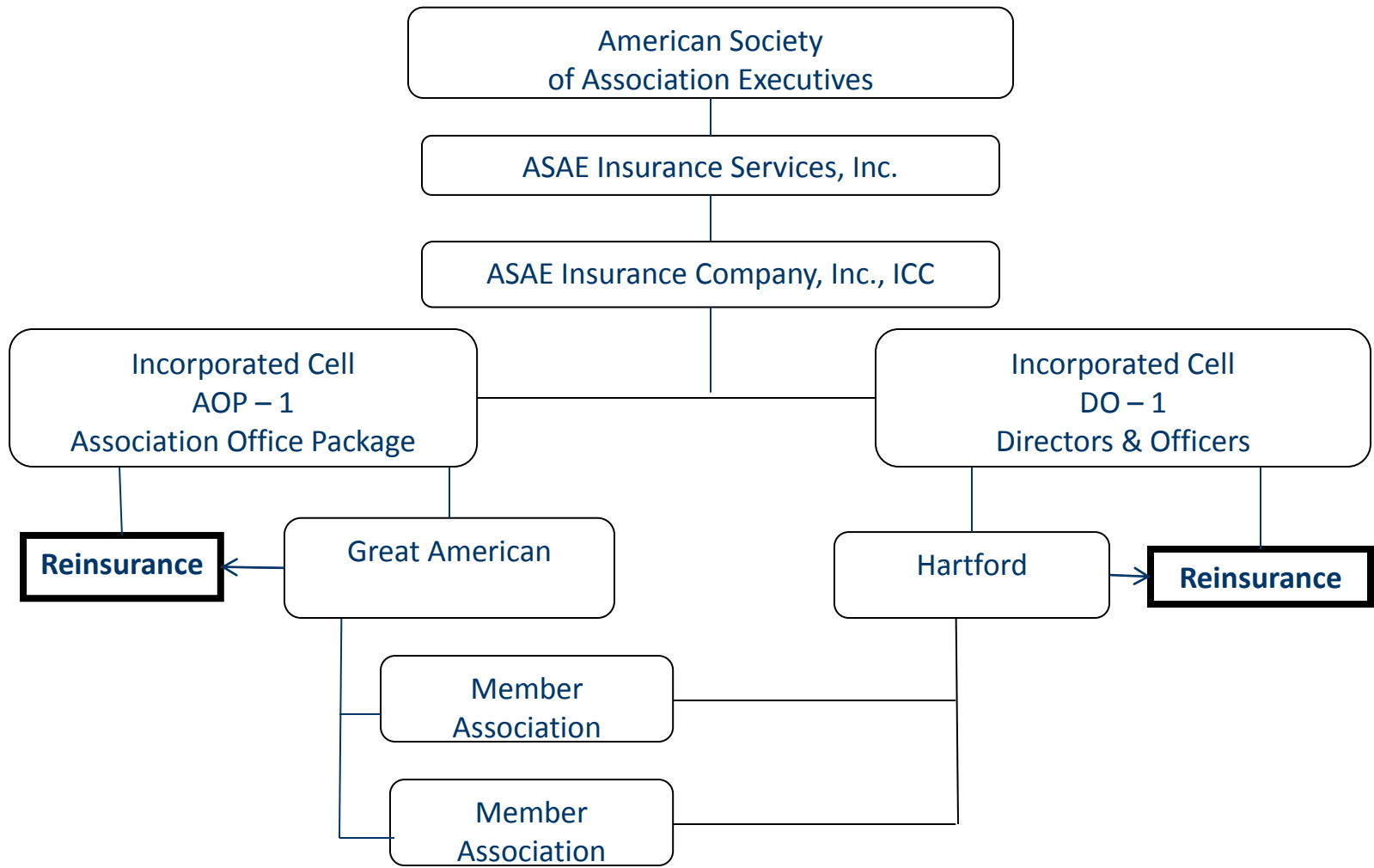
Cell Captive Taxation District of Columbia



- Each incorporated entity – core and each cell – is individually subject to minimum tax of \$7,500 and maximum tax of \$100,000
- A protected cell captive and all protected cells would be subject collectively to the minimum of \$7,500 and maximum of \$100,000. Tax sharing agreement.

Best Practices

- Follow domicile Law
- All accounts in domicile depository
- Separate account for each cell
- Designate all disputes to be resolved in domicile
- All company actions, board meetings, policy discussion to take place in domicile





District of Columbia Captive Law: Other Examples of Incorporated Cell Captives

- REIT
 - Entrepreneurial
 - Insures Real Estate Investment Trusts
 - Cell formed as LLC

- Life Insurer
 - Formed by insurer
 - Cells to provide agency incentive owned by agents
 - Cells also available to insureds
 - Cell formed as corporation

- Commercial Program
 - Formed by property-owner manager
 - Cell for own property
 - Cell for joint ventures
 - Cell for third parties



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