

MARSH CAPTIVE SOLUTIONS: TENNESSEE

GENERAL INFORMATION

Location	Tennessee is located in the southeastern region of the US.
Accessibility	Tennessee is accessible on frequent flights from numerous global locales with major international airports located in Memphis and Nashville.
Applicable Legislation	In 1978, Tennessee became one of the first states to enact captive insurance legislation. The statute (Title 56, Chapter 13, Tennessee Statutes TN Regulations Chapter 0780-01-41) was thoroughly revised by the General Assembly in 2011 and is regularly updated each session.
Regulatory Agency	Tennessee Department of Commerce and Insurance.

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REGULATORY ISSUES

Acceptable Licensed Entity Types	Pure, association, branch, industrial insured, protected cell, risk retention group, and special purpose vehicle.
Acceptable Organizational Forms	Stock, non-profit, limited liability company (LLC), and reciprocal (only association, industrial insured, or risk retention group).
Permitted Business	Property and casualty, life insurance, surety, vehicle insurance, reinsurance, and insurance against other kinds of losses with regulatory approval.
Direct Insurance Permitted	Related and "controlled unaffiliated business" as per the Tennessee statute.
Reinsurance Permitted	Related reinsurance permitted as well as "controlled" unrelated risk on a fronted reinsurance basis. Uncontrolled third party risk not permitted.
Policy Form and Rate Approval	Not required.
Local Office Requirement	Principal place of business in Tennessee. One board of directors meeting held annually in Tennessee. One resident director in Tennessee (or one manager if formed as an LLC).

MARSH CAPTIVE SOLUTIONS: TENNESSEE *CONTINUED*

CAPITALIZATION & SOLVENCY REQUIREMENTS

Entity	Minimum Capital and Surplus (Cash, Marketable Securities, or Letter of Credit)
Association	US\$500,000
Branch	\$250,000
Industrial Insured	\$500,000
Protected Cell	\$250,000
Pure	\$250,000
Risk Retention Group	\$1,000,000
Special Purpose Financial	\$250,000

Premium Taxes

Tax on Direct Premiums

0.4% on first US\$20 million; 0.3% thereafter.

Tax on Assumed Reinsurance Premiums

0.225% on first US\$20 million.

0.150% on next \$20 million.

0.050% on next \$20 million.

0.025% thereafter.

Premium taxes are subject to a minimum of \$5,000 per year and a maximum of \$100,000 per year.

Investment Restrictions

No investment restrictions, except to the extent that such investment would threaten the solvency or liquidity of the captive. Dividends require Commissioner approval.

Taxation

Income generated by the captive will be subject to the federal tax rate of the captive parent (assuming the parent is US-based). Captive insurers are not subject to Tennessee state income tax and are excluded from Tennessee's state income tax calculations.