

MARSH CAPTIVE SOLUTIONS: LUXEMBOURG

The Marsh Captive Solutions' Luxembourg office was established in 1987. Luxembourg is a fully diversified financial center in the heart of the European Union (EU). It is an international insurance and reinsurance center. Luxembourg offers well-developed infrastructures with all major captive managers represented, offers leading banking, legal, and other services. The country has a highly skilled multi-lingual workforce (Luxembourg, French, German, English, and many other EU and non-EU languages). Frequent and direct flights from all major European and many other non-EU-countries are available. Luxembourg is a land-locked north-western country of approximately 1,000 square miles in the Euro Zone. The population of Luxembourg is approximately 602,000 people.

TAXATION

Trading profits are taxed at 26.01%, applying a deferral tax regime on equalisation reserve for reinsurance captives/companies. Luxembourg has double taxation treaties with most European countries, as well as the United States and numerous other countries.

INSURANCE AND REINSURANCE REGULATION

In Luxembourg, EU regulations apply (Life and Non-Life Directives), which at the local level are in the Insurance and Reinsurance Law of December 7, 2015, and other Grand Ducal Regulations. Subject to appropriate licensing, a (re)insurance captive can write business across all the 28 EU territories plus Iceland, Liechtenstein, and Norway on a Freedom of Services basis. Effective from January 1, 2016, Luxembourg adopted the rules on the European Solvency II regulation as implemented in the local law. These regulations govern the solvency capital, minimum capital, corporate governance, and reporting requirements of entities writing business in EU.

REGULATORY AGENCY

Commissariat aux Assurances, (www.caa.lu).

SERVICES AND CAPABILITY

- Captive management.
- Solvency II tool support.
- Regulatory and compliance support.
- (Re)Insurance captive implementation.
- Support for loss portfolio transfer (LPT).
- Tax representation for insurance company operating in Luxembourg (IPT collection).
- Establishment of commercial companies headquarters.
- Merger & Acquisition services (mainly for reinsurance captives).

Head of Office

Claude Weber

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MARSH CAPTIVE SOLUTIONS: LUXEMBOURG *CONTINUED*

CAPITALIZATION AND SOLVENCY REQUIREMENTS (SOLVENCY II)

- Capitalization requirements (in line with the Solvency II requirement).
- The insurance and reinsurance captives usually take the form of a Société Anonyme (S.A.) where the minimum shareholding is 1, and the minimum capital requirements are for a:
 - Insurance captive : EUR 2.5 million for non-life risks other than liability, credit, and bond insurance. Otherwise EUR 3.7 million is required.
 - Reinsurance captive : EUR 1.2 million or equivalent in a foreign currency if election is made to have reinsurance captive status. Otherwise, EUR 3.6 million is required for a reinsurance company, with the possibility to underwrite third party risks.