

Brief History of PARC Domiciles

F&I Reinsurance and Product Conference

by

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October 29, 2019

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Brief History of PARC Domiciles Domestic Presence

- Dealer reinsurance programs began in the 1950s in Texas with credit life and disability reinsurance spurred on by a low cost of entry (capital and surplus requirement was \$37,500)
- Due to regulatory changes, domestic credit life and disability reinsurance programs moved to Arizona, where they primarily remained until the early 1980s
 - Required capitalization moved from \$37,500 to \$150,000 + (10% of maximum risk)
 - Annual filing and license renewal fees gradually increased to \$4,800 per year
 - Examinations and investment restrictions

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Brief History of PARC Domiciles Offshore Presence

- Increases in required capital, fees and regulation, as well as a shift in the products being reinsured gives birth to offshore domiciles
- First offshore domiciles utilized were the British Virgin Islands (BVI) and the Turks and Caicos Islands (TCI) in the early 1980s (actually as early as 1979)
- In the mid 1980s, the BVI ceased recognizing “reinsurance only” companies as a separate class of insurance company, subjecting them to additional regulation and operating costs

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Brief History of PARC Domiciles Offshore Presence

- In the 1990s Nevis was also utilized as an alternative offshore domicile
 - No insurance regulations
 - Minimal fees
- In the mid 2000s, however, Nevis passes insurance regulations that apply to PARC structures
 - Additional capital and surplus requirements
 - Annual audit requirements
 - Loss specialist requirements
 - Increased license and professional fees

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Brief History of PARC Domiciles Offshore Presence

Current domiciles utilized for PARC programs include:

- Turks and Caicos Islands
- Seychelles
- Anguilla (new this year)
- Delaware Indian Tribe
- Sac and Fox Nation (limited use)

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Brief History of PARC Domiciles Offshore Presence

Turks and Caicos Islands

Favorable offshore regulations that allow for the comingling of life and disability risk (credit insurance) and property and casualty risk (ESC and ancillary products)

- Reasonable capital and surplus requirement
- Reasonable regulation and ongoing fees
 - No independent audit or examination
 - Prudent man rule for investments outside trusts
 - Approval not required for shareholder distributions

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Brief History of PARC Domiciles Offshore Presence

Turks and Caicos Islands

- TCI is a British Overseas Territory (British Crown Colony) that is under the oversight of the UK
- TCI offers special licensing for “credit related”/F&I product) reinsurance programs that have B+ or higher A.M. Best rated (or comparable rating service) direct writer or TCI regulated primary insurer or otherwise approved ceding insurer
- TCI is single largest domicile for F&I reinsurance programs and accepted by virtually all primary insurers (over 7,000 PARCs domiciled in the TCI)

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Brief History of PARC Domiciles Offshore Presence



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Brief History of PARC Domiciles Offshore Presence

Seychelles

- In 2008, Seychelles is utilized as an offshore domicile as an alternative for many companies that were domiciled in Nevis and for new formations
- Seychelles has insurance regulations (revised in January 2008, Seychelles Insurance Act of 2008)
- Insurance Regulations similar to Nevis and other more regulated domiciles
 - Minimum Solvency Requirements
 - Licensed Insurance Manager required
 - Required annual actuarial certification of reserves
 - Required annual audit

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Brief History of PARC Domiciles Offshore Presence

Seychelles

- Not structured as insurance or reinsurance company
- Formed as International Business Companies (IBC) under Seychelles International Business Companies Act, 1994 (as amended, 2000), Section 9.(1)(h):

A company incorporated under this Act has the power (irrespective of corporate benefit) to perform all acts and engage in all activities necessary or conducive to the conduct, promotion or attainment of the objects or purposes of the company, including the power to guarantee a liability or obligation of any person and to secure any of its obligations by mortgage, pledge or other charge, of any of its assets for that purpose.

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Brief History of PARC Domiciles Offshore Presence

Seychelles

- Corporate Memorandum of Association provides authority to indemnify any other corporation against losses
- Indemnification takes the form of a security through contractual relationships with the other corporations
- Limited acceptance of domicile by primary insurers

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Brief History of PARC Domiciles Offshore Presence



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Brief History of PARC Domiciles Offshore Presence

Anguilla

In July, 2018, Anguilla adopted new PARC regulations similar to the TCI

- Limited initial and ongoing capital and surplus requirements
- No annual actuarial certification of reserves required
- No annual audit requirement
- Anguilla licensed Insurance Manager required
- Fees are slightly higher than the TCI for formation and renewal fees

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Brief History of PARC Domiciles Offshore Presence

Anguilla

Key regulatory provisions include:

- Ease and speed of both new formation and redomestication processes (“Acorn” electronic company registration system allows for instant incorporation and electronic documentation)
- One day “Fast Track” filings are permitted
- Changes reported annually without additional filings or fees
- Unknown acceptance level from primary insurers

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Brief History of PARC Domiciles Offshore Presence



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Brief History of PARC Domiciles Alternative Domiciles

Tribal Domiciles

- Tribes are recognized as domestic sovereign nation within the U.S.
 - Supported through U.S. Supreme Court (“Marshall Trilogy”) and
 - Treasury Regulation § 301.7701-2(b)(1), which includes Tribes as domestic entity for tax purposes
- PARC is treated as a domestic corporation for Federal income tax purposes (no IRC Section 953(d) election is needed)

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Brief History of PARC Domiciles Alternative Domiciles

Tribal Domiciles

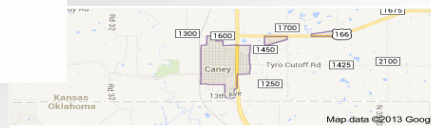
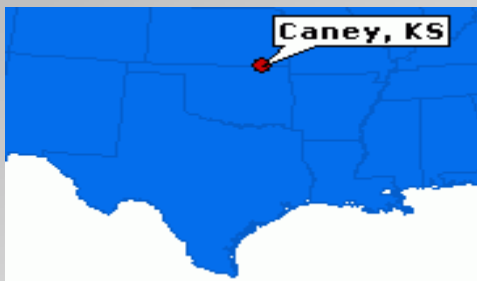
- PARC Regulations enacted in 2013
- Key regulatory provisions include:
 - Ease and speed of both formation and redomestication processes (online portal system)
 - Simple licensing process that is inclusive of all F&I products, as well as enterprise risk (captive)
 - Changes reported annually without additional filings or fees
- Over 1,500 PARCs currently licensed in the Delaware Tribe of Indians
- Tribal domicile is now accepted by roughly 20 primary insurers

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Domicile Update Brief History of PARC Domiciles Delaware Indian Tribe



Caney
City in Kansas
Caney is a city in Montgomery County, Kansas, United States. As of the 2010 census, the city population was 1,966. [Wikipedia](#)
Area: 1.351 sq miles (3.5 km²)

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Questions



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