

SIMPLIFYING THE COMPLEX

Karen Jenner, of FiscalReps, discusses TAXBOX², the company's new technology offering

Captive insurers regularly deal with and participate in the largest and most complex multinational insurance programmes in existence. They generally, however, lack the necessary resources and finances to benefit from state-of-the-art end-to-end technology solutions needed to support compliance and programme management. Commonly, captives and captive managers are reliant on fronting partners, brokers and market practice to complement their own internal processes and stay up to date with ever-changing global regulations. FiscalReps provides captive insurers with a simple and accessible technology solution giving them the capability to identify and investigate key compliance concerns at critical points during the underwriting and bind process which can be specifically tailored to their own bespoke policies and products.

TAXBOX² is FiscalReps' latest technology offering, held in a secure cloud location, encompassing at its core a global premium tax database providing in-depth real-time information on all taxes applicable to insurance premiums for multinational insurance programmes. With Off-The-Shelf, Bespoke and Embedded offerings, the flexibility of TAXBOX² makes it a viable compliance solution for insurance companies of all sizes and types. Working with a large number of independently owned and managed captives for many years, FiscalReps has a depth of knowledge and experience of a captive's needs and requirements at quotation, bind and premium allocation,

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invoicing and premium collection stages of the annual cycle.

Investigate

Even before the underwriting process begins, the captive is often responsible for collation of renewal data. Fixed reporting requirements, as well as methodology for calculating premium taxes and parafiscal charges, may define what data needs to be gathered at this stage. The Investigate module within TAXBOX² provides details on a territory-by-territory basis around location of risk information and the varying bases for calculating taxes, alongside detailed footnotes. For example, in Iceland there are specific requirements around the base for tax calculations for certain elements of property insurance. The ability to identify and report on the property values, including the fire insurance valuation as given in the Property Register kept by the local authorities, is key for calculation of both the Catastrophe Premium and Avalanche and Landslide Prevention tax on buildings located in this territory. In Spain

the Extraordinary Risk charge is based on Sum Insured values and not premium amounts.

The tool meets the insurer's need to identify and research renewal data required around differing location of risk rules, for example those in the EU differ to those in Switzerland and more so outside of Europe, such as Australia – these rules may require different data to be collected across all insured entities.

'Off-The-Shelf' access provides users with the ability to search FiscalReps' detailed global database, which includes legal cross references to show information sources, identify exceptions and exemptions that may be applicable to business underwritten, identify variances across different lines of business, and allow identification of indirect taxes due dependent on how the business is underwritten. For example, in some territories, such as Australia, unlicensed insurance attracts additional withholding tax levied on premiums paid overseas to non-admitted insurers such as captives, which should be considered when a programme structure is being designed by the captive – non-admitted business may be permissible but is it practical and cost effective for the captive? In the US, potential FET charges would be identified. Additionally, in either Australia or the US, the tool would advise on the varying state additional charges, which would need to be filed and paid by the local policyholder(s). Other VAT and GST levies on insurance premiums are also listed within the database.

Calculate

During the premium allocation process, access to specific and detailed global



knowledge on premium tax rates and parafiscal charges could prove invaluable to a captive – ensuring all costs are reflected in the pricing to avoid eroding technical underwriting premiums due to errors in applying more generic rates or inaccurate indirect taxes.

The Calculate module allows those with little or no knowledge of insurance premium taxes to input a premium allocation into TAXBOX² and automatically calculate the additional costs to be included for all territories within scope, with the ability to identify state or regional taxes within a territory based on the location of risk insured.

Again, the status of the captive as a licensed, unlicensed or Freedom of Service (FoS) insurer would provide a more accurate calculation. Bespoke access would further simplify the process. Tailored product mapping of the captive's insurance policies to the global premium tax rate database within TAXBOX² ensures the accurate application of the correct rules, rates and any applicable exemption for any quotations or calculations made. The technology allows any calculations to be saved as quotes and revisited and edited as and when terms and conditions change.

Where the captive is issuing invoices, the database within TAXBOX² clearly states which party is responsible for premium tax settlement, identifying the amount of local insured taxes to be added to an invoice versus those to be settled by the insurer – for

In territories where stamp duty is due, this may not always be applicable on renewals. Within Calculate, the user is required to identify whether the policy is new or a renewal to ensure any stamp duties are correctly applied.

For larger insurance companies, an Embedded solution allows integration of the technology into underwriting and finance systems. This ensures there is consistency across underwriting and the finance of premium taxes built into premium allocations and invoicing, and then the relevant documentation reported and filed to the various tax authorities.

To ensure the TAXBOX² solution meets all types and size of insurance company and their specific requirements and budgets, Investigate and Calculate can be purchased together or as standalone modules, both either Off-The-Shelf or on a Bespoke basis. Access can be purchased for as many or as few territories and product lines as required. For existing FiscalReps' compliance clients, once the quote is finalised, policy calculations can be fed into Generate to create the necessary tax returns, providing the captive with a full end-to-end compliance solution where required. 

“The flexibility of TAXBOX² makes it a viable compliance solution for insurance companies of all sizes and types”

example, in Germany any taxes have to be separately identified from the premium otherwise they are considered to be due in addition to the amount stated on the invoice. The database also provides details on the relevant tax points across the globe, i.e. when the relevant taxes are deemed due, and when the insurer is subsequently responsible for filing and settling returns and payments to the local tax authorities.

The technology also provides information around renewals versus new policies.