

2016
North Carolina Gross Premiums Tax
Consolidated Group of Captive Insurance Companies
Filing as a Single Captive Insurance Company
Form IB-4A3 Instructions

General Information

Every captive insurance company licensed to do business in North Carolina is required to file a premiums tax return and pay a tax on the premiums for business done during the calendar year. Two or more captive insurance companies under common ownership and control that meet the requirements for filing as a consolidated group of captives are allowed to file as a single captive insurance company.

The gross premiums tax return for captive insurance companies is due on or before March 15. The return covers the activities of all captives in the group during the preceding calendar year. If a captive insurance company has a fiscal year-end, the return must include a schedule showing premiums for the calendar year. For example, a captive with a fiscal year ending July 31 would include activity for the period January 1 through July 31, and the period August 1 through December 31. **North Carolina law does not provide for an extension of time to file gross premiums tax returns.**

The premium amounts reported on the captive insurance company premiums tax form **must** agree with amounts reported in the financial reports filed with the North Carolina Department of Insurance ("NCDOI") for each member of the group. A schedule that includes the names of each captive insurance company, identifying numbers of each captive, the type of captive each company in the group is authorized by the NCDOI to operate as, and direct premiums and assumed reinsurance premiums for each captive **must** be attached to the return when filed. The premium information for each member of the consolidated group and the aggregate totals for all members of the consolidated group should be in the same format as Parts 2 and 3 of the return. **Copies of all appropriate pages in support of premiums from the financial statements of each captive insurance company included in the consolidated group filed with the NCDOI must be attached.** Information on requirements for filing the annual financial report is available at www.nccaptives.com.

The information contained in these instructions is to be used as a guide in the preparation of the North Carolina gross premiums tax return and is not intended to cover all provisions of the law pertaining to consolidated groups of captive insurance companies under common control and ownership filing as a single captive. For specific information on the formation of captive insurance companies in the State, refer to Chapter 58, Article 10, Part 9 of the General Statutes. For specific information on the taxation of captive insurance companies, refer to Chapter 105, Article 8B of the General Statutes.

Form IB-4A3 is to be filed by two or more captive insurance companies filing as a consolidated group of captives under common ownership and control. The form is **not** to be used by a captive insurance company that is filing as a stand-alone captive insurance company or by a protected cell captive insurance company. Stand-alone captives must file Form IB-4A1. Protected cell captive insurance companies must file Form IB-4A2. The forms are available on the Department's website at www.dornnc.com/downloads/insurance.html.

Qualification to file as a consolidated group is determined by the NCDOI. It is recommended that approval for filing as a group be obtained from the Department of Insurance prior to filing as a group. Approval documentation should be attached to the return filed for each group.

Specific Instructions for Filing Form IB-4A3

Legal Name, Address, and Identification Numbers

Enter the legal name, mailing address, federal identification number/social security number, the National Association of Insurance Commissioners ("NAIC") number, and the North Carolina Department of Insurance ("NCDOI") license number of the controlling captive insurance company as it appears on the license issued by the NCDOI on the appropriate lines. Enter the principal place of business in North Carolina and the date licensed to do business in North Carolina on the appropriate lines.

Name of Contact Person

Enter the name of the person to contact for all matters pertaining to the tax return.

Legal Name of Captive Manager Firm

Enter the name and mailing address of the approved captive manager firm responsible for all financial reporting and tax matters.

Part 1. Members Included in Consolidated Group

Complete the information in its entirety. Include the name, identifying number, principal place of business, date licensed to do business in North Carolina, NCDOL license number and type of captive for each captive insurance company included in the group. Attach additional pages if needed.

Part 2. Computation of Tax on Direct Premiums for ALL Members of Consolidated Group

Direct premiums are premiums contracted for or collected on policies or contracts of insurance written by the company during the preceding calendar year. Gross direct premiums collected or contracted for is the Total Direct Premiums Written reported on the premium information schedules in the annual financial forms filed with the NCDOL. **All direct premiums written by a North Carolina captive are subject to tax in North Carolina.**

Enter the name and identifying number of each captive insurance company in the group. Complete the premium information in its entirety for each captive insurance company. Attach additional pages if needed.

To complete Column D, "Combined Totals", add the amount on Line 4, "Tax on Direct Premiums", for each of the captives in the group and enter the aggregate total on Line 4 of Column D.

Line 1. Gross Direct Premiums Collected or Contracted For

For all captive insurance companies, other than association captives, branch captives, and risk retention group captives, enter the "Total All Lines" amount in the "Direct Written" column of "Schedule 2 Premiums" from Form C-200, Captive Annual Report Form, filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

For association captives and risk retention group captives, enter the amount from Line 35 (Totals) on the "Totals" line in the "Direct Business" column of the "Part 1B - Premiums Written" schedule from the "Underwriting and Investment Exhibit" of the National Association of Insurance Commissioners ("NAIC") Annual Report filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

For branch captives, enter the amount of total direct premiums for business done in North Carolina from the audited financial statement filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

Line 2a through Line 2c. Adjustments

Line 1 may be reduced by amounts paid to policyholders as return premiums and by dividends on unabsorbed premiums or premium deposits returned or credited to policyholders. Premiums attributed to multi-year policies or contracts must be prorated among the years covered by the policy or contract. **A schedule showing calculations must be attached to the return.**

Follow instructions on the return to complete Computation of Tax on Direct Premiums (Lines 1 through 4) for each captive insurance company in the consolidated group. The amount to be entered on Column D, Line 4 is the aggregate total of the tax on direct premiums for all members included in the consolidated group.

Part 3. Computation of Tax on Assumed Reinsurance Premiums for ALL Members of Consolidated Group

Assumed Reinsurance Premiums are total premiums written for reinsurance assumed from affiliates and non-affiliates during the preceding calendar year.

Line 5. Assumed Reinsurance Premiums

For all captive insurance companies, other than association captives, branch captives, and risk retention group captives, enter the "Total All Lines" amount in "Reinsurance Assumed" column of "Schedule 2 Premiums" from Form C-200, Captive Annual Report, filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

For association captives and risk retention group captives, enter the sum of the amounts from Line 35 (Totals) on the "Totals" line in the "Reinsurance Assumed From Affiliates" column and the "Reinsurance Assumed From Non-Affiliates" column of the "Part 1B - Premiums Written" schedule from the "Underwriting and Investment Exhibit" of the NAIC annual report filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

For branch captives, enter the amount of total assumed reinsurance premiums for business done in North Carolina from the audited financial statement filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

Line 6a and Line 6b. Adjustments

Allowable deductions are 1) premiums for risks or portions of risks that are subject to taxation on a direct basis under N.C. Gen. Stat. § 105-228.4A(e) and 2) premium amounts in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of one insurer by another insurer if the two insurers are under common control and the Commissioner of Insurance verifies that the transaction between the insurers is (1) part of a plan to discontinue the operations of one of the insurers, and (2) the intent of the insurers is to renew or maintain business with the captive insurance company. **A detailed schedule of deductions must be attached.**

Follow instructions on the return to complete "Computation of Tax on Assumed Reinsurance Premiums" (Lines 5 through 8) for each captive insurance company in the consolidated group. The amount to be entered on Column D, Line 8 is the aggregate total of the tax on assumed reinsurance premiums for all members included in the consolidated group.

Part 4. Total Premium Tax for Members of a Consolidated Group that DOES NOT include a Special Purpose Financial Captive

This section is to be completed by a consolidated group of captives that **DOES NOT** include a special purpose financial captive. Follow the instructions on the return in completing this Part.

Part 5. Total Premium Tax for Members of a Consolidated Group that DOES include a Special Purpose Financial Captive

This section is to be completed by a group of captives that **DOES** include a special purpose financial captive. Follow the instructions on the return in completing this Part.

Part 6. Total Amount Due with This Return

Line 21. Total Amount of Premium Tax for Consolidated Group

Enter the amount from Part 4, Line 10 or Part 5, Line 20.

Line 22. Tax Credits

Information on tax credits that can be claimed against captive insurance gross premiums tax can be accessed at <http://www.dornnc.com/practitioner/corporate/article8b.html>. Instructions for claiming credits and the forms (Form CD-425 and appropriate forms in the NC-478 series) to be completed and filed with the premiums tax return for captive insurance companies claiming credits against premiums tax can be found at <http://www.dornnc.com/downloads/corporate.html>. **Failure to substantiate a tax credit may result in the disallowance of that credit.**

Line 23a and Line 23b. Penalties

Returns filed after the statutory due date are subject to a failure to file penalty of 5% of the tax for each month, or part of a month, the return is late (maximum 25% of the tax due). In addition, returns filed after the statutory due date are subject to a late payment penalty of 10% of the tax due.

Line 24. Interest

Interest is due on any tax not paid by the due date. Interest accrues on tax not paid from the due date set by statute for payment of the tax until the tax is paid. Applicable interest rates are available on the Department's web site at www.dornnc.com/taxes/rate.html.

Line 25. Total Amount Due

Add Lines 23, 24a, 24b, and 25. **This is the total amount of tax, penalties, and interest due.** Make your check or money order payable to the North Carolina Department of Revenue. Payment of tax due must be in the form of U.S. currency from a domestic bank and included with the return. Returns and payments should be mailed to NC Department of Revenue, Insurance Premium Tax Unit, Post Office Box 25000, Raleigh, NC 27640-0300. Payment of taxes may be made electronically using ACH Debit or ACH Credit electronic funds transfer after receiving approval from the Department. For additional information, contact the Insurance Premium Tax Unit at 919-754-2600. Electronic filing of tax returns for captive insurance companies is not available.