



# TURKS AND CAICOS ISLANDS FINANCIAL SERVICES COMMISSION

*Regulating with Honesty, Integrity and Transparency*

25<sup>th</sup> June 2021

**TO: CORPORATE SERVICE PROVIDERS REPRESENTING PORCs**

## **ANNUAL PREMIUM FOR PORCs**

A key determinant of the current low risk classification of PORCs, as advised by the industry<sup>1</sup>, is the limit on their annual premium. This limit is determined by the election made by these entities pursuant to Section 831(b) Internal Revenue Code.

The 831(b) election is applicable to small nonlife insurance companies that meet specific requirements, including a limitation on gross premiums written. Effective 2017, the premium income for the tax year in question must be \$2.2 million<sup>2</sup> or less, with the premium cap subject to inflation adjustments. Further, this premium threshold of \$2.2 million is applicable to all insurers included in a single consolidated tax filing. This premium limit has resulted in lower regulatory requirements for PORCs.

The Commission has observed a few cases of PORC applicants with projected annual premium in excess of \$2.2 million. This projection suggests that the applicant will not be eligible for the 831(b) election and is likely to have a risk profile inconsistent with that of other PORCs. Accordingly, effective 26<sup>th</sup> July 2021 PORC applicants with annual premium in excess of the prevailing 831(b) are required to provide the following information with their applications:

- i) The rationale for the application.
- ii) The additional controls in place to manage the risk of this applicant.

Please be guided accordingly .

Yours sincerely

**Corine Bolton**  
**Director Insurance**

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<sup>1</sup> Reflected in minutes of the Industry Meeting held 24<sup>th</sup> May 2016.

<sup>2</sup> Net written premiums (or, if greater, direct written premiums) for the taxable year that do not exceed \$2.2 million.