

Offshore insurance companies can have different purposes. A captive insurance company is a company which insures the risks only of a limited set of people (in general groups of affiliated organizations to whom the insurance company itself belongs). Many offshore jurisdictions offer benign conditions of licensing for captive insurance companies (less demandable capital and so on). It gives an opportunity for an international group of companies to insure group risks in their own tax-free insurance company, in other words keeping potential profit from insurance activities within the group.

The evident advantage of offshore insurance companies is that earned revenue is free of taxes. At the same time insurance payments can be considered as costs for taxation in the country of residence of an insured. As a result general tax costs decrease, which is the main goal of tax planning. The similar scheme has 1 an identifiable business goal besides tax optimization - receiving of underwriting gain.