

Utah  
Captive  
Insurance  
Association



UCIA  
Summer  
2015  
Webinar



INSURANCE

Message board  
open, submit  
questions to be  
answered  
throughout the  
session

Please remain  
muted during  
presentation 

# Today's Presenters:

❖ **Jon Soules**

*Utah Captive Insurance Association*

❖ **David Snowball**

*Utah Captive Insurance*

❖ **Pamela Sanchez**

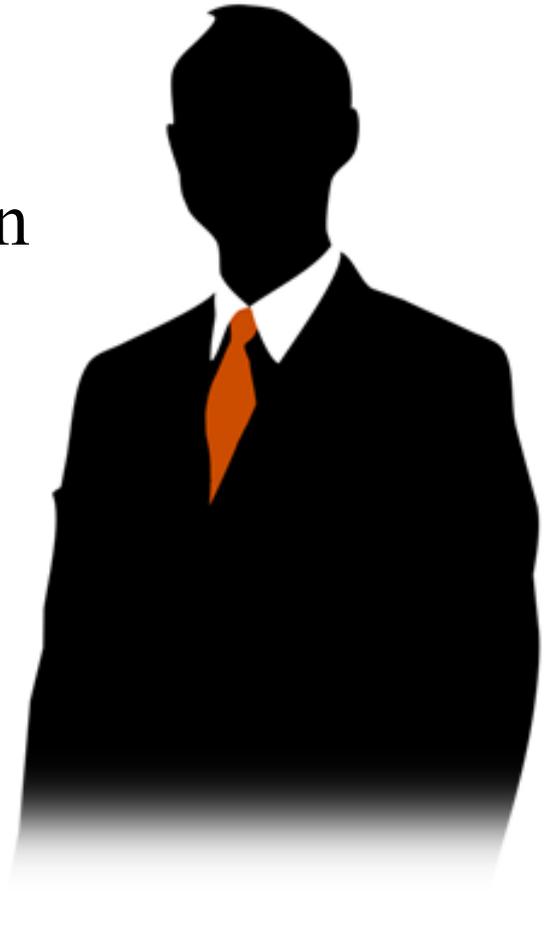
*Utah Captive Insurance*

❖ **Mark Wiedeman**

*Utah Captive Insurance*

# In this Presentation:

- Results of the 2015 Changes in Captive Legislation
  - *The role of a Captive Manager*
- New and Upcoming innovations in technology for Utah Captives
- Trending Exam/Analysis Issues
- NAIC Proposals
- UCIA Board Nominees & Future Officer Roster
  - *WRCIC 2016*



# Results of the 2015 Changes in Captive Legislation



## **Captive Rules & Regulations now in effect:**

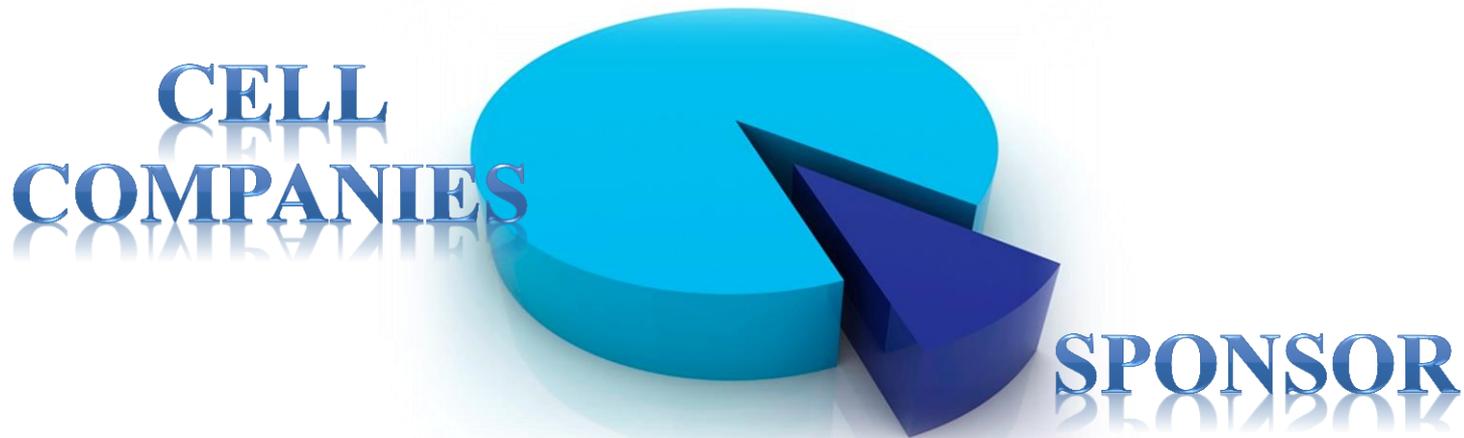
1. The captive code now includes language specifically addressing the use of Limited Liability Companies as a type of captive formation. Although LLC's were permitted, specific structure and direction was not present. Previous language only addressed stock company formations. (Code Section 31A-37-301 and throughout).

2. The captive exam cycle has been increased from a three year to a five year period. (31A-37-502).

3. The required minimum of \$250,000 to be maintained as paid-in capital and free surplus may be accomplished through any combination of either. Prior language specified a minimum requirement for each element separately; with a paid-in capital requirement of \$100,000 and a free surplus requirement of \$150,000. (31A-37-204).



4. Capitalization of a cell captive sponsor remains \$1,000,000. However, the new language indicates that only a minimum of \$350,000 must be provided by the sponsor. The balance may be provided by the cell companies. (31A-37-204)



5. Pooling can take place within the sponsor of a cell captive. (31A-37-401)

6. A \$1,000 initial license and annual license renewal fee will be due for each cell within a sponsored cell structure.

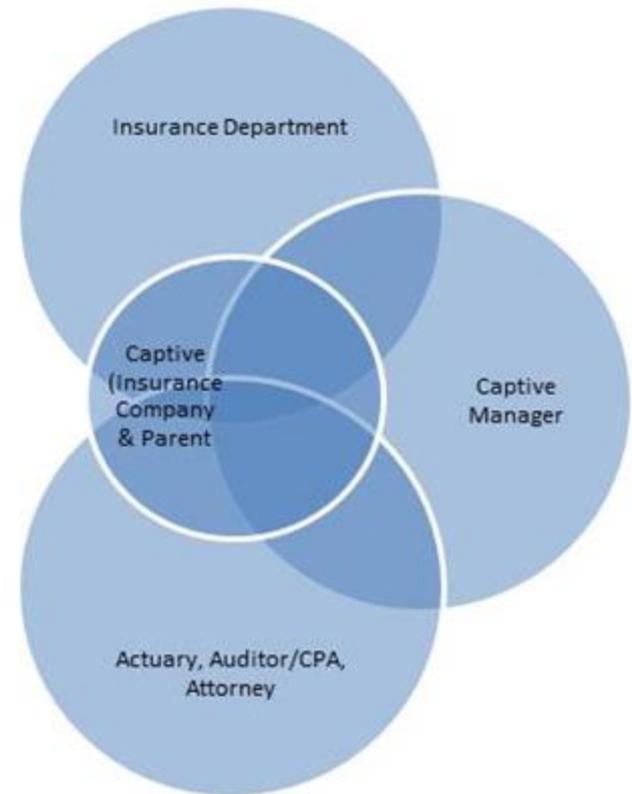
We believe these changes will be advantageous in allowing us to better provide services as regulators. We foresee these as being beneficial to our Utah domiciled captive companies. Additionally, we feel that the changes made will continue to contribute to an innovative business friendly environment for all.



# Proposed Captive Manager Definition

A “Captive Insurance Manager” means an organization that is on the Utah Approved Captive Management Firms list; pursuant to a written contract with a captive insurance company, provides and coordinates services including but not limited to:

- a. accounting
- b. statutory filings
- c. annual filings;
- d. coordination of related services; and
- e. acts as an intermediary that facilitates and assists the captive in meeting its statutory requirements under Title 31A



## Provider Applications

When submitting an application to be a new provider, the actuary, auditor, and captive manager will be required to have at least 2 years experience in the related field. Auditors can have insurance or captive insurance experience.

**Experience**

# New and Upcoming innovations in technology for Utah Captives



The Annual Statements (AS) & The Statement of Economic Benefit to the State of Utah (SEB) can now be filled out and submitted through our online portal at [captive.utah.gov](http://captive.utah.gov)

All documents can now be submitted electronically by sending them to the UID (Utah Insurance Department) Captive Division at [captive@utah.gov](mailto:captive@utah.gov)



All payments can be processed electronically through our secure '**Captive Renewal**' portal once an invoice has been generated at <http://captive.utah.gov/>





# Licensing & Forms

## Captive Renewal Forms



- [Captive Renewal](#)

utah.gov Utah.gov Services Agencies

### UTAH Insurance Department

## Company Licensing Renewal System

Welcome to the Company Licensing Renewal System. This service allows you to view & update contact information for multiple areas within your Company anytime an update is needed and to Renew your Company's Certificate of Authority, Registration or License when a Renewal Invoice is received.

To continue to Company Contact Information and/or to Renew, please select "RENEW" below.

- [Instructions](#)
- [Renewal Checklists](#)
- [Address Corrections](#)

**Renew**

UID Home  
Consumer Services  
Agent/Company Services  
Department Contacts  
HOT News



# Anticipating rollout mid-November 2015!



## ON-LINE LICENSING

Have the ability to submit New Captive Applications through our on-line portal much like you can do now with the annual filings and the service provider applications

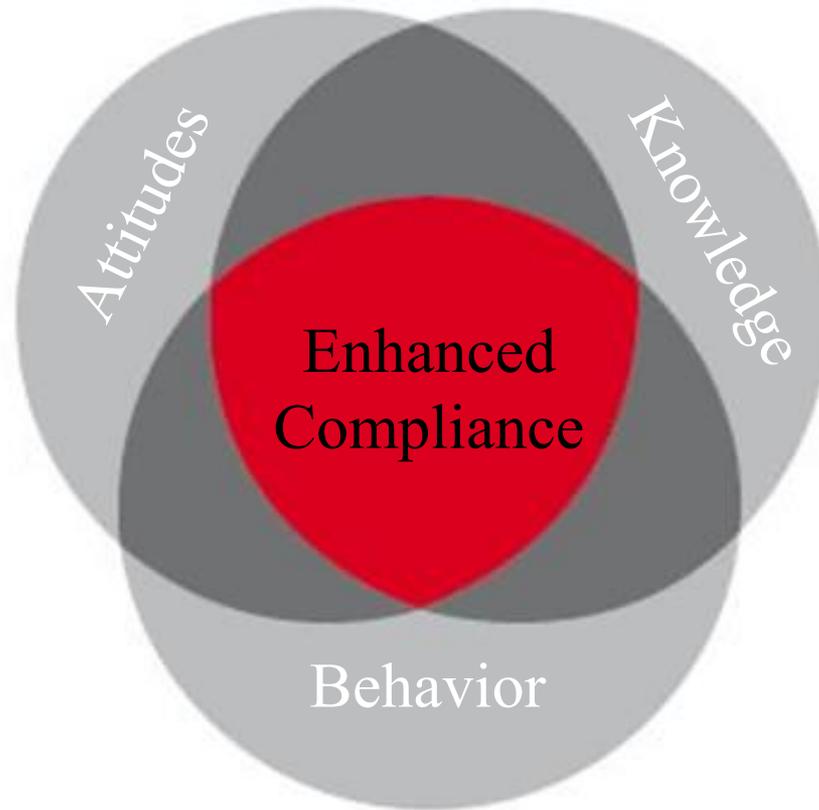
# Web Based File Submission Portal

Be able to share documents such as your Annual Audit Reports, Requests, or Statements of Actuarial Opinion directly with the Utah Captive Division by submitting them with a simple upload through our website



Information

# Trending Exam/Analysis Issues



## **Minimum Cash or Cash equivalent maintained all year:**

It is the responsibility of the Board of Directors and the Captive Manager to ensure the Captive Insurance Company has **maintained** the minimum cash and/or cash equivalents required according to the type of captive insurer



Pure - **\$250,000**

Sponsored - **\$1,000,000**

Association 'stock' & 'mutual' - **\$750,000**

Industrial 'stock' & 'mutual' - **\$500,000**

Special Purpose - **\$Amount to be determined by the commissioner**

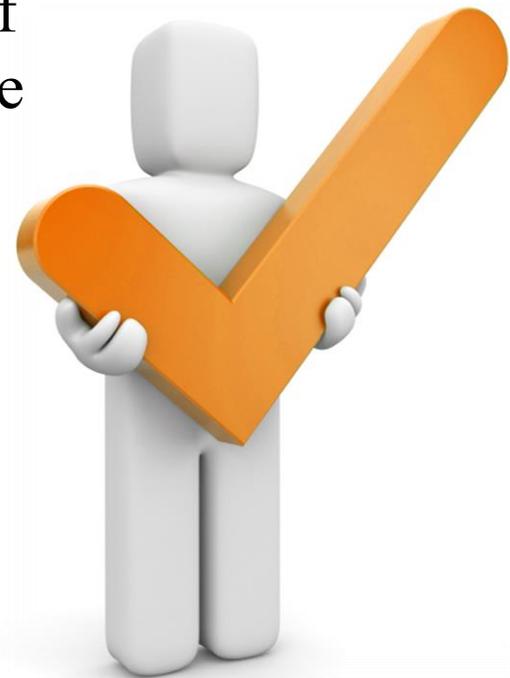
As a Utah approved CPA company, auditors are requested to test cash compliance for each month end for the year, only testing the year-end balance does not ensure that they have **maintained** the minimum throughout the entire year

## **Non Approved Loans:**

The Captive MUST have pre-approval by completing the steps necessary and providing the required documents before any type of loan is issued to the Parent and/or Affiliate

## **Materiality of Audit Balances:**

Auditors are required to provide a narrative of all material transactions as described in R590-238-6(3)(d)(ii)(C)



# Differences on an Annual Statement & Annual Audit Variance:

Variance Report  
2013 Annual Statement and 2013 Annual Audit

<u>Annual Statement Line Item &amp; Description</u>	<u>2013 Annual Statement</u>	<u>2013 Annual Audit</u>	<u>Variance</u>	<u>Remarks</u>
<b>Underwriting Expenses</b>				
6. Net Losses Incurred	\$ -	\$ -	\$ -	
7. Net Loss Adjustment Expenses Incurred	-	-	-	
8. Commissions and Brokerage	-	-	-	
9. General and Administrative	-	-	-	
10. Other Underwriting Expenses	-	32,800	(32,800)	Reclassified from Lines 15 and 18
11. <b>Total Underwriting Expenses</b> (lines 6 thru 10)	<u>\$ -</u>	<u>\$ 32,800</u>	<u>\$ (32,800)</u>	
12. <b>Underwriting Profit (Loss)</b> (line 5 minus 11)	\$ -	\$ (32,800)	\$ (32,800)	
13. Investment Income - Net	317	824	507	Audit adjustment for investment income
14. Other Income	-	-	-	
15. Other Expenses	28,326	3,025	25,301	Client adjustment for professional fees and reclassification to Line 10
16. <b>Income Before Dividends and Taxes</b>	<u>\$ (28,009)</u>	<u>\$ (35,001)</u>	<u>\$ (6,992)</u>	
17. Dividends	-	-	-	

When the audit report requires a variance report on the material differences between the audited financial statements and annual statement, provide more detailed descriptions on the variances. General descriptions such as “audit adjustment” or “audit reclassification” does not provide sufficient information to analyze any impact that adjustment may have on the financial statements overall

## **Timely Payments of Premiums:**

Traditionally, the parent company must pay the premium timely to the Captive insurer to avoid the over accumulation of premium receivable balances



On an as-needed basis, if we see that a premium receivable balance is continually growing, we may ask for an aging schedule or schedule of policy periods for which the balances pertain

# Break out line of coverage:

When lines of insurance coverage are not itemized on the Annual Statement, there is no way to know what the captive insurer is covered for

7) Premium Schedule  
December 31, 2014

Line of Business	(1) Direct Business Affiliates	(1) Direct Business Non- Affilia	(2) Reinsurance Assumed Non- Affiliates	(2) Reinsurance Assumed Non- Affiliates	(3) Premium for by posit hod	(4) Reinsurance Ceded	(5) Reinsurance acct'd for by deposit method	(6) Net Premiums Written (1+2-3-4+5)
1. Workers Compensation Deductible	0	0	0	0	0	0	0	0
2. Quota Share Program P&C Insurance	0	0	0	47	0	0	0	478,047
3. All Other Direct P&C Insurance	467,571	0	0	0	0	0	0	467,571
Totals	467,571	0	0	47	0	0	0	945,618

7) Premium Schedule  
December 31, 2014

## Itemized Coverage



Line of Business	(1) Direct Business Affiliates	(1) Direct Business Non- Affiliates	(2) Reinsurance Assumed Affiliates	(2) Reinsurance Assumed Non- Affiliates	(3) Premium acct'd for by deposit method	(4) Reinsurance Ceded	(5) Reinsurance acct'd for by deposit method	(6) Net Premiums Written (1+2-3-4+5)
1. Workers Compensation Deductible	0	0	0	0	0	0	0	0
2. Administrative Action Liability Insurance	25,113	0	0	0	0	0	0	25,113
3. Contractual Liability Insurance	32,493	0	0	0	0	0	0	32,493
4. Errors and Omissions Liability Insurance	38,991	0	0	0	0	0	0	38,991
5. ██████████ - Calendar Year	0	0	0	98,732	0	0	0	98,732
6. ██████████ - Fiscal Year	0	0	0	98,732	0	0	0	98,732
7. Representations and Warranties Liability	0	0	0	0	0	0	0	0
8. Title Liability	0	0	0	0	0	0	0	0
Totals	96,597	0	0	197,464	0	0	0	294,061

## Annual Statement “Prior” Year Column:

As you use the online annual statement form, going forward, the “Prior” year column will automatically populate the amounts from the previous year’s submission. Unless, of course, it’s a new company that’s reporting for the first time.

		Current	Prior
5) CAPITAL AND SURPLUS December 31, 2014			
20. Capital and Surplus, end of prior year		1,200,000	
21. Net Income		1,000,000	
22. Net Unrealized Capital Gains or Losses (including equity income/loss on subsidiaries)		0	
23. Capital Changes:	a) Paid In	0	
	b) Transferred from Surplus (stock dividend)	0	
	c) Transferred to Surplus	0	
24. Surplus Adjustments	a) Paid In	0	
	b) Transferred from Surplus (stock dividend)	0	
	c) Transferred to Surplus	0	
25. Dividends to Shareholders		500,000	
26. Extraordinary Taxes for prior years		0	
27. Other	a)	0	
	b)	0	
28. Capital and Surplus, end of current year		1,700,000	

*Prior year column will be editable.*

## Line and Limit adjustments:

It is inappropriate to retroactively add line and limit adjustments at the end of the year. This raises concerns when the request is being submitted toward the end of the policy year. The company may be trying to cover for claims that have occurred during the policy year, this could be considered a reimbursement program, which is not acceptable



A small period of time between request and effective date may be appropriate and approved upon review on a case by case basis

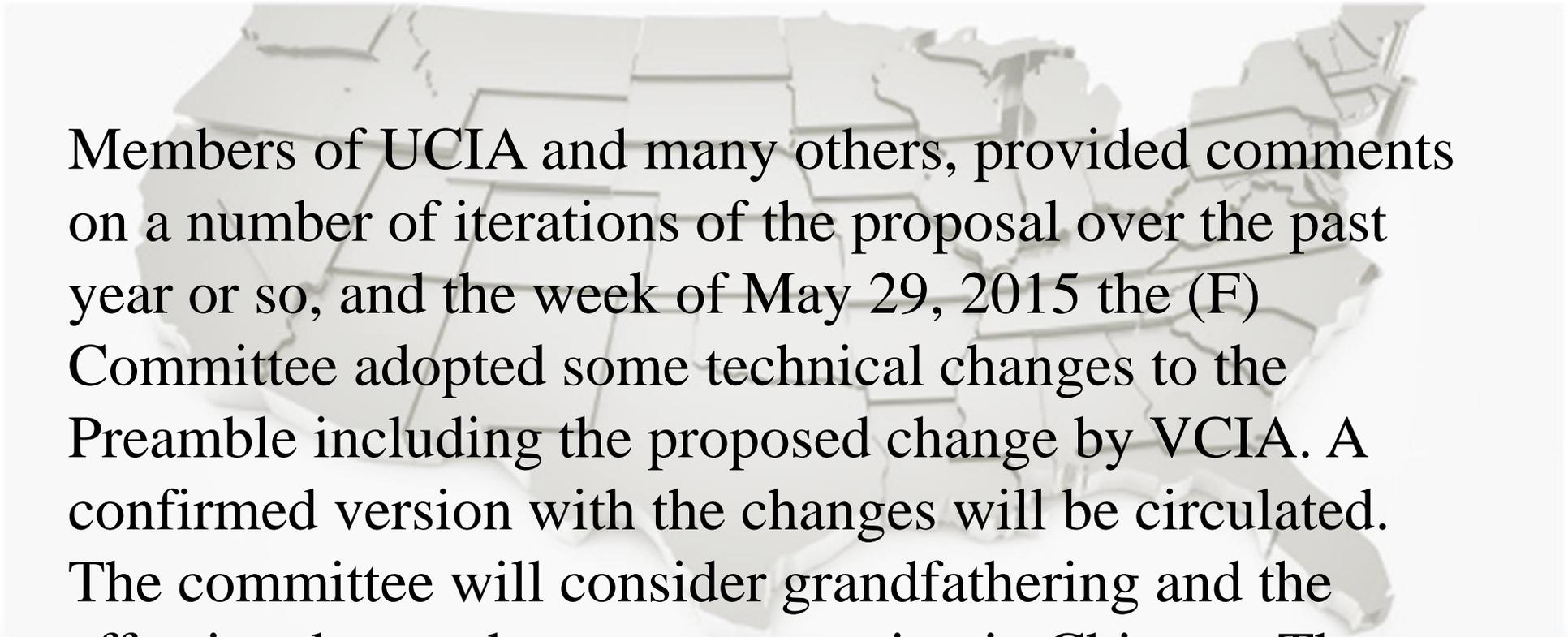


# NAIC Proposals



## NAIC Multi-State Reinsurer Issue:

As you may recall, way back at the NAIC's fall 2013 meeting, the Financial Regulation Standards and Accreditation (F) Committee discussed a proposal to change the definition of "multi-state reinsurer" included in the preambles to Parts A and B of the NAIC Accreditation Manual to cover captives and SPVs. The proposed definition was very broad and covered most captive reinsurers. The proposed definition was published for public comment.



Members of UCIA and many others, provided comments on a number of iterations of the proposal over the past year or so, and the week of May 29, 2015 the (F) Committee adopted some technical changes to the Preamble including the proposed change by VCIA. A confirmed version with the changes will be circulated. The committee will consider grandfathering and the effective date at the summer meeting in Chicago. The proposal will not advance through the NAIC process until after the summer meeting in August.

# 2015 UCIA Board Nominees & Future Officer Roster

A hand in a suit sleeve is shown holding a glowing, golden orb. Surrounding the orb are several semi-transparent icons of people and a network diagram with hexagonal nodes and connecting lines. The background is dark with a blue-to-white gradient.

## Owners

- ❑ **Everett Smith** with *ICON Health & Fitness*
- ❑ **Mark Farmer** with *FJ Management*
- ❑ **Richard Ence** with *Thatcher Company*
- ❑ **David Broadbent** with *Ivory Homes*
- ❑ **Clarence “CB” Batts** with *AZO*

*A confidential ballot along with detailed bios for each of the candidates will be sent to UCIA Members in good standing concluding this presentation.*

# Providers

- ❑ **Ross C. Elliott** retired Director of Utah Captive Insurance, *Consultant*
- ❑ **Brandy Alderson** with *Marsh Captive Solutions Group*
- ❑ **Robert “Bob” Barker** with *Valley National Administrative Services*
- ❑ **Ken Avery** with *Montera Captive Insurance Management*
- ❑ **Norman Chandler** with *Taylor Chandler CPA’s*
- ❑ **Michael P. Shields** with *The Underwriters Group*
- ❑ **Scott Garduno** with *Taylor-Walker & Associates*

You will need to:

- ✓ Vote for 4 out of the 5 ‘*Owners*’
- ✓ Vote for 3 out of the 7 ‘*Providers*’



*A confidential ballot along with detailed bios for each of the candidates will be sent to UCIA Members in good standing concluding this presentation.*

# After The Board Election

A full roster of new officers will be appointed by the Board in 2016 consisting of a:

- ❖ President
- ❖ Vice President
- ❖ Treasurer
- ❖ Secretary

*Those wishing to serve in one of these capacities should contact [uca@utahcaptive.com](mailto:uca@utahcaptive.com) for Board consideration*



Utah Captive Insurance Association

# Join us for WRCIC 2016!

The UCIA continues to be a charter sponsor of the Western Region Captive Insurance Conference. After a very successful gathering in St. Louis in 2015, the WRCIC will be held May 16-18, 2016 at the Scottsdale Resort at McCormick Ranch, a beautiful and historic AAA four-diamond venue next-door to Phoenix, AZ.

*Now in its 6<sup>th</sup> year, the UCIA welcomes you to what has become one of the premiere US captive industry educational and networking events.*

## WRCIC 2016

See this years conference by visiting:

<http://www.westerncaptiveconference.org/>



Please  
type any  
questions  
you may  
have so we  
may discuss  
them at  
this time

# Q & A



Thank you for joining us today;  
this concludes our presentation.