



Department of Consumer and Business Services
Division of Financial Regulation — 4
P.O. Box 14480, Salem, OR 97309-0405
Phone: 503-947-7982, Fax: 503-378-4351
350 Winter St. NE, Salem, Oregon
<http://captive.oregon.gov>

Remit with payment to:
Fiscal Services Section
Department of Consumer
and Business Services
P.O. Box 14610
Salem, OR 97309-0445

Application Instructions

Submit in a three-ring binder (and include one extra copy). Organize the binder with lettered tabs as follows:

Application Form

Tab A – Business plan with supporting data, including the following:

1. Risks to be insured (direct, assumed, and ceded by line of business).
2. Maximum retained risk (per loss and annual aggregate).
3. Fronting company, if assuming business as a reinsurer.
4. Reinsurance program, if ceding business.
5. Organization and responsibility for loss prevention and safety, including the main procedures followed to deal with events before possible claims.
6. Projected Investment Strategy.
7. If applicant is an association captive, then a history, purpose, size, and other details of the parent association.
8. Loss experience for past five years, if applicable.
9. Reference the five-year Pro Forma Financial Statements (expected and worse claims scenarios) that are included in the feasibility statement. *Pro forma statements should be provided in the feasibility study only.*
10. Organizational chart *and* business-flow chart.

Tab B – Feasibility (*See attached Form 440-4947*) study prepared by a qualified, independent actuary.

Tab C – • Executed Bylaws

- “Designation of Registered Office and Registered Agent in Oregon by Captive Insurer” (See attached form)
- *After approval*, “Oregon Division of Financial Regulation Bank Deposit Confirmation Form” submitted *directly* by the bank. (See attached form)

Tab D – “Biographical Affidavit for Captive Insurance Company” for *each* owner, ultimate controlling person, officer, and director. Use the NAIC Biographical Affidavit Form.

Tab E – Audited or attested (if attested, use “Certification” form) annual report of the parent.

Tab F – Attested (use “Certification” form) 10K or personal financial statements of the owners.

Tab G – Financial Statement (*See attached Form 440-4948*)

Questions? Dennis Ault

503-947-7279

Dennis.M.Ault@oregon.gov

An application fee of \$5,000 is required under ORS 735.164 and Oregon Administrative Rule 836-009-0007(1)(c).

Make checks payable to: **Department of Consumer and Business Services**

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440-4937 (7/18/COM)



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Division of Financial Regulation — 4
 P.O. Box 14480, Salem, OR 97309-0405
 Phone: 503-947-7982, Fax: 503-378-4351
 350 Winter St. NE, Salem, Oregon
 insurance.oregon.gov

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 Department of Consumer
 and Business Services
 P.O. Box 14610
 Salem, OR 97309-0445

**Captive Insurance
 Company Application**

Proposed name of captive: _____

FEIN: _____

Parent(s)/sponsor(s) information

Net worth: \$ _____

Name: _____

Address: _____

City: _____ State: _____ ZIP: _____

Name: _____

Address: _____

City: _____ State: _____ ZIP: _____

Acknowledgement regarding capital and surplus, and certification

I hereby acknowledge that the minimum capital and surplus is \$250,000 as a pure captive, \$750,000 as an association captive, and \$300 million as a captive reinsurer, at all times as required by ORS 735.162. I will maintain not less than the minimum capital and surplus at all times.

I hereby certify that the information provided in this application and the documents attached as part of the application are true and correct and that all estimates given are true based upon facts that have been carefully considered and assessed.

Signature: _____ Date: _____
Type name of officer/owner here

Notary attestation (of officer/owner signature)

Subscribed and sworn to before me this _____ day of _____, 20____.

Signature of notary public: _____

My commission expires: _____

Notary seal

FISCAL USE ONLY: 92010/1561
 Fee: \$5,000

Proposed name of captive: _____

Describe the relationship of the parent(s)/sponsor(s) to each other *and* to the proposed captive:

Beneficial owners (*Attach a separate sheet if need additional space.*):

Name: _____

Address: _____

City: _____ State: _____ ZIP: _____

Ownership %: _____

Name: _____

Address: _____

City: _____ State: _____ ZIP: _____

Ownership %: _____

Name: _____

Address: _____

City: _____ State: _____ ZIP: _____

Ownership %: _____

Describe the relationship between the beneficial owners:

Application contact:

Name: _____

Address: _____

City: _____ State: _____ ZIP: _____

Phone: () - E-mail: _____

Management firm, if applicable (*Must be on the approved listing*):

Name of firm: _____

Address: _____

City: _____ State: _____ ZIP: _____

Contact person: _____

Phone: () - E-mail: _____

Fees and responsibilities (Describe): _____

Board of directors: *At least one quarter of the members of the board of directors of a captive insurer formed as a corporation must be residents of Oregon.*

Proposed name of captive: _____

Officers:

President: _____
Vice-president: _____
Secretary: _____
Treasurer: _____

Certified public accountant *(Must be on the approved listing):*

Name of firm: _____
Address: _____
City: _____ State: _____ ZIP: _____
Contact person: _____
Phone: () - E-mail: _____
Fees and responsibilities (Describe): _____

Actuary *(Must be on the approved listing):*

Name of firm: _____
Address: _____
City: _____ State: _____ ZIP: _____
Contact person: _____
Phone: () - E-mail: _____
Fees and responsibilities (Describe): _____

Claims administrator:

Name of firm: _____
Address: _____
City: _____ State: _____ ZIP: _____
Contact person: _____
Phone: () - E-mail: _____
Fees and responsibilities (Describe): _____

Attorney

Name of firm: _____
Address: _____
City: _____ State: _____ ZIP: _____
Contact person: _____
Phone: () - E-mail: _____
Fees and responsibilities (Describe): _____

Proposed name of captive: _____

Insurance producer *(Must be licensed in Oregon):*

Name of firm: _____

Address: _____

City: _____ State: _____ ZIP: _____

Contact person: _____

Phone: () - E-mail: _____

Fees and responsibilities (Describe): _____

List any additional service providers, if applicable *(Attach a separate sheet if need additional space):*

Name of firm: _____

Address: _____

City: _____ State: _____ ZIP: _____

Contact person: _____

Phone: () - E-mail: _____

Fees and responsibilities (Describe): _____

Principal place of business *(Must be an Oregon address):*

Address: _____

City: _____ State: _____ ZIP: _____

Books and records:

Address: _____

City: _____ State: _____ ZIP: _____

Type

- Association
- Branch
- Pure
- Reinsurer

Organization

- Mutual*
- Stock**

FT employee serving as insurance manager/buyer..... _____

Aggregate annual premium amount..... **\$** _____

Number of full-time employees..... _____

*Mutual or reciprocal

Contributed surplus..... **\$** _____

**Stock

Capital (Initial, *includes capital stock & APIC*)..... **\$** _____

Surplus (Initial)..... **\$** _____

Total capital and surplus..... **\$ _____**

Common stock (No. of shares)..... _____

Common stock (Location of shares)..... _____

Common stock (Par value, *must match Articles*)..... **\$** _____

Proposed name of captive: _____

Capitalization proposed in letter of credit form (*The "Oregon Approved Irrevocable Letter of Credit" form must be used*)

Type of LOC..... _____
 Amount of LOC..... \$ _____
 Issued in favor of _____
 Bank name _____

Statement of economic benefit to the State of Oregon (Annually)

Business with financial institutions in Oregon

Cash (<i>highly liquid assets, e.g., checking/savings, CDs</i>).....	\$
Investments, <i>at market value (e.g., U.S. Treasury issues, bond, stocks, mutual funds)</i>	\$
Other invested assets (<i>e.g., real estate, mortgage loans</i>).....	\$
Total cash, investments, and other invested assets held in Oregon financial institutions	\$
Total value of letters of credit with Oregon banks	\$

Oregon-related expenditures (accrual basis)

Payroll	\$
Rent, equipment, supplies, and printing	\$
Bank services (<i>e.g., letter of credit fees</i>).....	\$
Legal services	\$
Independent auditor services	\$
Captive manager services	\$
Other services	\$
Fees paid to Oregon	\$
Board of directors meetings	\$
Other	\$
Total economic benefit to the State of Oregon	\$
Captive management physically performed in Oregon	%
Hotel room nights in Oregon for captive activities.....	

Proposed name of captive: _____

Lines of coverage *(Must match the business plan and feasibility study)*

Policy offered	Direct or assumed	Policy limits (per occurrence and aggregate)	Excess of (Amount and form)	Claims made or occurrence	Amount reinsured	Reinsurer

Are the policies assessable? Yes No
 Is there a parental guaranty in place? Yes No
 Are losses discounted? Yes, proposed rate: _____ % No

Management Firm Statement

Our management firm has reviewed the proposed lines of coverage for the pure captive insurance company and all risks transferred are risk of economic loss. The risks contemplate fortuitous occurrence of a stated contingency and are not merely an investment or business risk.

Signature: _____ Date: _____ / _____ / _____
 Type name of authorized manager here

Tab A

Business Plan

Tab B

Feasibility Study



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Captive Insurance Company Feasibility Study

Purpose

This document provides a guideline for the preparation of a Captive Insurance Company Feasibility Study (hereinafter, "CICFS"). This guideline is intended to promote consistency and professional quality in the preparation and the compilation of the initial feasibility study. This guideline provides the minimum requirements of a CICFS. Any additional information that the individuals preparing this document believe is important should be included.

Scope

Captive feasibility studies should adhere to the following format and scope:

A. **Cover Page** – The feasibility study should have a cover page including:

- The name of the captive insurance company
- The names of the individuals involved in preparing the CICFS
- The address and telephone number of the individuals preparing the CICFS
- The date of the report
- Signature of the actuary (or include the signature in a separate letter)

B. **Background and Scope of the Analysis** – The following items should be included in the background and scope section with the order, language, and presentation format left to the individuals:

- Identification of the parent or members of the proposed captive
- Statement of why the study was undertaken
- Summary of coverage, policy forms, lines of business, limits, deductibles, and retentions
- Summary of source of funds (premiums, LOC, accessibility, etc.)

C. **Summary of Recommendations** – Feasibility studies should include a summary that contains the basic findings and conclusions as well as the key assumptions underlying those findings and conclusions. Key paragraphs of the summary should reference sections, appendices, or pages of the rest of the report. The summary should include the following information:

- Discussion of rates, rate structure, and premium level broken out by line of insurance
- Discussion of the degree of capitalization and the level of confidence in the aggregate funding, which should include premiums and investment income
- In the case of an association captive, a discussion of the minimum number of participants required to form a critical mass that makes the program feasible
- Summary of results of pro-forma financial statements, including a worse-than-expected scenario demonstrating the possibility of serious financial loss or impairment

D. **Analysis Section** – Where analysis items have been omitted, are not relevant, or are not required, their absence from the feasibility study should be noted. The following order is recommended:

1. *Data analysis* should include studies based on estimates of expected frequency and severity of loss using available data. These estimates may be derived from: trended and developed historical loss data, outside sources of data (ISO, RAA, etc.), expertise within the firm, and judgment. It should be noted, however, that judgmental estimates should be disclosed as such and the source clearly stated. Judgmental estimates may be accepted as long as they are clearly disclosed.
2. *Loss projections and risk margins* of expected and higher-than-expected levels of loss should be included. These projections and margins are either actuarially determined and stated as such or the methodology used is clearly documented. In all loss-projection sections, each step should be explained in terms of how and why the procedure was used. For example, how is trend and loss development handled? Are losses discounted for the time value of money?

3. *Expense budget* for the captive insurance company should be clearly discussed. In addition, the CICFS must make reference to tax issues. The tax issues should address either the state that the captive insurance company is subject to within the models or that the captive insurance company is not subject to tax consequences. Should the CICFS state that the captive insurance company is not subject to taxes of certain jurisdictions the reasons for this must be clearly documented. The division considers tax consequences to be an extremely important consideration of captive insurance company formation. Types of tax issues may include, but are not limited to, the following:
 - a. U.S. income tax - to the captive, to the owners
 - b. Excise taxes
 - c. Excess and surplus lines taxes
 - d. Other assessments or applicable taxes (i.e., residual market mechanisms)
 4. *Premiums/Funding* items (2) and (3) should be brought together in order to develop the total recommended premium for the captive.
 5. *Capitalization* is needed to cover the variability and uncertainty of expected loss levels. Therefore, a relatively extensive discussion of capitalization should be included in the CICFS. Included in the discussion should be a review of minimum participation requirements and any heuristic logic used in determining capitalization.
- E. **Pro Forma Financial Statement** – Pro forma financial models should include the following:
- An income statement and balance sheet
 - Parameters which agree with the other analyses in the CICFS
 - Include at least five years of pro forma results
 - Account for the effects of all types of taxation (or explain why there are no tax consequences)
 - Include at least one scenario worse than expected that demonstrates the consideration of possible financial impairment
 - Include a detailed explanation of each modeling assumption
 - Include general assumptions such as interest rates, year-to-year growth rates, etc.
 - Include a model showing the minimum number of participants, premiums, or capital
- F. **Other Sections** – In order to add value to the CICFS, the “other sections” area should be used to describe other areas of captive insurance in which standards have not yet been developed. These may include, but are not limited to, the following:
- Fronting
 - Rating
 - Dividend, or profit allocation system
 - Capital allocation, alternative captive techniques
 - Accessibility

Tab C

Required Forms



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**Designation of Registered Office
and Registered Agent in Oregon
by Captive Insurer**

Under ORS 735.158, the entity named below, under resolution or agreement adopted by its board of directors, partners, or other officials, whichever is applicable, designates the following as its registered office and registered agent in Oregon for service of process, notice, and demand:

Registered office address:

Street City State ZIP

Name of registered agent at registered office:

Dated: _____

Corporation, partnership, or other entity

By: _____
Signature of president, secretary, or partner

Title

(Seal, if any)

State of _____

County of _____

Personally appeared _____
Name of officer, partner, or other official

_____ of _____
Title Corporation, partnership, or other entity

the entity in whose name the subscriber executed the foregoing instrument and acknowledged that the subscriber executed the instrument by the authority and on behalf of the entity. If the entity is a corporation and possesses a seal, the subscriber, an officer of the corporation, further acknowledged that the corporate seal attached and impressed on the instrument is the corporate seal of the corporation and was affixed thereto by the subscriber.

Subscribed and sworn to before me this _____ day of _____, 20 _____ .

Notary signature

Notary public in and for the state of: _____

My commission expires: _____

Notary Seal





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Bank Deposit Confirmation

Proposed name of captive: _____

Mail the original, completed form to the following (may fax or e-mail in addition):

Dennis Ault Fax: 503-378-4351
Oregon Division of Financial Regulation E-mail: Dennis.M.Ault@oregon.gov
P.O. Box 14480
Salem, OR 97309-0405

Important: Answer every question, and if the answer is "none" or "zero," please so state.

Bank name: _____

Bank phone: _____

Bank customer: _____

Date: _____

The balance for all accounts (list certificates of deposit and other deposits at interest separately).

Table with 5 columns: Amount, Type of account/account name, Account number, Subject to check withdrawal?, Interest rate

The customer is directly liable to us for loans, acceptances, guarantees, etc. as follows:

Table with 5 columns: Amount, Loan date or discount, Due date, Interest rate and date paid to, Description of liability, collateral security, interests, liens, etc.

The customer is contingently liable as endorser of notes discounted and/or as grantor as follows:

Table with 5 columns: Amount, Name of maker, Date of note, Due date, Remarks

Minimum compensating balance required to be maintained: \$
Contingent liabilities, open letters of credit, and relative collateral: \$
Restrictions from security agreements under the uniform commercial code or any other agreements (attach a separate page if necessary):

Certification

I certify that the above information, including any attached schedules, is correct.

Signature: _____ Date: _____
Type name and title here



Tab D

Biographical Affidavit

Tab E

Annual Report of Parent

Tab F

Financial Statement of Owners



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Certification

Proposed name of captive: _____

Financial statement for: _____
Name of company or person

The undersigned deposes and says that the attached financial statement is true and correct to the best of his or her knowledge, information, and belief and that all estimates given, if any, are true estimates based upon facts that have been carefully considered and assessed.

Signature: _____ Date: _____
Type name of officer/owner here

Notary Attestation

Subscribed and sworn to before me this _____ day of _____, 20____.

County: _____

State: _____

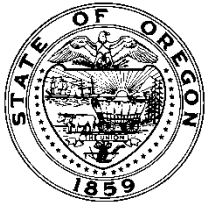
Signature of notary public: _____

My commission expires: _____



Tab G

Financial Statement



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Proposed name of captive: _____

Annual Statement

For the Period Ended: _____

BALANCE SHEET
ASSETS

	Current	Prior
1. Bonds:		
2. Stocks:		
3. Cash and cash equivalents:		
4. Short-term investments:		
5. Other invested assets: a)		
b)		
6. Investment income due and accrued:		
7. Accounts and premium receivable:		
8. Investments in and advances to affiliates:		
9. Reinsurance recoverable on unpaid losses and LAE:		
10. Reinsurance recoverable on paid losses and LAE:		
11. Funds held by ceding reinsurers:		
12. Prepaid reinsurance premiums:		
13. Deposits with reinsurer:		
14. Letters of credit:		
15. Other assets: a)		
b)		
c)		
16. Total assets:		

Proposed name of captive: _____

Annual Statement

For the period ended: _____

**BALANCE SHEET
LIABILITIES, CAPITAL AND SURPLUS**

	Current	Prior
17. Losses:		
18. Loss adjustment expenses:		
19. Reinsurance payable on paid losses and LAE:		
20. Deposits held pursuant to insurance contracts:		
21. Commissions, expenses, and fees:		
22. Taxes payable:		
23. Unearned premium:		
24. Reinsurance balances payable:		
25. Loans and notes payable:		
26. Amounts due to affiliates:		
27. Funds held under reinsurance contracts:		
28. Dividends payable:		
29. Other liabilities: a)		
b)		
c)		
30. Total liabilities		
31. Capital and surplus: a) Paid in capital (par value)		
b) Contributed surplus		
c) Unrealized gain (loss) on investments		
d)		
32. Retained earnings / surplus:		
33. Total capital and surplus (page 5, line 28):		
34. Total liabilities and capital and surplus:		

Proposed name of captive: _____

Annual Statement

For the period ended: _____

STATEMENT OF INCOME

Underwriting Income:	Current	Prior
1. Net premiums written (page 7, column 6):		
2. Net (increase) decrease in unearned premiums:		
3. Net premiums earned (lines 1 and 2):		
4. Other insurance income:		
5. Total income (lines 3 and 4):		

Underwriting Expenses:		
6. Net losses incurred:		
7. Net loss adjustment expenses incurred:		
8. Commissions and brokerage:		
9. General and administrative:		
10. Other underwriting expenses:		
11. Total underwriting expenses (lines 6 through 10):		
12. Underwriting profit (loss) (line 5 minus 11):		
13. Investment income - net:		
14. Other income:		
15. Other expenses:		
16. Income before dividends and taxes (lines 12 through 15):		
17. Dividends to policyholders:		
18. Taxes:		
19. Net income (line 16 minus lines 17 and 18):		

Proposed name of captive: _____

Annual Statement

For the period ended: _____

CAPITAL AND SURPLUS ACCOUNT

	Current	Prior
20. Capital and surplus, end of prior year:		
21. Net income:		
22. Net unrealized capital gains or loss:		
23. Capital changes: a) Paid in		
b) Transferred from surplus (stock dividend)		
c) Transferred to surplus		
24. Surplus adjustments: a) Paid in		
b) Transferred from surplus (stock dividend)		
c) Transferred from capital		
25. Dividends to shareholders:		
26. Extraordinary taxes for prior years:		
27. Other: a)		
b)		
28. Capital and surplus, end of current year:		