

Certificate of Authority Application for a Captive Insurance Company

Texas Start Up Redomesticate to Texas

Include Application Fee of \$1,500

Full Name of Insurance Company _____

FEIN _____

Form of Organization _____

Principle Office Address (mailing address) _____

City _____ State _____ Zip Code _____

Current Jurisdiction of Domicile (TX start ups, indicate "N/A")

Date of Last Examination (attach a copy of the most recent report) (TX start ups, indicate "N/A")

Date of Formation (TX start ups, indicate "N/A")

Books and Records Address _____

City _____ State _____ Zip Code _____

Full Name of Parent or Beneficial Owner _____

Full Name of Ultimate Controlling Person _____

Indicate which of the following authorized lines the captive insurance company is applying for:

- | | | |
|--|--|--|
| <input type="checkbox"/> Reimbursement Policy | <input type="checkbox"/> Other Casualty | <input type="checkbox"/> Property Damage Liability |
| <input type="checkbox"/> Employee Benefits A&H | <input type="checkbox"/> Commercial Auto Liability | <input type="checkbox"/> Professional Liability |
| <input type="checkbox"/> Commercial Property | <input type="checkbox"/> Contractual Liability | <input type="checkbox"/> Products Liability |
| <input type="checkbox"/> Commercial Auto Physical Damage | <input type="checkbox"/> General Liability | <input type="checkbox"/> Multi-Peril Crop |

Registered Agent for Service of Process

Name _____

Mailing Address _____

City _____ Texas _____ Zip Code _____

Phone Number _____ E-mail _____

PART A: Disclosure of captive management company / service providers

Texas Registered Captive Management Company - Name, Mailing Address and Contact Info

Name _____

Mailing Address _____

City _____ State _____ Zip Code _____

Phone Number _____ E-mail _____

Law Firm and Attorney - Name, Mailing Address and Contact Info

Name _____

Mailing Address _____

City _____ State _____ Zip Code _____

Phone Number _____ E-mail _____

Claims Handler and/or Underwriter - Name, Mailing Address and Contact Info

Name _____

Mailing Address _____

City _____ State _____ Zip Code _____

Phone Number _____ E-mail _____

Certified Public Accountant - Name, Mailing Address and Contact Info

Name _____

Mailing Address _____

City _____ State _____ Zip Code _____

Phone Number _____ E-mail _____

Actuary - Name, Mailing Address and Contact Info

Name _____

Mailing Address _____

City _____ State _____ Zip Code _____

Phone Number _____ E-mail _____

Service Provider or Captive Management Company Contacts:

Service Provider Captive Management Company

Name, Mailing Address and Contact Info

Name _____

Mailing Address _____

City _____ State _____ Zip Code _____

Phone Number _____ E-mail _____

Service Provider Captive Management Company

Name, Mailing Address and Contact Info

Name _____

Mailing Address _____

City _____ State _____ Zip Code _____

Phone Number _____ E-mail _____

Service Provider Captive Management Company

Name, Mailing Address and Contact Info

Name _____

Mailing Address _____

City _____ State _____ Zip Code _____

Phone Number _____ E-mail _____

PART B: Contents of the Plan of Operation

Provide the following information and supplemental documents in a separate attachment. If any of the items are not included with the application, an explanation must be provided. The Plan of Operation should be drafted in the following order for expedited review. Failure to do so may impede the review process.

I. OWNERSHIP AND MANAGEMENT

- A. Provide an overview of the captive's parent and affiliated group. Include a description of the group's significant operations in Texas.
- B. Provide the ownership structure of the captive insurance company. Include a list of the beneficial owners of the captive insurance company, with the associated percentage of ownership for each person/entity on the list.
- C. Provide a list of all officers and/or management staff of the captive insurance company and description of their responsibilities.
- D. Provide a list of all members of the captive insurance company's governing body.

II. PURPOSE

- A. Describe the overall purpose of the captive insurance company, and how the captive insurance company fits into the affiliated group's risk management plan. Include which parent(s) and/or affiliates the captive will insure.
- B. Describe the proposed direct business, including: type of business, peril(s), or specific insurance/risk product(s) the captive insurance company will insure, coverage limits, the risk transfer mechanism, and reinsurance to be used, if any.
- C. Describe the reinsurance programs proposed for business to be assumed by the captive insurance company. Include lines of business that are reinsured, limits of reinsurance coverage, and counter-parties that will be involved.
- D. Provide a detailed description of any controlled unaffiliated business (CUB) insured by the captive insurance company. Include:
 1. a description of how the proposed insured meets the CUB definition;
 2. what coverage offered; include per occurrence and aggregate limits;
 3. what premiums charged;
 4. what are the risk management functions controlled by the captive or affiliate; and
- E. Outline the risk management program, if any. Describe how such program will be used to mitigate exposure to losses, and how such program will be factored into underwriting.
- F. Describe the transaction flow and the process that will be used to track results. Include timing and payment of premiums, the timing and payment of claims, plans to handle profits and state how dividends will be evaluated.
- G. Outline the approach that the parent entity will take to develop, maintain and support its captive insurance company. The outline should include steps taken to ensure its captive insurance company's compliance with Texas statutes and regulations.
- H. Applicant should project what it contemplates as a minimum capital and surplus per 964.056 of the Texas Insurance Code. Describe how the applicant arrived on the minimum capital and surplus and include related assumptions that were used to ascertain the minimum amounts.
- I. Describe the relationship between the entity responsible for initial capital and the captive insurance company. Include contingency plans for additional funding.
- J. Outline the applicant captive insurance company's investment strategy. Include any planned loans to or investments in affiliated parties.

- A. Organizational Chart - including all parent, subsidiaries, and affiliated, and/or contracted operations, their respective corporate responsibilities, and oversight of such responsibilities.
- B. TDI Forms - Provide signed copies of the following TDI Forms:
 - 1. FIN184 - Appointment of Agent for Service of Process for a Captive Insurance Company.
 - 2. FIN185 - Moving a Captive Insurance Company's Books and Records Out of the State of Texas Under Texas Insurance Code, Section 803 (if applicable)
 - 3. FIN 186 * - Officer Certification and Attestation Certificate of Filing.
** NOTE: Do Not Submit This form With The Application. This form is to be submitted with the Certificate of Filing.*
- C. Biographical Affidavits - TDI Form FIN181. This form should be submitted for members of governing body and corporate officers, as well as individuals who oversee management of the captive, other than captive management company; including risk management, financial reporting, underwriting, claims management, and investments.
- D. Captive Insurance Formation, Ownership, and Operating Documents - Include the following:
 - 1. Certificate of Formation / Conversion - copies of the documents that will be filed with the Texas Secretary of State's Office.
 - 2. Captive Insurance Company Bylaws - or equivalent.
 - 3. Certificate of Ownership Interest - stock certificate or equivalent.
- E. Administrative Services Contracts - contracts with entities that will provide administrative services to the captive insurance company.
- F. Policies - Copy of all policies issued by the captive insurance company. (Draft if for new captive formation)
- G. Reinsurance Agreements - copies of all reinsurance agreements entered into by the captive insurance company. (Draft if for new captive formation)
- H. Financial Projections - Complete TDI Form FIN182 in excel format for the captive insurance company. Provide projections that reflect the next four (4) years expected performance for the risks that are intended to be covered by the captive insurance company, as well as the last three (3) years of actual performance for the applicants that are redomesticating.
- I. Ultimate Controlling Person (UCP) and Affiliate Financial Statements - financial statements for the UCP and/or affiliated group. The financial statement should evidence the financial wherewithal of the affiliate group to retain the risk using the captive insurance company.
- J. Actuarial Report - report should evaluate the feasibility of the captive insurance company and include at least the following:
 - 1. Overview of the captive insurance company's business plan;
 - 2. Discussion of rates, rate structure, and rate level broken out by line of insurance;
 - 3. Discussion of loss projections and risk margins. Discussion should include expected and higher than expected levels of loss. Detail timing of loss payments and loss reserves projected. Also include a detailed discussion of the assumptions, methodologies, and technical exhibits for the loss payments and reserve projections;
 - 4. Discussion of capitalization. Discuss initial funding, premiums collected, losses, and initial and ongoing expenses. Discuss adequate capitalization required for both expected and higher than expected levels of loss. Also include in the discussion projected dividends and future capital contributions; and
 - 5. Summary recommendation. Incorporate all aspects of the actuarial report* to opine on the feasibility of the captive insurance company and its business plan.

**NOTE: If an actuarial report is not available, provide an explanation for the department to consider a waiver.*

- K. Controlled Unaffiliated Business Documents - supporting documents that evidence the requirements of controlled unaffiliated business the captive insurance company will insure, including:
 1. copy of agreements that evidence existing contractual relationship between parties; one of which must be a captive insurance affiliate;
 2. supporting documents that evidence the captive insurance company bears the risk of financial loss associated with the contract beyond the affiliate having to pay a fee; and
 3. supporting documents that evidence the captive insurance company affiliate controls a risk management function of the controlled unaffiliated business.
- L. Affiliated Loan Agreements - any current or proposed affiliated loan agreements. Any affiliated loan agreement should comply with Texas Administrative Code (TAC) 6.407
- M. Letters of Credit (LOC) - LOC that the captive insurance company considers assets. Any LOC should comply with TAC 6.408
- N. Letter of No Objection - letter of no objection or release from the captive insurance company's current domicile (for redomestication)
- O. Examination Report - a copy of the most recent examination report (for redomestications)
- P. Certificate of Authority - a copy of the certificate of authority (for redomestications)

PART C: Certification and signatures of authorized representatives

We certify to the best of our knowledge and belief all of the information given in this application is true and correct, and that all estimates given are true estimates based upon facts which have been carefully considered and assessed.

We further certify that we will notify the commissioner of insurance 30 days prior to any changes in the information filed with this application.

Signature _____ Full Name _____	Date _____ Title _____
Signature _____ Full Name _____	Date _____ Title _____