



Montana's Captive Market



What Is a Captive Insurer?



- **A licensed/regulated insurance company** formed by a parent company or group for the purpose of covering risk to which the parent or group is exposed.
- An alternative.



Why Form a Captive?

- To retain/manage risk
- Obtain coverage not available in the traditional market
- Control
 - Policy language
 - Claim payments
- Fence assets
- Investment Income
- Accumulate capital
- Tax benefit
- Direct access to reinsurance



Captive “Need to Knows”

- No personal lines (automobile / homeowners)
- Cannot market to the public
- No guarantee fund coverages
- Generally no risk transfer outside of the affiliated organization
- Generally not able to provide proof of insurance
- Financial data and business plans are confidential



Application

Application process includes:



- Feasibility plan and financial pro-formas supported by actuarial work
- Business plan
- Service provider contracts
- Parent financial data
- Biographical information



On-going Regulation

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- \$300 annual license renewal
 - Financial exam every 5 years
 - Premium taxes paid annually
 - Annual financial statement
 - Annual actuarial certification
 - Annual independent audit



Why Montana

- Economic Development (Vermont is the model)
 - Service providers
 - Accountants
 - Captive Managers
 - Actuaries
 - Banks
 - Legal
 - Hospitality industry
 - Premium tax for Montana





Captive History/Growth

Enabling legislation passed in 2001. Updated in each subsequent session.

	<u>Captives</u>	<u>Premium</u>	<u>Premium Tax</u>
2001	0	0	0
2004	9	\$7,700,000	\$73,000
2007	30	37,900,000	226,000
2010	67	185,700,000	619,000
2014	177	855,200,000	1,541,000



Contact Us

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