



NOTICE

TO: All Captive Managers

FROM: Captive Insurance Coordinator Office of the Commissioner of Securities & Insurance (CSI)

SUBJECT: Annual Reporting Instructions - Montana-domiciled Risk Retention Groups

1. Unaudited Financial Statements (Annual Statement or Annual Report)

On or before March 1 of each year, a captive risk retention group shall submit to the Commissioner, on a form prescribed by the Commissioner, a report of its financial condition. Each captive insurer shall report using generally accepted accounting principles (GAAP). Modifications or adaptations to standard GAAP accounting may be used only with the prior written approval of the Commissioner. Statutory accounting principles (SAP) may be used only when required by the Commissioner or when requested by the captive insurer and approved by the Commissioner.

The Commissioner has prescribed that all Montana-domiciled **risk retention groups ("RRGs")** are required to file GAAP or SAP based annual and quarterly statements with the CSI and with the NAIC using the NAIC Property & Casualty Annual and Quarterly Statement Blanks and Instructions.

Recognizing that the yellow blank has been designed for use with SAP, the following modifying instructions and guidance are provided to allow use of the yellow blank with GAAP accounting.

- a.)** The CSI prefers reporting loss reserves and unearned premium net of ceded amounts as is done on a SAP basis. However, some CPA firms require reporting on a gross basis when filing in accordance with GAAP. If loss reserves and unearned premium are reported on a gross basis, certain GAAP assets and liabilities shall be reflected separately on the respective lines in the yellow blank as follows:

GAAP Classification	Yellow Blank
Deferred Acquisition Costs	Page 2 – Line 25 – Aggregate write-in for other than invested assets as a separate item.
Prepaid Reinsurance (i.e. ceded unearned premium)	Page 2 – Line 25 – Aggregate write-in for other than invested assets as a separate item.
Reinsurance recoverable on <u>paid</u> losses and loss adjustment expenses	Page 2 – Line 16.1 – Amounts recoverable from reinsurers.
Reinsurance recoverable on <u>unpaid</u> losses and loss adjustment expenses	Page 2 – Line 16.3 – Other amounts receivable under reinsurance contracts.
CSI approved Letters of Credit (LOC) reported as an asset	Page 2 – Line 25 – Aggregate write-in for other than invested assets as a separate line item.
CSI approved Surplus Notes	Page 3 – Line 33 – Surplus Notes

- b.)** These reporting requirements may result in NAIC cross-check errors. To satisfy the “cross-check” process and successfully file the annual statement using the NAIC reporting software, CSI instructs all Montana-domiciled RRGs to provide the following explanation where applicable:

“Cross-check error is a result of differences between GAAP reporting and SAP reporting. GAAP reporting is required by the State of Montana pertaining to all domestic captive risk retention groups.”

The CSI has notified the NAIC that all Montana-domiciled RRGs will be using the aforementioned explanation regarding cross-check errors.

2. Audited Financial Statements

The audited financial report for RRGs is due June 1 for the year ending December 31 immediately preceding. RRGs shall follow the requirements of Mont. Admin. R. 6.6.6811(5) and Mont. Admin. R. 6.6.3501-6.6.3521.

3. Actuarial Opinion

Pursuant to Mont. Code Ann. §§33-28-107(4), 33-2-701(1)(c), 33-28-207(4)(a), and 33-1-1402(1), each RRG must submit an opinion from a qualified actuary as to the adequacy of the RRG’s loss reserves and loss expense reserves. The individual who certifies as to the adequacy of the reserves shall be approved by the Commissioner and shall be a member of the Casualty Actuarial Society, a member in good standing of the Academy of Actuaries, or an individual who has demonstrated competence in loss reserve evaluation to the Commissioner.

The required opinion must accompany the yellow blank due on or before March 1. The RRG is also required to submit an actuarial opinion summary by March 15. The opinion and summary must comply with the NAIC Annual Statement Instructions.

4. Filing Instructions:

One hard copy of the annual statement and one copy of quarterly statements should be filed with the CSI. Additionally, one hard copy of all other financial filings is required. See the attached "**Montana Filing Checklist for Captive Insurers**" for further filing requirements and instructions.

5. Premium Tax Returns:

All Montana-domiciled captive insurers are required to file a Montana Premium Tax Return in OPTins no later than March 1 of each year. The Website instructions regarding **OPTins** discusses the filing of the Montana Premium Tax Return by the March 1st, due date. **Please read it carefully.**

6. Certificate of Authority Renewal:

Pursuant to Mont. Code Ann. § 33-28-102(4)(b), all licensed captive insurers shall pay a Certificate of Authority (license) renewal fee of \$300. The renewal fee is incorporated into the Montana Premium Tax Return. The Commissioner may suspend or revoke a captive's license if the renewal fee is not paid by March 1.

7. Additional RRG Requirements and Filings

- a.) Each RRG is required to maintain a fidelity bond issued by an authorized corporate surety in favor of the RRG. The Commissioner shall consider the captive insurer's exposure, total assets, and total income in determining the bond amount. To determine the required bond amount, refer to the calculation at Mont. Admin. R. 6.6.6601, available at the following link:

<http://www.mtrules.org/gateway/ruleno.asp?RN=6%2E6%2E6601>

- b.) Mont. Code Ann. § 33-28-207(4)(b) requires RRGs to submit a Risk-Based Capital Report to the Commissioner on or before each March 1 filing date.
- c.) Pursuant to Mont. Code Ann. § 33-28-207(4)(c), an RRG that is part of a holding company system shall file with the Commissioner on or before April 30 each year, Forms B, C and F, as required in Mont. Code Ann. § 33-2-1111, available at the following link: [CLICK HERE](#)
- d.) Each RRG must annually submit a written assessment of the independence of each member of the board of directors. This requirement and the criteria for a determination of "independent" are set forth in Mont. Code Ann. §33-11-103(6). This annual submission is due on or before April 1 each year.

8. CSI Contacts for Questions Regarding Filings:

Captives Division; (406) 444-3513; csi.captives@mt.gov

Montana Filing Checklist for Risk Retention Groups

	<i>Due Date</i>	<i>RRG</i>
UNAUDITED FINANCIAL STATEMENTS		
Annual Financial Statement: RRG	3/1	✓
Quarterly Financial Statement: RRG	5/15	✓
Quarterly Financial Statement: RRG	8/15	✓
Quarterly Financial Statement: RRG	11/15	✓
AUDITED FINANCIAL STATEMENTS		
Audited Financial Statements: RRG	6/1	✓
Report of Evaluation of Internal Controls: RRG	6/1	✓
Accountants Letter: RRG	6/1	✓
ACTUARIAL OPINION		
Statement of Actuarial Opinion: RRG	3/1	✓
Actuarial Opinion Summary: RRG	3/15	✓
OTHER REQUIRED FILINGS		
Premium Tax Return	3/1	✓
Certificate of Authority Renewal Fee	3/1	✓
Risk-Based Capital Report	3/1	✓
Management's Discussion & Analysis	4/1	✓
Annual Affirmation of Board Independence	4/1	✓
Holding Company Filing (Forms B, C and F)	4/30	✓

✓ Denotes required filing