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 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

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

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<th>Year</th>
<th>Captives</th>
<th>Premium</th>
<th>Premium Tax</th>
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<td>0</td>
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Contact Us

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