

# Captive Academy

**SCCIA 2024**

**11:10 to 3:30pm**

Sponsored by:

**SOMERS RISK**  
CONSULTING

# Captive Academy Schedule

11:00 -11:15	Welcome and Introductions
11:15 -12.00	Captive Basics
12.00 - 12.45	Break – Lunch
12.45 - 1.15	Pre-Feasibility
1.15 - 1.45	Feasibility Analysis Process
1.45 - 2.00	Captive Implementation Process
2.00 - 2.15	Break
2.15 - 3.15	Captive Management & Continued Operations
3.15 - 3.30	Captive Run-off and Dissolution
3.30 - 4.00	Q & A

# Captive Academy Speakers

- Bryan Hudson, Audit Partner, Bauknight Pietras & Stormer
- Steve Dyer, Attorney, Steve Dyer Law
- John Michael Alexander, Regulator, SC Department of Insurance
- Kyle Mrotek, Actuary, The Actuarial Advantage
- Carl Terzer, Investment Advisor, CapVisor
- Matthew Gregory, Captive Owner, Choctaw Nation of Oklahoma
- Lawrence Cook, Captive Consulting, Somers Risk Consulting
- Kathryn Marsh, Captive Consulting & Management, Somers Risk Consulting

# Introductions

# Role of the Captive Owner

Presented By:



**Matt Gregory**

*Senior Risk Manager*



**Choctaw Nation of Oklahoma**

◆ TOGETHER WE'RE MORE ◆

- 30+ Years of expertise in Property and Casualty Insurance, with a deep specialization in risk management.
- For over 18 years, Matt has worked with the Choctaw Nation of Oklahoma, where he has played a pivotal role in Risk Management and served as a Producer, crafting tailored insurance solutions for Tribes.

# Role of the Captive Manager/Consultant

Presented By:



**Kathryn Marsh**

*Founder & Managing Director*

**SOMERS RISK**  
CONSULTING

- 30+ years of experience in various facets of the captive industry.
- Formed Somers Risk in 2011.



**Lawrence Cook**

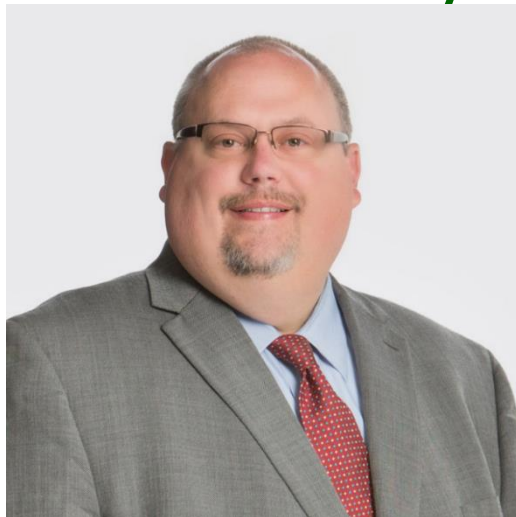
*Director of Business Development*

**SOMERS RISK**  
CONSULTING

- 40+ years background in the captive industry.
- Serves on the Vermont Captive Insurance Association's Board of Directors, the Tennessee Captive Insurance Association's Conference Committee and is Vice Chair of Vessels Ministries.

# Role of the CPA

Presented By:



**Bryan P. Hudson, CPA, ACI**

*Shareholder, Partner*



- BPS Captive Insurance Practice Leader
- 20+ Years of Captive Industry Experience
- Past Board President and Chairman of SCCIA

# Role of the Actuary

Presented By:



**Kyle Mrotek, FCAS, MAAA**

*Principal & Consulting Actuary*



- 20+ years of experience in pricing and reserving



# Role of the Banking/Investment Advisor

Presented By:



**Carl Terzer**

*Founder and Principal*

**CapVisor Associates, LLC**

- 32+ Years of Insurance Asset Management Experience
- Investment Instructor and curriculum designer at the International Center for Captive Insurance Education (ICCIE)
- Instructor for the National Association of Mutual Insurance Companies (NAMIC) Mutual Director Certification (MDC)

# Role of the Attorney

Presented By:



**Steven D. Dyer, JD, CPCU**

*Attorney*

Steve Dyer Law, LLC

- 40+ years' experience in insurance company operations and legal counsel
- Represents captive insurance companies, risk retention groups, and traditional insurance companies regarding corporate and insurance regulatory issues

# Role of the Regulator

Presented By:



**John Michael Alexander**

*Supervising Financial Analyst, Captive Insurance Division*



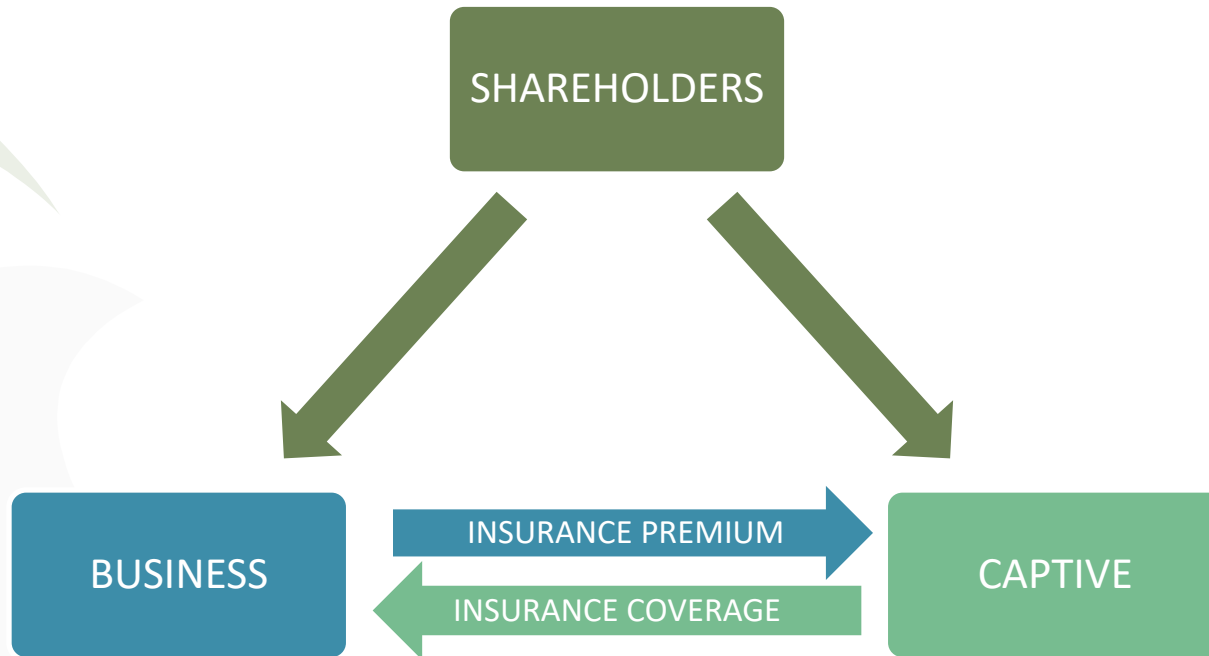
- 2+ years of experience at SCDOI
- Review captive financial statements; assist with licensing new captive insurance companies and managing troubled company situations

# Captive Basics

# What is a Captive Insurance Company?

A captive is a licensed insurance company that insures the risks of its owners and related parties. It issues policies, collects premiums, and pays claims. The captive owners actively participate in underwriting, operational and investment decisions.

## BASIC CAPTIVE STRUCTURE



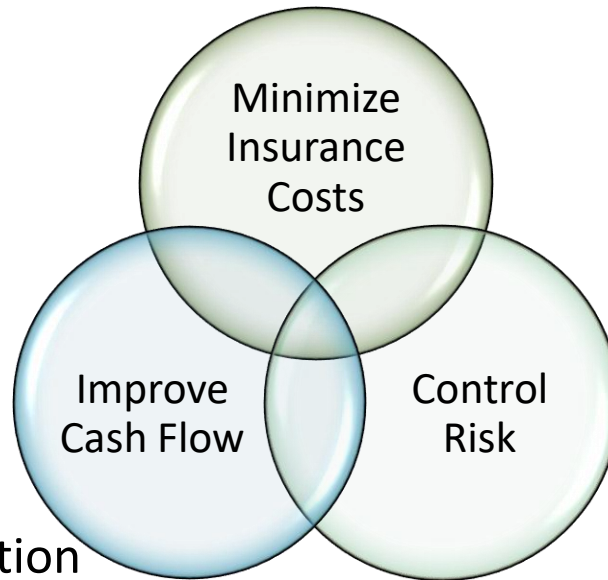
# Captive Characteristics

- Licensed Insurance Company
- Formed to insure or reinsure the risk of its owners or unrelated parties of their choosing
- Regulated under special legislation regulating captives (regulated less stringently than state insurance laws which govern fully admitted insurance companies)
- Located offshore or onshore – many domiciles available



# Reasons to Form a Captive

Reduce Insurance Costs  
Capture Underwriting Profit  
Pricing Stability  
Purchase based on Need



Retain Premium Dollars  
Tax Benefits  
Investment Income  
Third Party Revenue Generation

Greater Control over Claims  
Underwriting Flexibility  
Increase Coverage  
Increase Capacity  
Access Reinsurance Market  
Incentives for Loss Control

# Types of Captives

## SINGLE PARENT CAPTIVE

Owned by one company  
Insures or reinsures the risk of its parent, subsidiaries, or chosen unaffiliated parties

## GROUP CAPTIVE

Owned by multiple companies who are also shareholders  
Sharing of un-controlled risk, liabilities, and profits  
Insures or re-insures the risk of the entire group

## CELL CAPTIVE

Segregated/protected or incorporated cell  
Formed by a third-party sponsor who “rents” cells to unrelated companies  
Assets and liabilities of each cell are segregated from other cells  
Typically, lower start-up and frictional costs than SPCs

## RISK RETENTION GROUP

Specific type of group captive  
Regulated under U.S. federal legislation  
Licensed in one state and able to operate in all 50 states on a registered basis  
Can only write liability lines of risk – no workers compensation OR property



# Captive Coverage Examples

- Coverage of Uninsurable Risks
- Deductible Reimbursement – all property and liability coverages
- Policy Exclusion Buyback
- Cyber Liability
- Litigation Expense
- Regulatory Changes
- Environmental Liability
- Product/Service Rework
- Work Stoppage
- Patent Infringement
- Intellectual Property
- Customer Revenue Generating Programs
- Coverage of Risk specific to Parent Company and its Industry

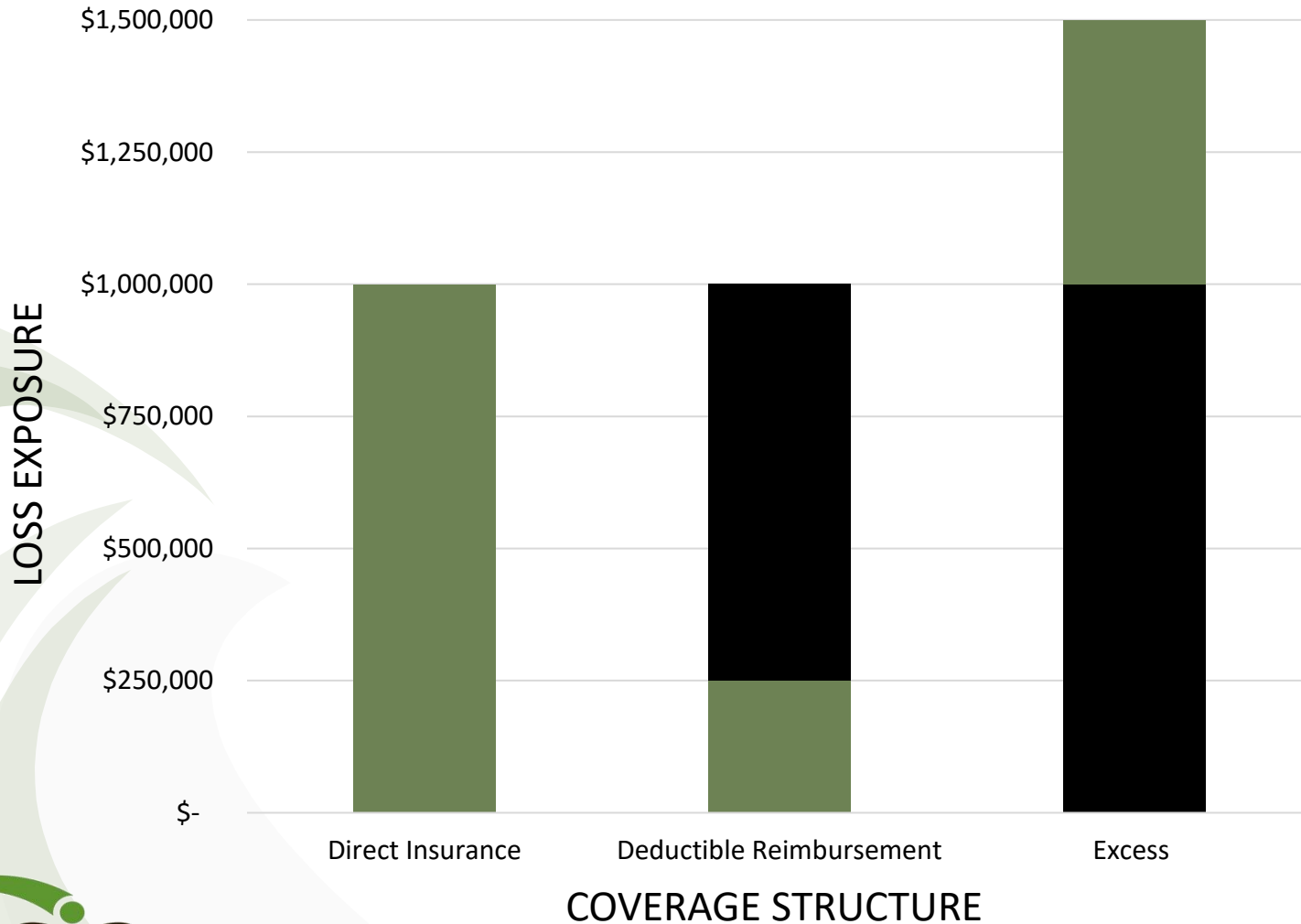
# Additional Captive Coverage Examples

- Professional Liability
- Product Recall
- Administrative Actions Liability
- Directors and Officers Liability
- Punitive Damages
- Loss of Key Customer
- Loss of Key Employee
- Crime/Employee Dishonesty
- Business Interruption/Extra Expense
- Employment Practices
- Medical Stop Loss



# Coverage Structures

■ COMMERCIAL COVERAGE      ■ CAPTIVE COVERAGE



# Steps in Considering and Forming a Captive

**Pre-Feasibility** Discussion – Are goals realistic – any fundamental issues?

**Formal Feasibility** – Does it make sense and, if so, what, where and how?

**Implementation** – Making the concept a reality.

Begin **Operations**. Incept policies and operate as an insurance company.



# Captive Academy: Pre-Feasibility

# Pre-Feasibility: Prospective Captive Owner



Identify potential for captive and need to explore



Develop captive goals, long and short-term



Research potential captive consultant/manager partners



Conduct preliminary discussions with captive consultant



Data and information sharing



Go/No Go decision to move forward with a feasibility study

# Pre-Feasibility: Captive Manager/Consultant



Field initial questions from prospect and/or prospect's broker



General education and information sharing



Identify prospects goals, long and short-term



Develop ideas and potential strategy for captive



Collect information, ask questions



Assist in Go/No Go decision. Captive is not always the right approach

# Pre-Feasibility: CPA



**UNDERSTANDING THE  
ENTITY, GOALS, &  
FUTURE GROWTH  
INITIATIVES**



**DUE DILIGENCE  
COORDINATION**



**IMPACT TO FINANCIAL  
REPORTING AND  
TAXATION**



# Pre-Feasibility: Actuary



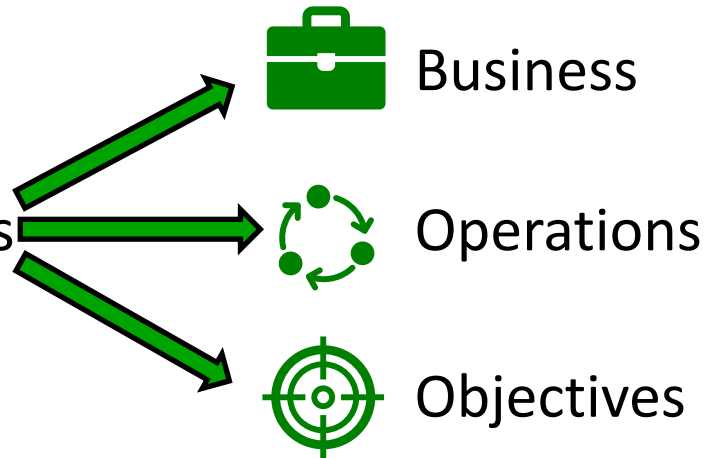
Actuary Qualifications



Connect with decision makers and service team

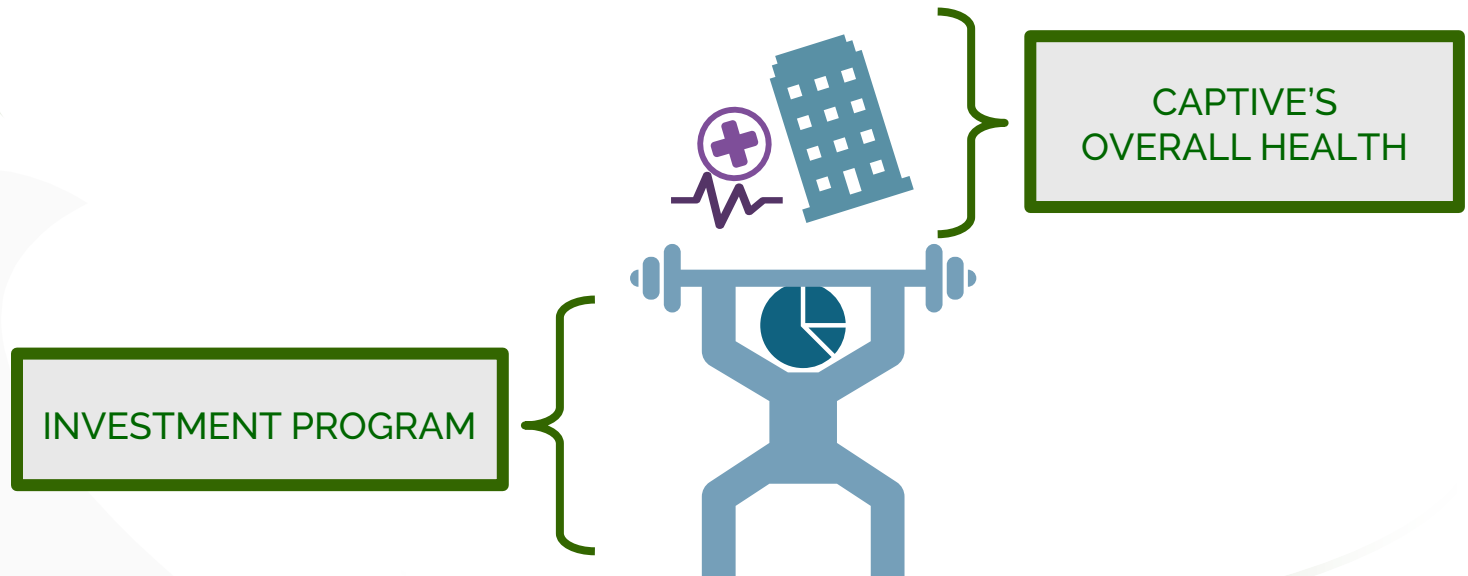


Overview of Owner's



# Pre-Feasibility: Investment Advisor

- Captive Structure (Single Parent, Group, RRG, etc.)
- Capital & Collateral Requirements (Trust, Letter of Credit, etc.)
- Domicile / Regulatory Environment
- Be Ready To Put The Captive's Assets To Work



# Pre-Feasibility: Attorney

- Conceptualize Prospective Ownership Structure
- Statutory flexibility to choose variety of entity forms, but must be a SC domestic entity for all but branch captives
- Types of entities:



Stock Insurer

Limited Liability Company

Nonprofit Corporation

Reciprocal

Mutual

# Pre-Feasibility: Attorney

## Governance Decisions

- Directors/Managers
- Officers
- Parent Entity

## Background check compliance

## "Non-Department of Insurance" approval requirements

- Corporate parent authorization
- Regulated entity compliance
  - Does the parent company need separate approval to form a captive?
  - Will a captive-issued (or fronted) insurance policy satisfy insured's third-party obligations?

# Pre-Feasibility: Regulator

- Develop and maintain relationships with service providers
- Verify service provider qualifications if applicable
- Discuss with service providers conceptual framework of proposed program

# Captive Academy: Feasibility Analysis Process

# Captive Feasibility Study Process



# Feasibility Analysis Process: Captive Manager/Consultant

Step 1

- Arrange meetings and calls with prospective captive owner and their broker to fully understand existing program and continue discussion of captive goals.

Step 2

- Identify coverages and analyze program, looking for deductibles, gaps in coverage, uninsured exposures and potential for revenue-generating opportunities.

Step 3

- Discuss various options with prospect in order to fine tune the feasibility study to cover the initial need/goals.

Step 4

- Determine coverages and program structure for initial evaluation.

Step 5

- Structure the program in coordination with the commercial insurance program to maximize the cost-benefit of commercial insurance versus assumption of risk.

Step 6

- Work with an actuary to evaluate the coverages – determine expected losses and premium pricing.



# Feasibility Analysis Process: Captive Manager/Consultant

Step 7

- Develop models and proformas to show financial effects of the captive on its owners.

Step 8

- Evaluate qualitative considerations and uncover/discuss business ramifications of the captive on parent company and insured entities.

Step 9

- Consider and recommend ownership options, in conjunction with prospect's legal counsel and financial advisors.

Step 10

- Evaluate and recommend domicile. Discuss prospective program with regulators to ensure agreement to proposed coverages, structure and program.

Step 11

- Develop draft report for discussion with prospect. Make changes based on feedback and finalize.

Step 12

- Goal: Provide all necessary information for owners to make an informed decision.

# Feasibility: Captive Manager/Consultant

## What Information is Needed?



### Insurance Program Information

- Limits, Sub limits, Per Location Limits, Aggregate Limits, Premiums, Deductibles.
- Commercial Policies.
- List of self-insured risks.



### Commercial Policy Loss & Exposure Data

- Updated Loss Runs.
- Losses within deductible/retained layers.
- Losses above retentions.



### Operational Data

- Background Information
- Operational Changes.
- Future Plans.
- Organizational Chart.



### Financial Data

- Company Financials.
- Annual revenue by entity.
- Effective federal & state tax rates.
- Financial constraints to be considered in assessing the feasibility of a captive.



### Self-Insured & Retained Risk

- Uninsured Risks.
- Gaps/exclusions in commercial coverage.

# Feasibility Analysis Process: CPA

- Selection of an Independent Accounting Firm
  - Independent Auditor
    - Annual audit requirement
      - Parent company audit firm
      - Boutique audit firm
    - Accounting guidance
  - Tax Advisor
    - Determination of tax position
    - Tax structuring and opinions
    - Filing requirements

# Feasibility Analysis Process: CPA

- Selection of an Independent Accounting Firm
  - Internal Revenue Code
    - The term “insurance company” means any company more than half of the business of which during the taxable year is the issuing of insurance or the reinsuring of risks underwritten by insurance companies
    - Risk transfer and risk distribution
    - 831(a) – General rule – taxes are imposed as a corporation for an insurance company, except for a life insurance company
    - 831(b) – Alternative tax for certain small companies
      - Taxed only on net investment income, not underwriting income
      - Threshold on premium level and other criteria apply

# Feasibility Analysis Process: Actuary

- Gather information
  - Claims history
  - Exposures
  - Commercial policies
  - Captive policy terms
  - External data
  - Financial assumptions

# Feasibility Analysis Process: Actuary

- Captive loss picks
  - Historical claims
  - Project prior periods' ultimate losses
  - Trend to prospective policy periods
  - Overlay prospective captive coverage terms
  - Consider benchmarks
  - Choose captive loss picks
- Captive premiums
  - Captive loss picks
  - Non-loss expenses
  - Contingency margin

# Feasibility Analysis Process: Actuary

- Pro forma financials
  - Income statement
    - Captive earned premiums
    - Investment income
    - Captive loss picks
    - Non-loss expenses
    - Income taxes
  - Balance sheet
    - Initial capitalization
    - Loss reserves
    - Unearned premium reserves
  - Cash flow statement
    - Captive written premiums
    - Paid losses

# Feasibility Analysis Process: Actuary

- Pro forma financials (continued)
  - Five years
  - TWO scenarios
    - Base case
    - Adverse case
  - Initial capitalization
    - Regulatory minimums
    - Solvency ratios
    - No required contributions
    - $1^{\text{st}}$  Yr Premium + Initial Capital > Max per occ limit
    - Confidence level
    - Department of Insurance (“DOI”)



# Feasibility Analysis Process: Actuary

- Actuarial Feasibility Report
  - Written standalone document
  - State findings
  - Identify methods, assumptions, & data w/clarity

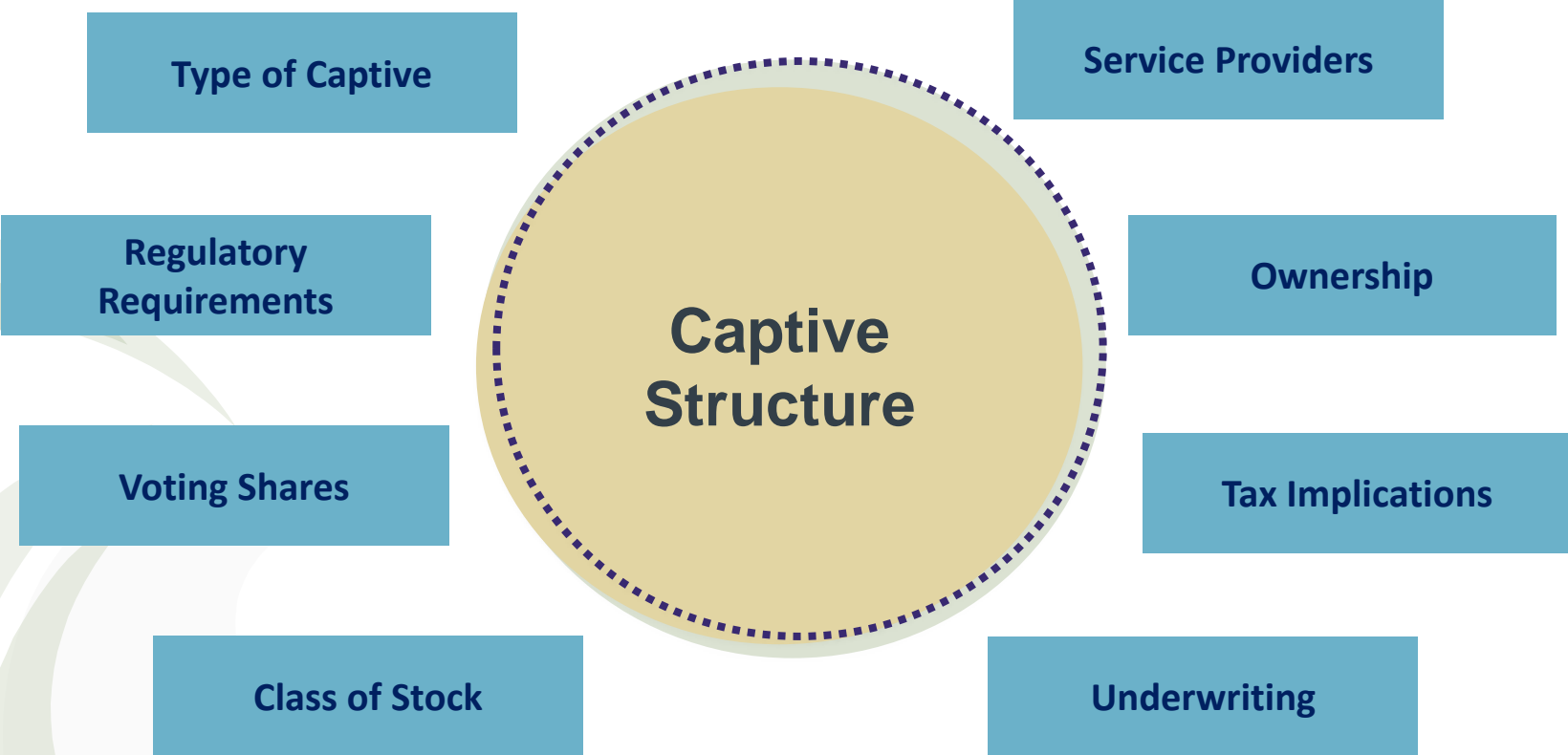
# Feasibility Analysis Process: Attorney

Work with the  
Consulting Team on  
Legal Portions of  
Feasibility Analysis

Educate Clients

Evaluate Corporate  
Organization Structure  
& Potential Placement  
of Captive Insurance  
Company Within  
Landscape

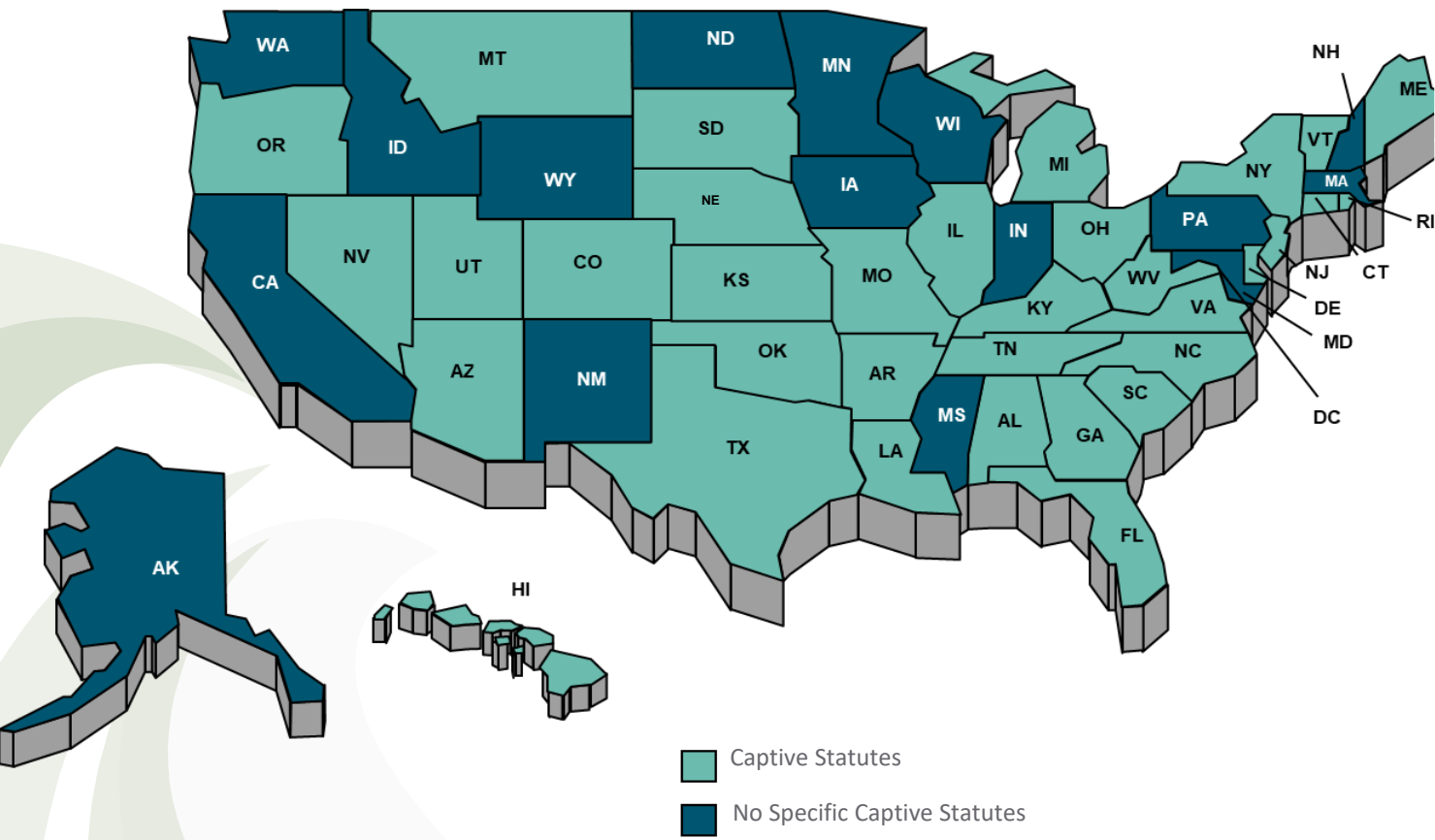
# Feasibility Analysis Process: Regulator Regulatory, Tax, & Legal Concerns



# Feasibility Analysis Process: Regulator

## Number of Captives

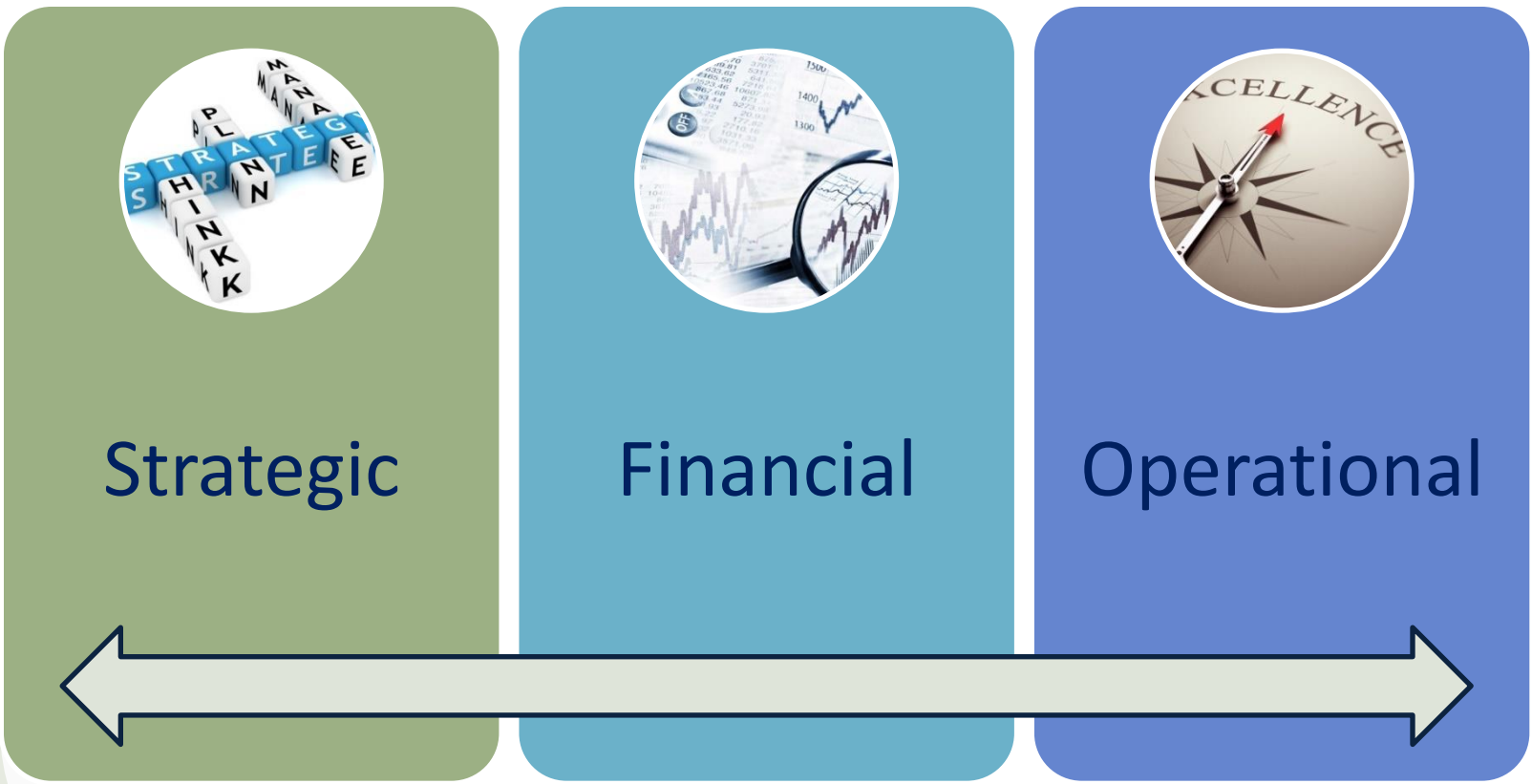
### Domicile Selection



Alabama	51
Arizona	162
Arkansas	15
Colorado	6
Connecticut	57
Delaware	330
District of Columbia (DC)	113
Florida	0
Georgia	56
Hawaii	255
Illinois	2
Kansas	1
Kentucky	32
Louisiana	2
Maine	3
Michigan	24
Missouri	54
Montana	101
Nebraska	4
Nevada	155
New Jersey	20
New York	38
North Carolina	294
Ohio	7
Oklahoma	47
Oregon	21
Puerto Rico	18
Rhode Island	0
<b>South Carolina</b>	<b>208</b>
South Dakota	14
Tennessee	150
Texas	73
Utah	419
Vermont	680
Virginia	0
West Virginia	1

# Feasibility Analysis Process: Regulator

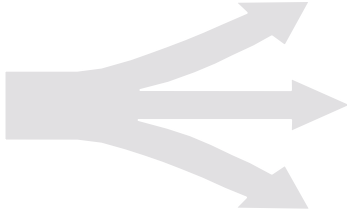
## Domicile Selection



# Feasibility Analysis Process: Regulator

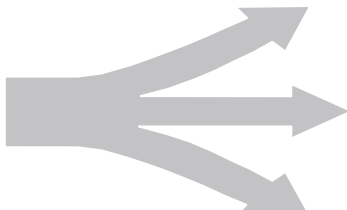
## Domicile Selection

**Taxes**



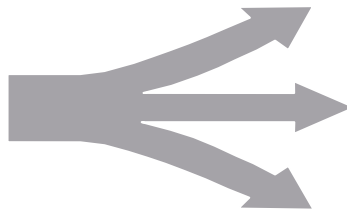
- Legitimate Domicile
- Premium & Excise Taxes
- Income Taxes

**Regulatory**



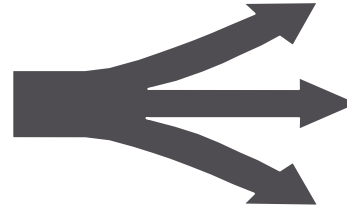
- Ownership Structure
- Coverages
- Capitalization Options

**Infrastructure**



- Ease of Accessibility
- Operating Flexibility
- Service Providers-Quality & Cost

**Perception**



- Domicile Reputation
- Service Provider reference
- Shareholder Culture

# Feasibility Analysis Process: Regulator

## Why South Carolina



- Beyond business friendly – captive savvy
- Professional, in-house, dedicated captive insurance team
- Active captive association
- Favorable business environment
- Accessible, responsive, reasonable
- Prudent and responsible
- Firm, but fair

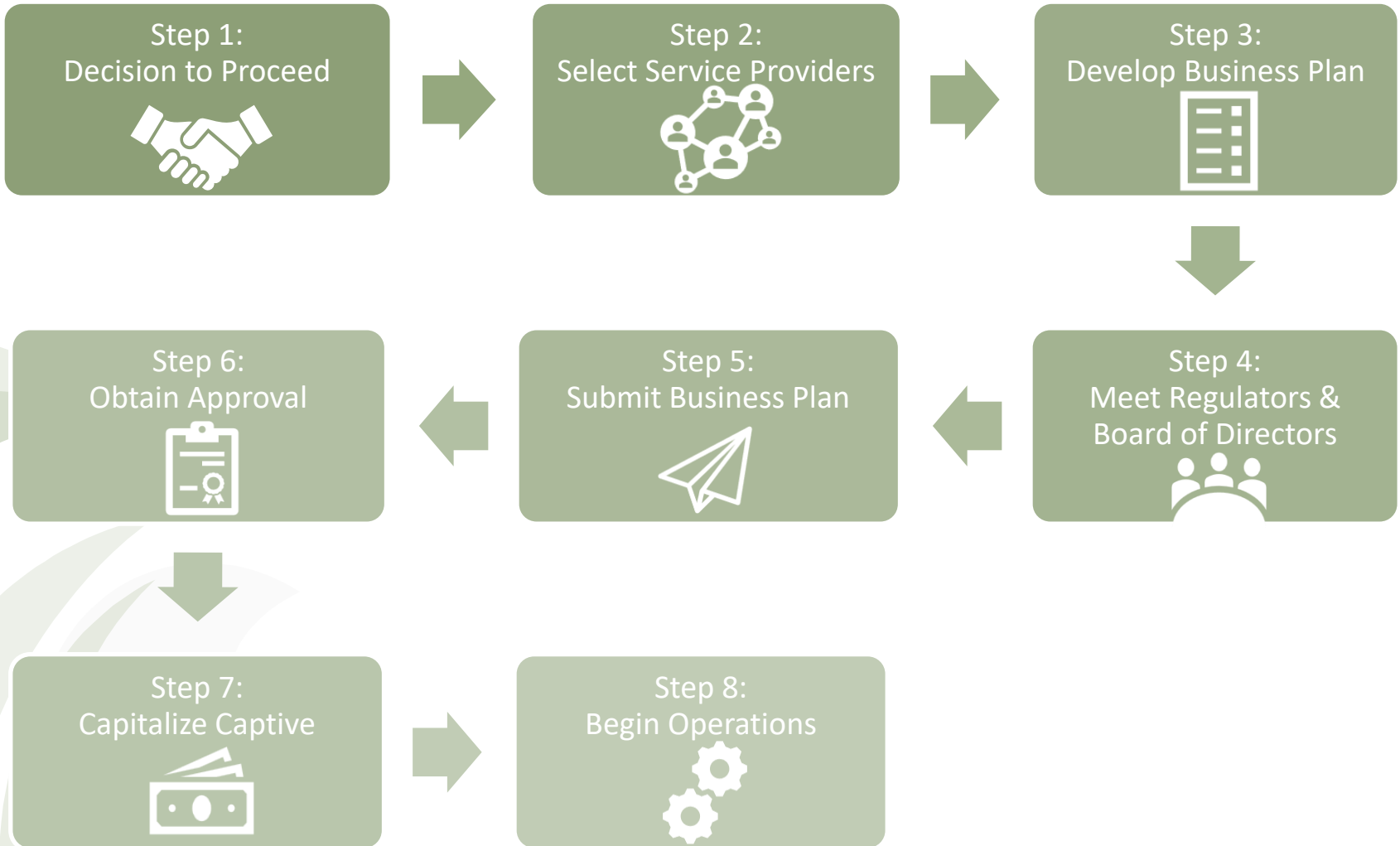
# Feasibility Analysis Process: Captive Owner

- Provide input on needs, goals and insight into the business. Better the input, better the resulting output.
- Answer questions, provide data.
- Act as liaison internally. Ensure the understanding and buy-in of management.
- Feasibility Study review, provide feedback and ask questions.
- Review the benefits of having a captive v/s not having one.
- Present to and receive approval of the board of directors.



# Captive Academy: Captive Implementation Process

# Captive Implementation Process: Captive Manager/Consultant



# Captive Implementation Process: Actuary

- Actuarial Feasibility Report
  - Submitted to DOI with captive application
  - Interact with DOI
- Policy preparation

# Captive Implementation Process: Attorney

Prepare corporate organizational documents

Articles of Incorporation

Bylaws

Incorporator's Consent

Initial Board Consent

Consent to Service of Process

Conflict of Interest Policy/Statement

RRG Corporate Governance Documents

Shareholders Agreement

Committee Charters

Application for EIN

Subscription Agreements

Disclosure Document

Holding Company Regulatory Act Filings

Serve as incorporator

Application process liaison

# Captive Implementation Process: Attorney



At least 1 member of Board must be a SC resident

At least 1 Board meeting per year at which a majority of the directors are physically present in SC

Beginning with the year immediately following licensure

Principal Office must be in SC

Physical location where complete books and records are available for examination

Ownership restrictions based upon business plan and entity structure

# Captive Implementation Process: Regulator



Meet with prospective captive owners and related service providers



Confirm service providers are approved in state



Department review of application



Work with attorney when confirming entity creation



License the captive & confirm capital deposit



Administer examination (if considered necessary)

# Captive Implementation Process: Regulator

## The Licensing Process

### Step 1

- Initial contact with the Department

### Step 2

- Executive Summary

### Step 3

- Meeting with the Department

# Captive Implementation Process: Regulator

## The Licensing Process

### Step 4

- Manager compiles application & submits it to the Department
- Attorney incorporates the company w/Secretary of State

### Step 5

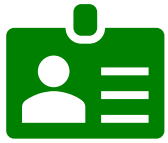
- Department review process

### Step 6

- Certificate of Authority
- Licensing Letter
- Approval to write



# Captive Implementation Process: Captive Owner



Provide Captive name, and determine captive officers and board of directors. Obtain Biographical Affidavits for each.



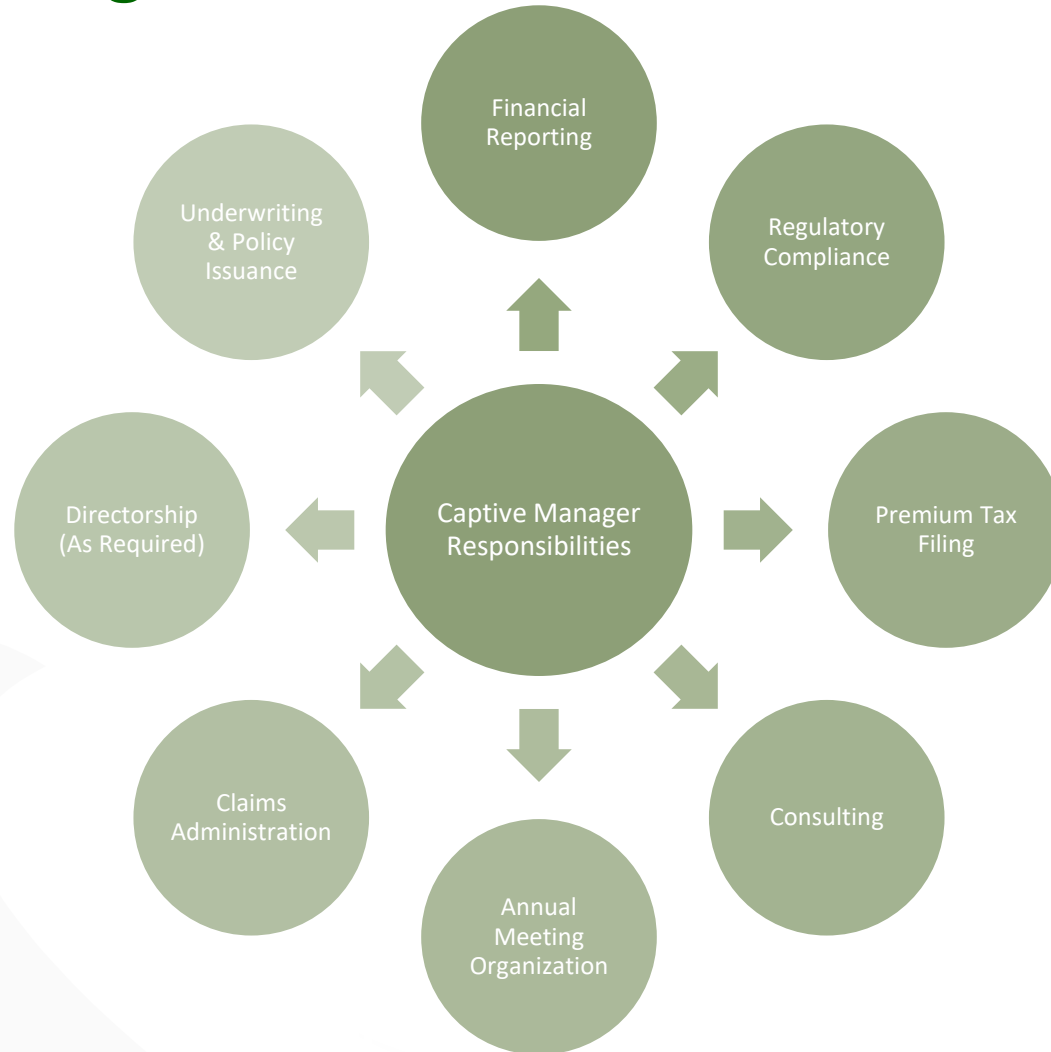
Review & execution of captive's organizational documents prepared by the Attorney and review, approve and sign service provider engagement letters.



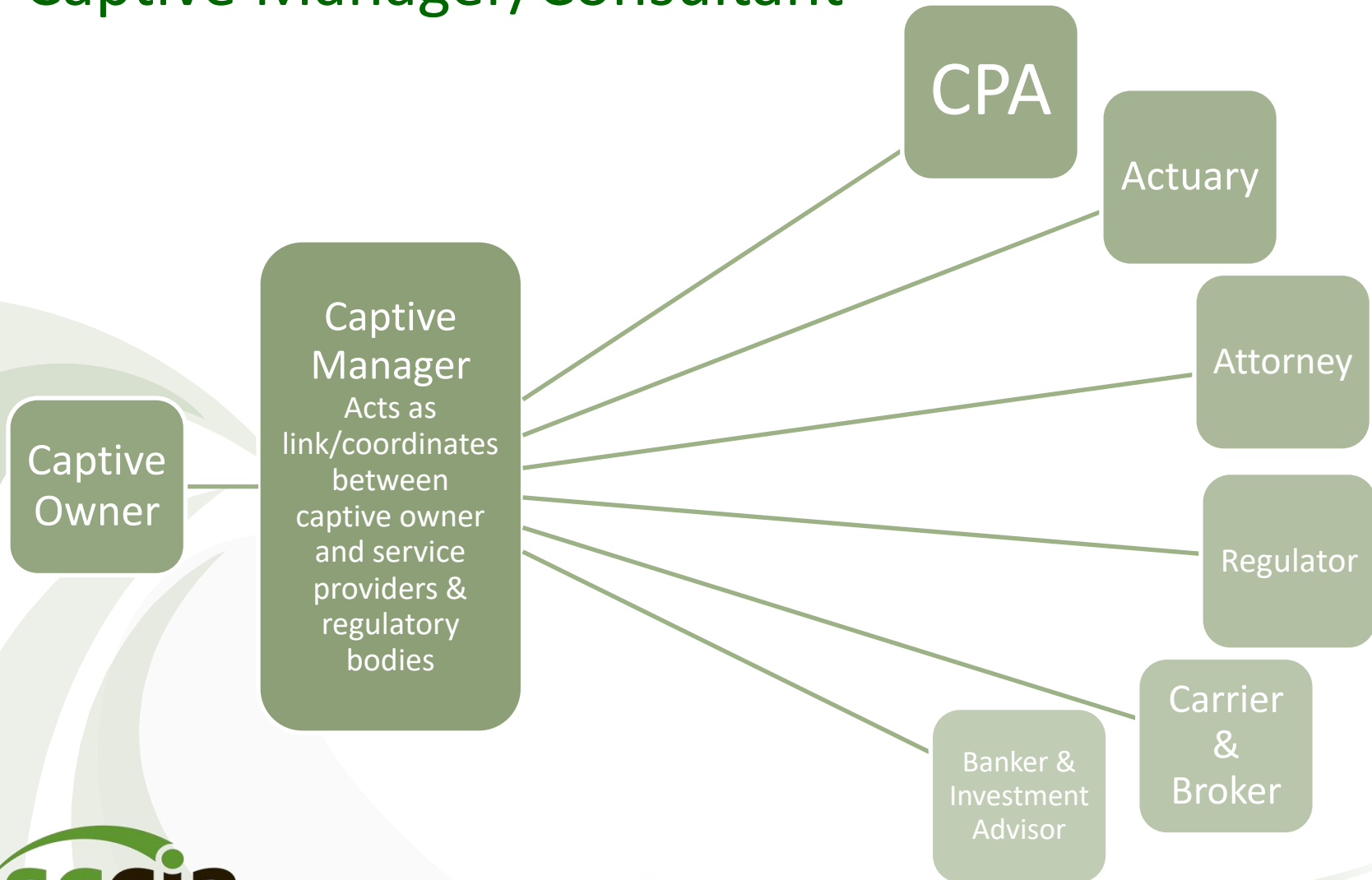
At regulator's request, participate in meetings with the DOI and address regulators' queries.

# Captive Academy: Management & Continued Operations

# Management & Operations: Captive Manager/Consultant



# Management & Operations: Captive Manager/Consultant



# Management & Operations: Captive Owner



Review and approve monthly/quarterly/yearly management accounts & audited financials



Keep captive manager updated on operational changes (Personnel, Processes, Commercial Insurance, etc.).



Provide underwriting & loss information.



Attend annual in-state meetings.



Ensure achievement of captive objectives.

# Management & Operations: CPA



## Financial Reporting

- Accounting consultation throughout year, as needed
  - New accounting standards
  - Review of tax provision
- Regulation 69-60 “Annual Audit”
  - Annual Audited Financial Statements (for calendar year-ends, filing is due June 30; risk retention groups due June 1)
  - Internal Control Letter
  - CPA Letter of Qualifications
- Board and/or audit committee meeting attendance

*Note: Selected auditor must be approved by the SCDOI*

# Management & Operations: CPA



## Financial Reporting

### Balance Sheet

#### Assets

Cash and cash equivalents  
Investments, at fair value  
Premiums receivable  
Deferred acquisition costs  
Income taxes receivable

#### Liabilities and Stockholder's Equity

Claims and claim adjustment expenses  
Claims payable  
Unearned premiums  
Accrued expenses  
Due to related party  
Premium taxes payable  
Deferred income taxes

Stockholder's equity:  
Common stock  
Retained earnings

### Balance Sheet (with reinsurance)

#### Assets

Cash and cash equivalents  
Investments, at fair value  
Premiums receivable  
**Unexpired ceded premiums**  
**Reinsurance recoverable on paid claims**  
**Reinsurance recoverable on unpaid claims**  
Deferred acquisition costs  
Income taxes receivable

#### Liabilities and Stockholder's Equity

Claims and claim adjustment expenses  
Claims payable  
Unearned premiums  
**Reinsurance premiums payable**  
Accrued expenses  
Due to related party  
Premium taxes payable  
Deferred income taxes

Stockholder's equity:  
Common stock  
Retained earnings

# Management & Operations: CPA



## Financial Reporting

### Income statement

Underwriting income:

Premiums earned

Underwriting expenses:

Claims and claim adjustment expenses

Policy acquisition costs

Premium tax expense

**Net underwriting income**

**Net investment income (loss)**

Operating expenses:

Administrative

Professional

**Income (loss) before income taxes**

Income tax expense (benefit)

**Net income (loss)**

### Income statement (with reinsurance)

Underwriting income:

Premiums earned

Direct premiums earned

(Premiums ceded)

Underwriting expenses:

Claims and claim adjustment expenses, net of reinsurance recoveries

Policy acquisition costs

Premium tax expense

**Net underwriting income**

**Net investment income (loss)**

Operating expenses:

Administrative

Professional

**Income (loss) before income taxes**

Income tax expense (benefit)

**Net income (loss)**



# Management & Operations: CPA



## Federal and State Income Tax Compliance

- Tax consultation throughout year, as needed
  - Changes to internal revenue code
  - Legal developments on court cases
- Income tax return preparation
  - Federal income tax return
    - Informational return for consolidated returns
    - C-Corps – due April 15, extension to October 15
    - S-Corps and Partnerships – due March 15, extension to September 15
  - State income tax returns (as applicable)
  - Estimated tax payments

*Note: Premium tax and excise tax filings are generally handled by captive manager, but may be handled by CPA or reinsurance entity*

# Management & Operations: Actuary

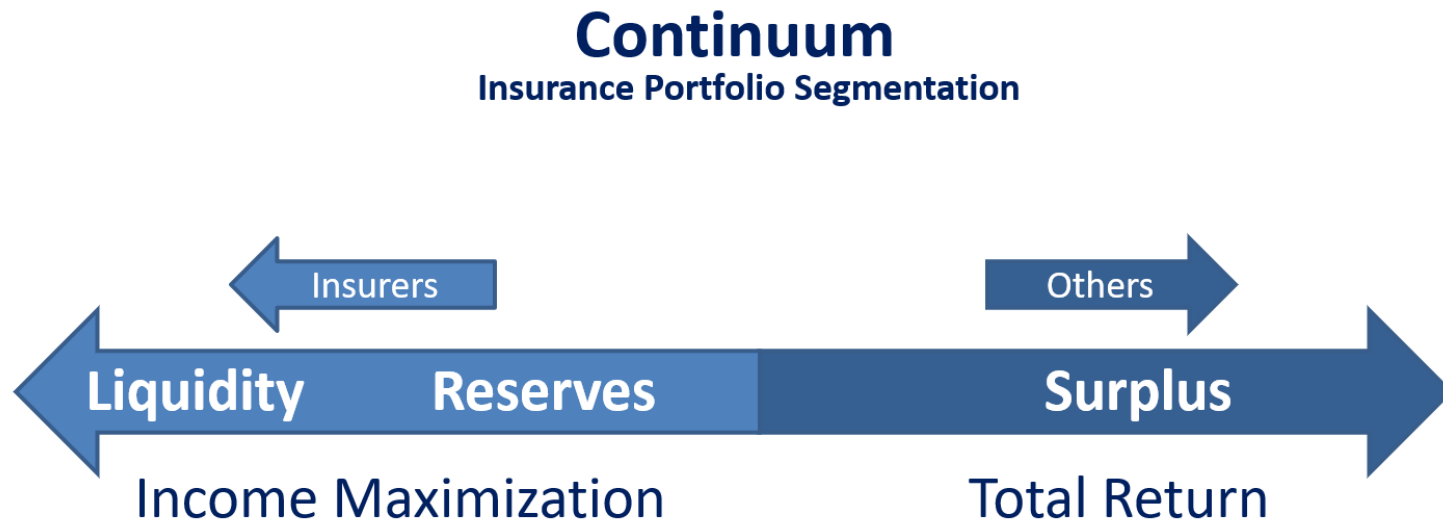
- Annual
  - Appointed Actuary responsibilities
  - Interim loss reserving
  - Premium funding
  - Loss monitoring
- Occasional
  - Business plan changes
  - Retention enhancement
  - Capital adequacy
  - Benchmarking

# Management & Operations: Banking/Investment Advisor

## Insurance Asset Management vs Investment Management

### Characteristics

- Conservative and restricted by Regulators and accounting conventions
- Enterprise risk management (ERM) considerations parent /captive or within captive
- A Captive's portfolio must be correlated to its liability structure
- Ideally, efficiency is achieved through asset liability management (ALM)



# Management & Operations: Banking/Investment Advisor

## The Importance of Plan Design

### **Step 1:** The investment policy statement

- Parties to the document must be defined (roles and responsibilities)
- Discrete investment objectives and risk tolerance should be defined for
  - Liquidity component
  - Reserve component
  - Surplus component
- Appropriate performance benchmarks should be selected
- Evaluation methodology and frequency should be defined

### **Step 2:** Optimizing your Strategic Asset Allocation (SAA)

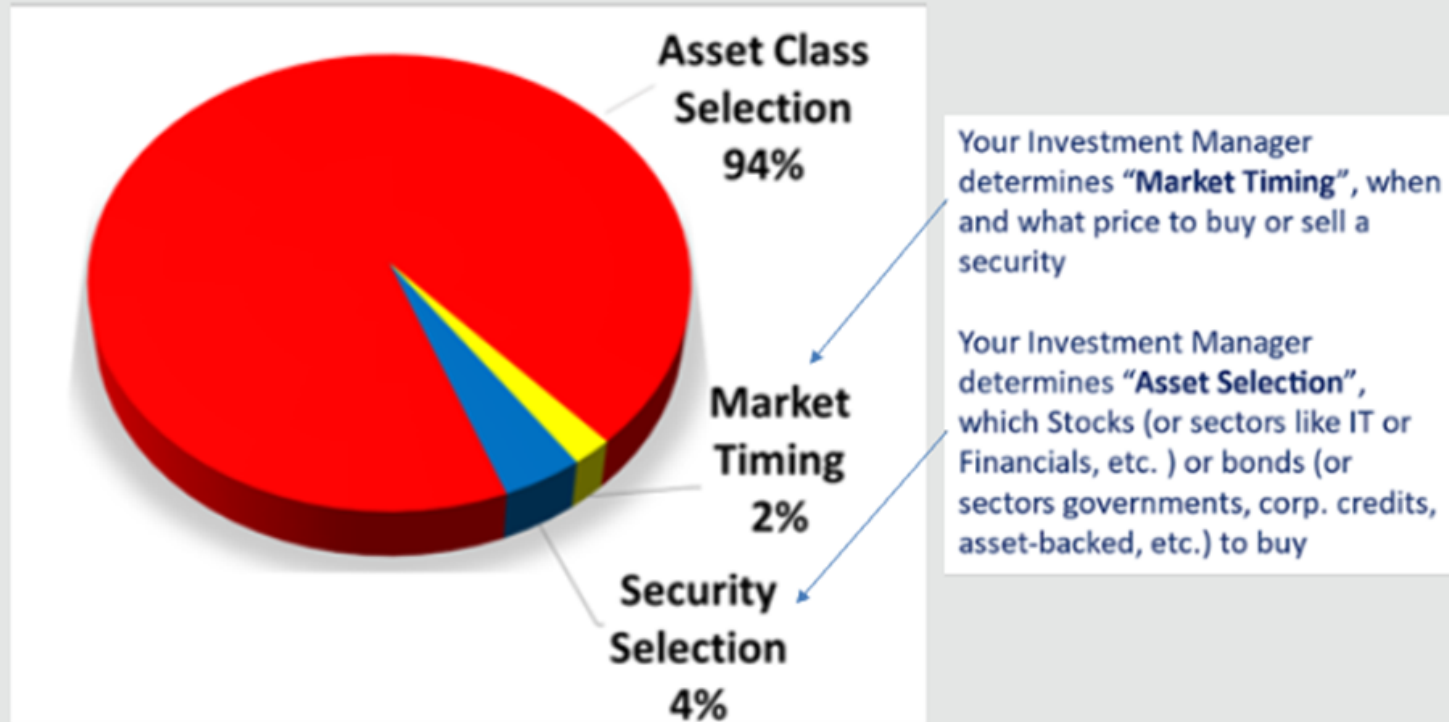
### **Step 3:** Selecting investment managers

### **Step 4:** Modifying the plan while incorporating internal and external changes over the captive's lifecycle

# Management & Operations: Banking/Investment Advisor

## The Importance of Strategic Asset Allocation Optimization

### Determinants of Long-term Investment Results



Sources: Ibbotson and Kaplan entitled “Does Asset Allocation Policy Explain 40%, 90% or 100% of Performance?” (2000).

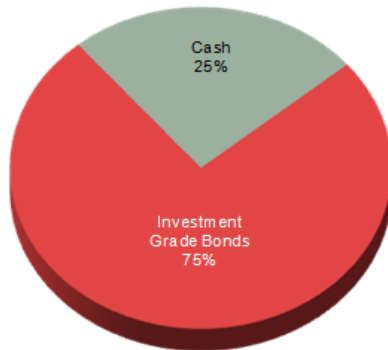
# Management & Operations: Banking/Investment Advisor

## Captive Lifecycle and Asset Allocation

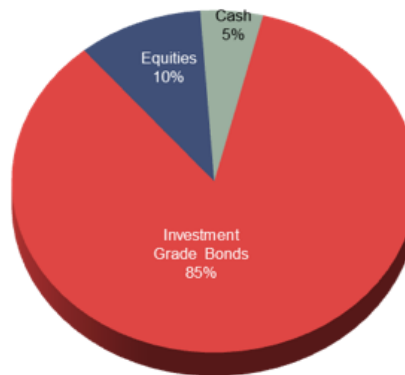
How does my captive's lifecycle stage affect its strategic asset allocation?

*ANSWER- UNCORRELATED ASSET CLASSES ARE ADDED TO GENERATE SIGNIFICANTLY HIGHER RETURNS AND IMPROVE RISK-ADJUSTED RETURNS BY SMOOTHING OUT PERFORMANCE OVER CHOPPY MARKET CYCLES*

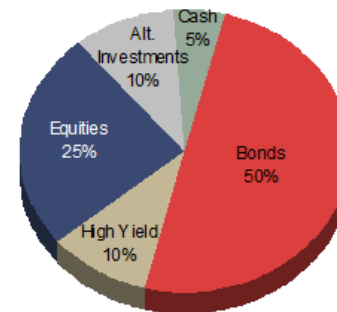
**New/Small Captive**



**Advanced Captive**



**Mature Captive**



# Management & Operations: Attorney

## Attend Annual Board Meetings

- Majority of directors must be physically present in South Carolina
- Provide guidance on governance items, including actions required under RRG governance rules
- Provide domicile/legislative updates

## Attend Other Board and Committee Meetings

## Holding Company Regulatory Act filings

## Attend Shareholder Meetings

- Annual meeting required to elect directors
- Assist with notices, proxies, etc.

## Prepare Unanimous Written Consents as needed

- Shareholders may act only by meeting or unanimous written consent in South Carolina

Evaluate legal aspects of changes in business plan as requested

Regulatory approval questions

# Management & Operations: Regulator

1

Review Change of Business Plans and Request

2

Review Annual Financial Reports for Non-RRGs

3

Review RRG Annual Reports/Quarterly reports and/or NAIC statements for compliance

4

Conduct Regulatory Financial Examinations of RRGs and Non-RRGs if necessary



# Captive Academy: Captive Run-Off & Dissolution

# Run-Off & Dissolution: Captive Manager/Consultant



# Run-Off & Dissolution: Captive Manager/Consultant



- Inform and coordinate with Domicile Regulator



- Engagement of Run off Service Providers – Attorney/Liquidator



- Provide Run-Off Timeframe



- Arrange Execution of Novation/Assignment Agreement and conduct transfer of liabilities.



- Provide insurance regulators with balance sheet showing no liabilities and obtain approval to surrender license.



- Transfer assets to captive owner(s).

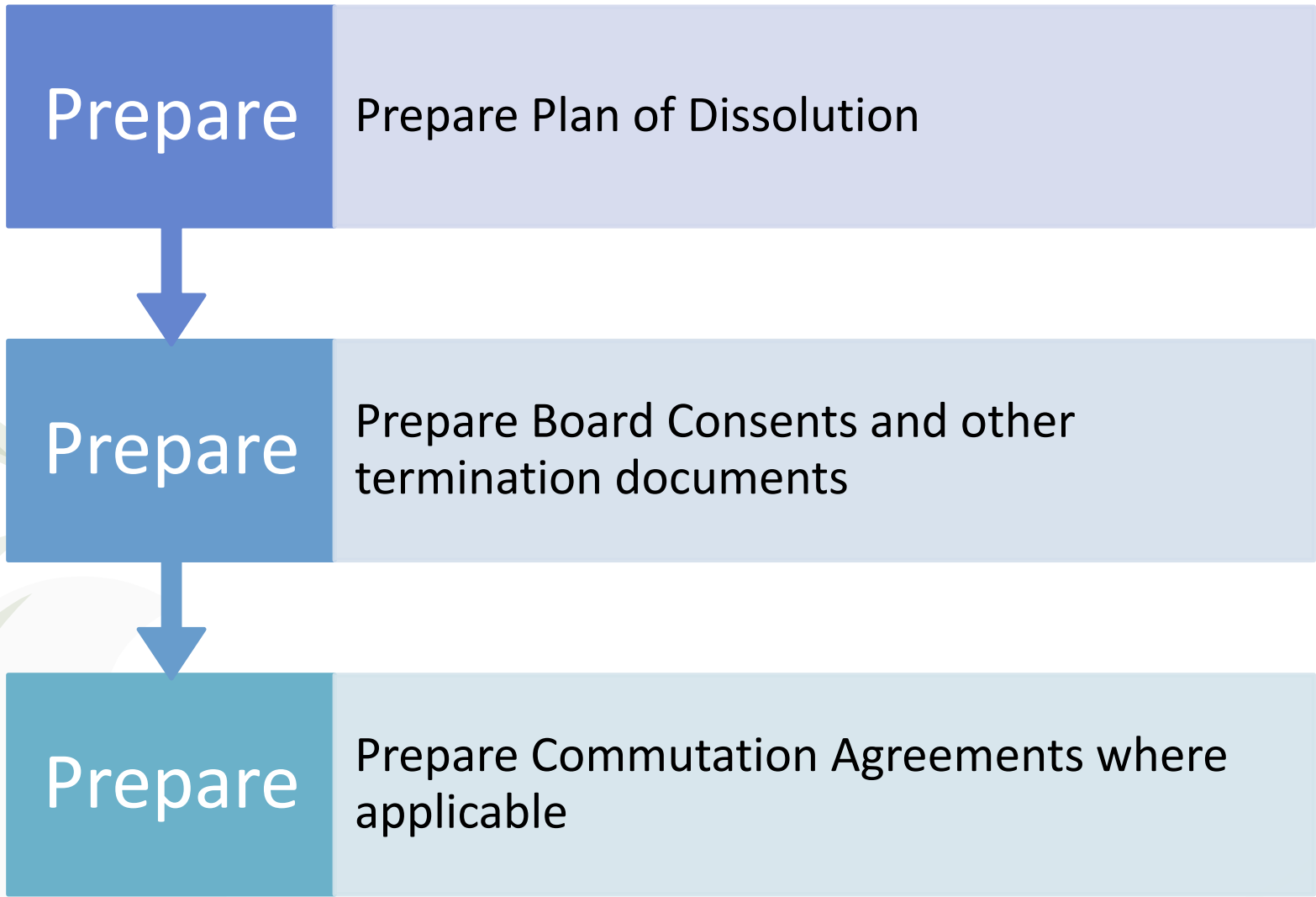


- Dissolve corporate entity with Secretary of State.



- File final tax returns.

# Run-Off & Dissolution: Attorney



# Run-Off & Dissolution: CPA

Consult a CPA during Run-Off for assistance with:

- Maintain overall regulatory and taxing authority compliance
- Prevent takeover by DOI, Liquidation Bureau, Other
- Audit will still generally be required
- Runoff of claims liability
- Novation of claims

Consult with a CPA during entity termination for assistance with:

- Understanding of severance costs, closing costs
- Withdrawal from Secretary of State offices
- Final tax return compliance
  - Different/earlier due dates
  - Additional disclosures and form reporting

# Run-Off & Dissolution: Actuary

- Appointed Actuary responsibilities
- Interim loss reserving
- Evaluate dissolution options

# Run-Off & Dissolution: Banking/Investment Advisor

**Coordinate account closure with Captive  
Manager & Owner**



## **Alternatives for Asset Distribution**

Option 1

Distribute to Owners in form of a Dividend



Option 2

Transfer in-kind to C-Corp Holding Company

# Run-Off & Dissolution: Regulator

Review all Run-off &  
Dissolution  
documentation

Approve action



# Additional Educational Opportunities

For online courses and webinars in captive insurance, visit the website of the official education program of the captive industry:  
[www.iccie.org](http://www.iccie.org)



# Questions?