

Captive Insurance

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Character comes through.

Captive Insurance

What is a captive insurance company?

Why do business create captives?

- Added flexibility.

- Minimize volatility in insurance market.

- Good claims history.

- Access to reinsurance markets.

Captive Insurance

Arizona as a captive domicile.

- Favorable regulatory environment.

- Favorable laws regarding confidentiality.

- Arizona has no premium taxes for captives.

Other jurisdictions.

Captive Insurance

Capital requirements

Pure Captive	\$250,000
Group Captive	\$500,000
Agency Captive	\$500,000
Protected Cell Captive (recent change)	\$500,000
Reciprocal	\$500,000

Pure or group captive that transacts only reinsurance 50% capital.

Cash or letter of credit.

Captive Insurance

Process with the Arizona Department of Insurance:

Pre-application Phase.

Completeness Review Phase.

Substantive Review Phase.

How long does it take?

Captive Insurance

Post Licensure

At least one meeting annually must be held in Arizona.

Annual report filing 90 days after end of fiscal year.

Audited financial statements and annual certifications/waivers.

Arizona DOI examinations.

Captive Insurance

Legal Investments

Pure captive is not subject to general restrictions on investments.

Only a pure captive may make loans to affiliates.

Other captives subject to Arizona investment requirements.

Captive Insurance

2007 Legislative changes

Branch captives permitted.

Redefines “industry group captive insurer.”

Eliminates Arizona residency requirement for captive managers.

Pure captive may have as few as one director.