Captive Insurance

By: Terry Roman, Esq.
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

<table>
<thead>
<tr>
<th>Type</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pure Captive</td>
<td>$250,000</td>
</tr>
<tr>
<td>Group Captive</td>
<td>$500,000</td>
</tr>
<tr>
<td>Agency Captive</td>
<td>$500,000</td>
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<tr>
<td>Protected Cell Captive</td>
<td>$500,000</td>
</tr>
<tr>
<td>(recent change)</td>
<td></td>
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<tr>
<td>Reciprocal</td>
<td>$500,000</td>
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</tbody>
</table>

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?
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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.
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.
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.