



REQUIREMENTS FOR ORGANIZING AND LICENSING OF A CAPTIVE INSURER

Those interested in forming a new insurance company should first contact the Company Licensing and Regulatory Compliance Section of the Bureau of Insurance, State Corporation Commission, in order to discuss their plans and general intentions. A personal meeting is strongly encouraged; please call (804) 371-9636 to schedule an appointment.

PART I

1. Prepare and file Articles of Incorporation with the Clerk's Office, State Corporation Commission, P. O. Box 1197, Richmond, VA 23218, (804) 371-9733; forms and instructions may also be obtained at the SCC website at www.scc.virginia.gov/clk. Pay necessary fees and secure a Certificate of Incorporation.
2. If appropriate, inform the Division of Securities and Retail Franchising, State Corporation Commission, 1300 East Main Street, Richmond, Virginia 23219, of any proposed plan for funding. File any required papers and secure clearance under Securities Act (§13.1-501 et seq.).
3. Assuming specific plans have been made for staffing and future operations, an application for license should be made to the Bureau of Insurance, State Corporation Commission, by filing the following (§§ 38.2-1024 and 38.2-1102):
 - (a) Application for License in Virginia properly executed in duplicate (form enclosed).
 - (b) Check payable to the Treasurer of Virginia for the \$500 nonrefundable application fee (§38.2-1024).
 - (c) Copy of the Certificate of Incorporation along with a copy of the applicant's Articles of Incorporation and any amendments.
 - (d) Copy of the applicant's By-laws, certified by the corporate secretary (§38.2-1003).
 - (e) A properly executed biographical affidavit for each officer and director using the standard NAIC form. Affidavits must be current and shall not be signed by the affiant more than one year prior to the date the application is filed. In addition, each affidavit must be certified by an independent third party that has conducted a

comprehensive review of the affiant's background and has certified that the biographical affidavit has no inaccurate or conflicting information and no material omissions. An independent third party is one that has no affiliation with the license applicant and is in the business of providing background checks or investigations, such as DAC, Equifax, Owens Online or Proudfoot. The form can be accessed through the NAIC website at http://www.naic.org/industry_ucaa.htm.

- (f) Written description of proposed method of operation and manner of doing business including:
 - (1) A discussion of the applicant's functional areas, including but not limited to: underwriting, marketing (products, sale efforts, geographical areas to be served, delivery systems), accounting and control, and investments. There should also be a discussion of the background and expertise of staff and general management.
 - (2) Any management agreements, service contracts or cost-sharing arrangements with other entities or persons.
 - (3) Pro forma financial statements (balance sheets and income statements on a quarterly basis) for a minimum of three years. Fully document all assumptions underlying the projections. **NOTE: projections and/or rates must be based on reasonable assumptions and certified as to their reasonableness and/or sufficiency by an independent actuary satisfactory to the Commission.**
 - (4) A full and complete discussion of present and future sources of funding needed to meet capital requirements.
 - (5) A full ownership profile of the applicant. This should include disclosure of the applicant's parent, subsidiary, and affiliate relationships, with specific attention given to aspects of control and respective ownership rights.
- (g) Copies of any reinsurance agreements or commitments from reinsurers evidencing what coverages will be provided upon licensing.
- (h) Description of fidelity bonds and other insurance policies showing who is covered, against what perils and for what amounts.

IMPORTANT NOTICE

The law provides that:

1. The principal and home office of every captive insurer shall be in this Commonwealth (§38.2-1104).
2. The insurance company may be either a stock or non-stock corporation (§38.2-1104).

3. As a condition for licensure, a stock captive insurer must deposit with the State Treasurer an amount equal to its minimum capital (\$1,000,000). A non-stock captive must deposit an amount equal to fifty percent of its minimum surplus (\$2,000,000) (§38.2-1105).
4. As a condition for licensure, "pure" captive insurers must demonstrate an ability to produce at least \$500,000 in annual premium. For "association" captives, the minimum premium requirement is \$1 million (§38.2-1102).
5. Captive insurers may transact only certain kinds of property and liability insurance, i.e. fire, miscellaneous property damage, water damage, burglary and theft, glass, boiler and machinery, animal, personal injury liability, property damage liability, worker's compensation and employers' liability, fidelity, motor vehicle, marine.
6. After licensure, policy rates and forms must be filed and approved before commencement of business.

PART II

If, based on the above and other material requested, the Bureau of Insurance determines that the applicant is able to meet its duties and obligations as a licensed insurer, a letter of tentative approval will be issued. The letter will delineate the remaining requirements for licensure.

Bureau Contact

Applicants should direct all questions regarding the requirements for licensing to the following person:

Jim B. Ware
Senior Financial Analyst
State Corporation Commission
Virginia Bureau of Insurance
P.O. Box 1157
Richmond, VA 32218
Telephone: (804) 371-9801
Facsimile: (804) 371-9511
Jim.Ware@scc.virginia.gov

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION, BUREAU OF INSURANCE
P. O. BOX 1157, RICHMOND, VA 23218**

**INITIAL APPLICATION FOR CAPTIVE LICENSE IN VIRGINIA
(ATTACH \$500 APPLICATION FEE)**

FEIN# _____

Full and Exact Corporate Name of Insurance Company

Corporate Office Address in State of Domicile. Give Street, Number, City, State, and Zip Code.

Executive or Administrative Office Address (i.e. Mailing Address). Give Street, Number, City, State, and Zip Code.

organized under the laws of _____ hereby certifies that it is in compliance with the applicable laws of Virginia and applies for a license to transact in Virginia the classes of insurance indicated below:

- | | |
|--|--|
| <input type="checkbox"/> 09 Fire | <input type="checkbox"/> 19 Auto Physical Damage |
| <input type="checkbox"/> 10 Miscellaneous Property | <input type="checkbox"/> 23 Fidelity |
| <input type="checkbox"/> 14 Ocean Marine | <input type="checkbox"/> 25 Glass |
| <input type="checkbox"/> 15 Inland Marine | <input type="checkbox"/> 26 Burglary and Theft |
| <input type="checkbox"/> 16 Workers Comp-Emp Liability | <input type="checkbox"/> 27 Boiler and Machinery |
| <input type="checkbox"/> 17 Liability Other Than Auto | <input type="checkbox"/> 29 Animal |
| <input type="checkbox"/> 18 Auto Liability | <input type="checkbox"/> 30 Water Damage |

Dated at _____ this _____ day of _____, 20 _____.

(Company Seal)

(Signature of Officer)

(Title)

Sworn to and subscribed before me this _____ day of _____, 20 _____

(Notary's Seal)