



# Utah Insurance Department

Captive Division overview – January 2012

# *Utah!* The New Frontier for Captives



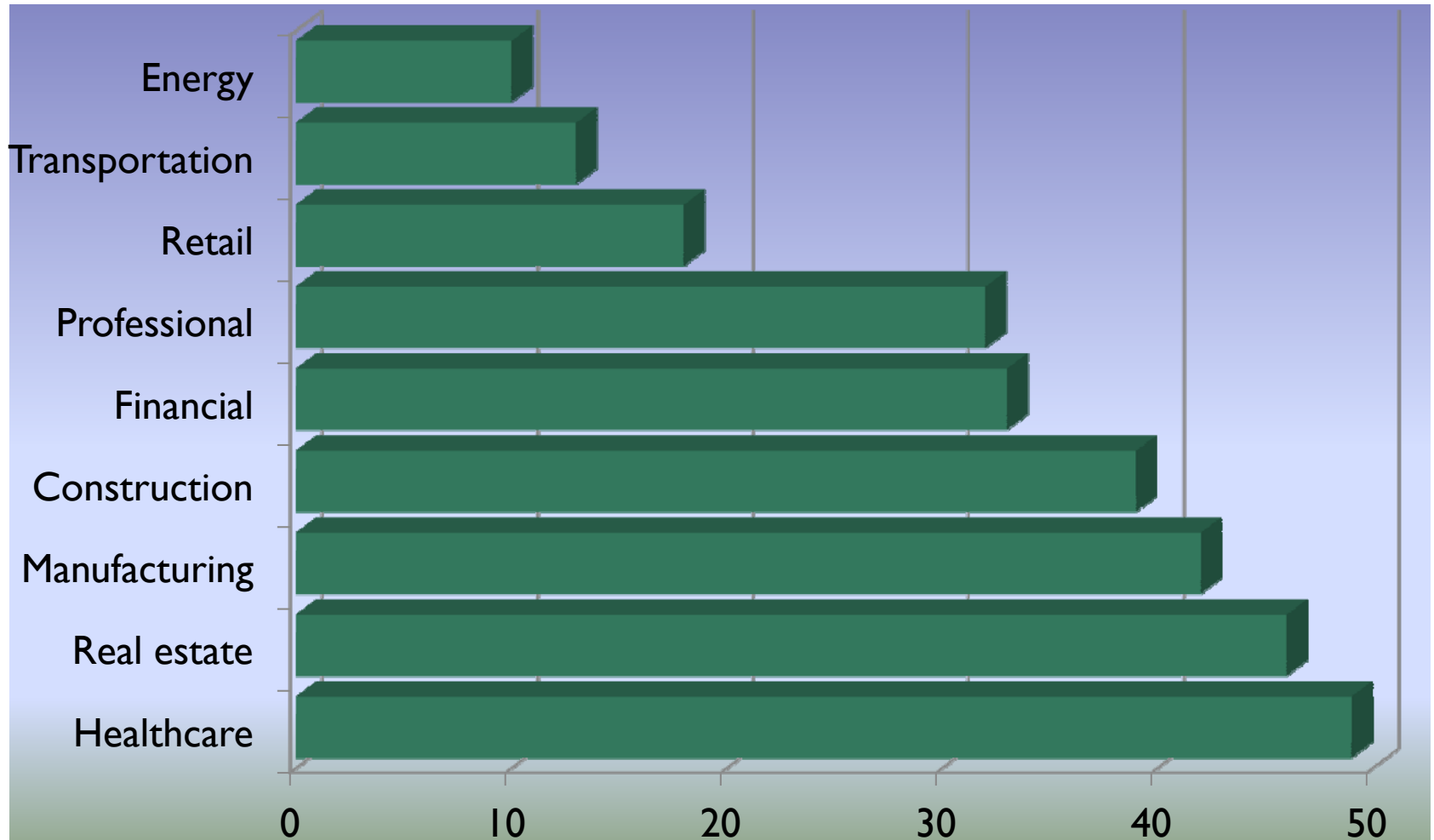
# What is a Captive Insurance Company?

A captive insurance company is a licensed and regulated insurance or reinsurance company.

Its business is controlled by its owners, which are the principal insureds.



# Captives by parent industry



# Why Form a Captive Insurance Company?

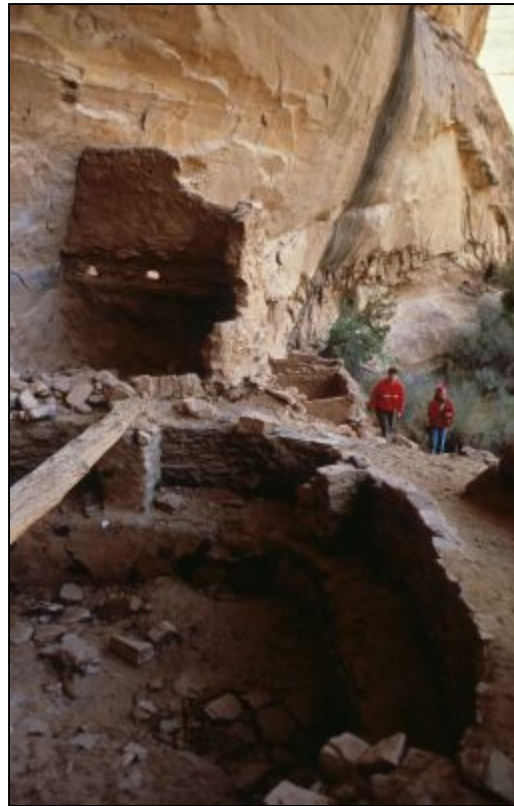


- ▶ Control insurance cost
- ▶ Obtain customized coverage
- ▶ Focus on risk and claim management
- ▶ Permit access to reinsurance
- ▶ Commercial market not meeting needs



# Popular Lines of Business

- ▶ General Liability
- ▶ Professional Liability
- ▶ Workers' Compensation (Deductible)
- ▶ Environmental Impairment
- ▶ Business Interruption
- ▶ Warranty
- ▶ D&O

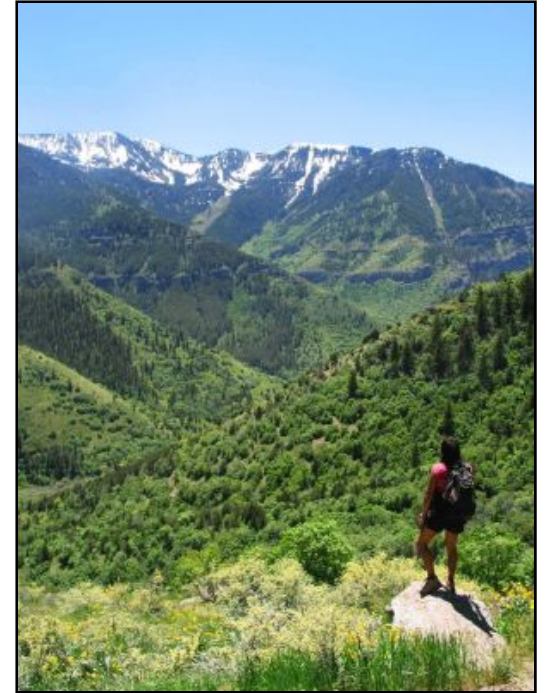


- E&O
- Pollution Liability
- Medical Stop Loss
- Flood/Earthquake
- Marine
- Employment Benefits
- Life

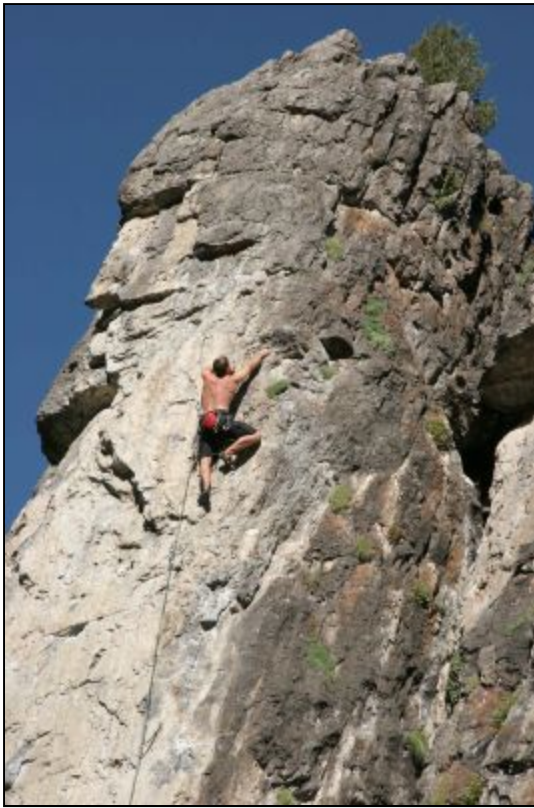


# Examples of Traditional Lines of Captive Insurance

- ▶ General Liability
- ▶ Professional and Products Liability
- ▶ Director and Officer Liability (D&O)
- ▶ Employment Practices Liability
- ▶ Environmental Liability
- ▶ Product or Service Extended Warranty
- ▶ Property and Business Interruption
- ▶ Workers' Compensation (*pursuant to 31A-37-202, a captive may apply to do all insurance authorized by this title except workers' compensation, personal motor vehicle, and homeowner's coverage*)



# Expanded Captive Lines



- ▶ Employee Benefits (ERISA)
- ▶ Terrorism Risk
- ▶ Construction Exposures
- ▶ Cyber Risk
- ▶ Shipping Coverage
- ▶ Title and Private Mortgage Insurance
- ▶ Trade Credit Risk





# Emerging Captive Lines

- ▶ Intellectual Property – patent, trademark, etc.
- ▶ Product Recall
- ▶ Expert Witness Testimony Coverage
- ▶ Supply Chain Disruption
- ▶ International Kidnapping Protection
- ▶ Loss of Key Customer / Supplier



# Captive Regulations

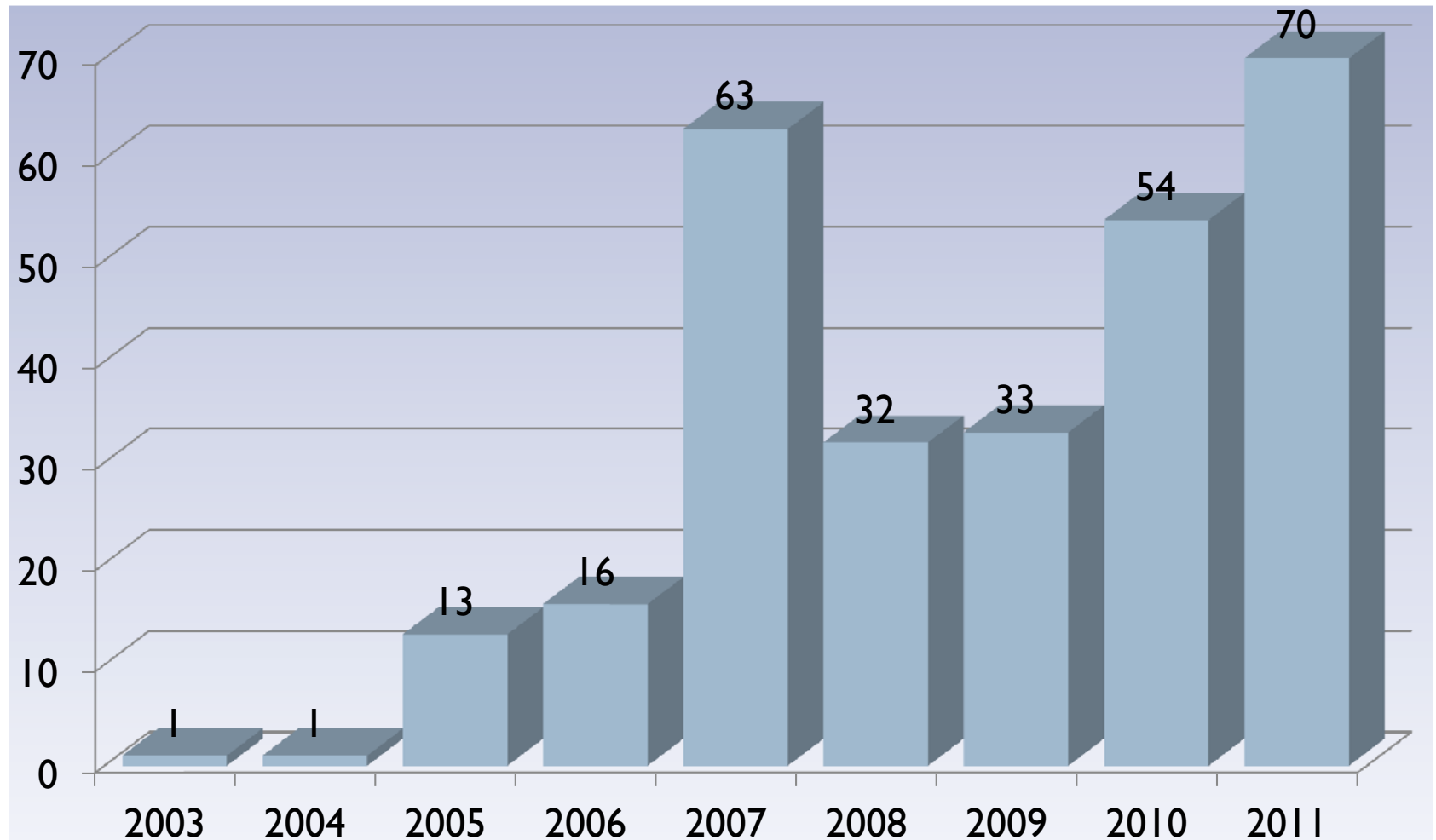
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- ▶ Captive Insurance Companies Act passed in 2003 as an economic development initiative (31A-37)
- ▶ Special Purpose Financial Captive Insurance Company Act enacted in 2008 (31A-37a)
- ▶ Captive Insurance Companies rule enacted August, 2008 (R590-238)



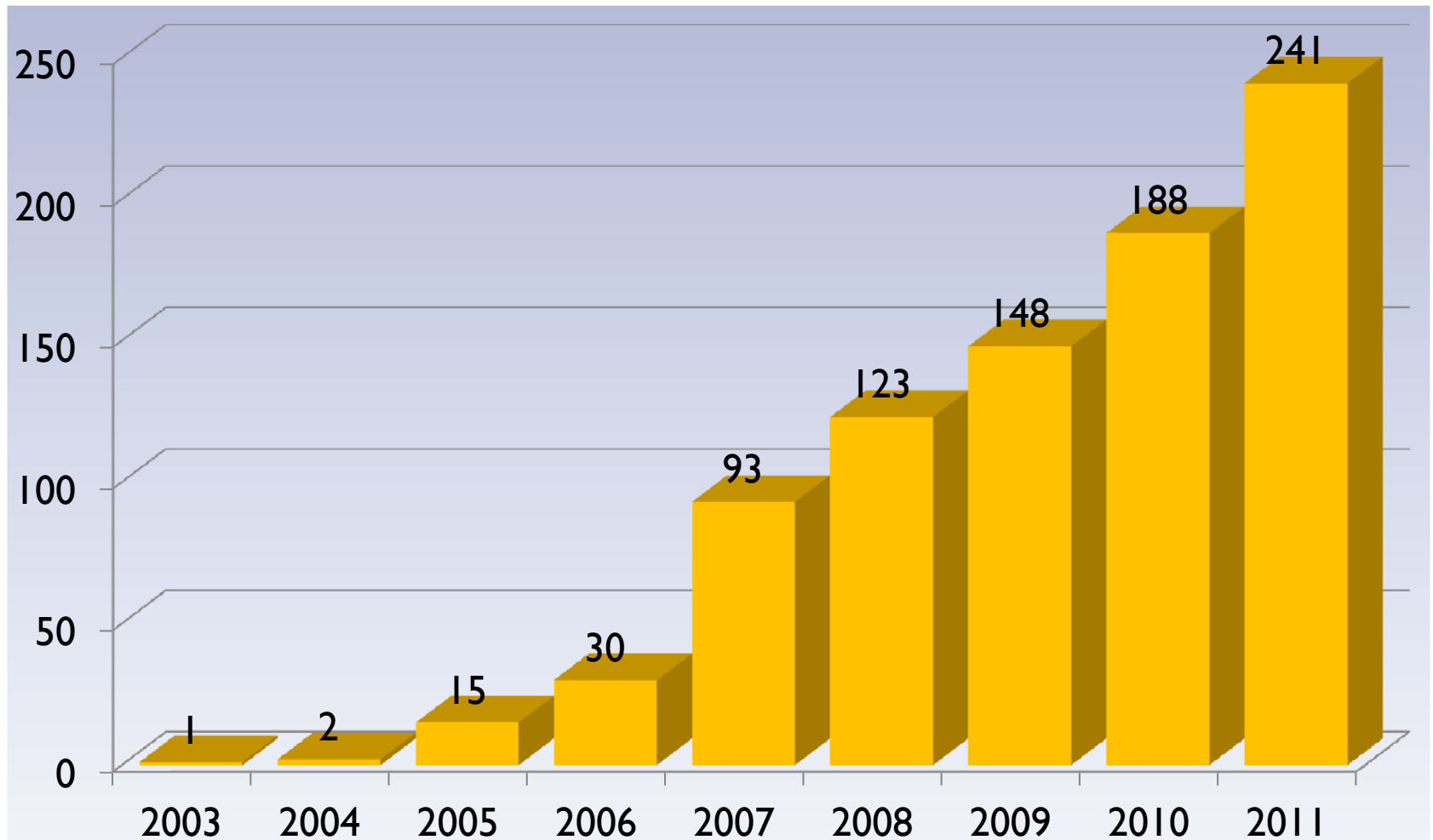
# Number of captives formed by year

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# Number of active captives by year

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# Types of captive structures authorized

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- ▶ Pure
- ▶ Association
- ▶ Industrial (risk retention group)
- ▶ Sponsored cell
- ▶ Special purpose
- ▶ Reciprocal



# Capital and surplus requirements

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## Type of captive

## Minimum C&S

- |                    |                |
|--------------------|----------------|
| ▶ Pure             | ▶ \$250,000    |
| ▶ Association      | ▶ \$750,000    |
| ▶ Industrial (RRG) | ▶ \$500,000    |
| ▶ Sponsored cell   | ▶ \$1,000,000  |
| ▶ Special purpose  | ▶ (calculated) |
| ▶ Reciprocal       | ▶ \$1,000,000  |



# Local office requirements

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- ▶ Hold at least one annual board of directors meeting in Utah
- ▶ Maintain principal place of business in Utah (books and records)
- ▶ Appoint local registered agent
- ▶ At least one member of board of directors is a resident of Utah



# Reporting requirements

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- ▶ Annual financial statement
  - ▶ Pure captives: Utah-specific format
  - ▶ Others: NAIC annual statement blank
- ▶ Annual audit report
- ▶ Statement of actuarial opinion
- ▶ Others as required by commissioner (quarterly, RBC)





# Taxes and fees

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- ▶ **Application**

- ▶ Application: \$200
- ▶ Initial license: \$5,000
- ▶ E-Commerce: \$250

- ▶ Annual renewal: \$5,250

- ▶ Property tax, if appropriate

- ▶ No premium tax

- ▶ No state income tax



# Contact Information



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