



# Bureau of Captive and Financial Insurance Products

Delaware Captive Insurance Association  
Fall Forum

Steve Kinion

Director, Bureau of Captive and Financial Insurance Products

Delaware Insurance Department

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DELAWARE DEPARTMENT OF INSURANCE  
INSURANCE COMMISSIONER KAREN WELDIN STEWART

*Bureau of Captive and Financial Insurance Products*



# Outline of Presentation

- **Future Captives.**
- **Implementation of New Laws for RRGs.**
- **Regulatory Guidelines.**
- **Application Process.**
- **Business Plan Changes.**
- **Examinations.**
- **Medical Stop Loss Debate.**
- **Q &A.**



# Theme of Presentation

**How can I help you and your clients form and operate better captive insurers in Delaware?**

**How can you help me make Delaware a better captive domicile?**



# Current & Future Captives

- **What type of captives is Delaware attracting?**
- **Life reinsurance captives – XXX and AXXX.**
- **Employee benefit captives – meeting with EBSA.**
- **Large P&C captives – corporate owned.**
- **Mid-market captives which make the 831(b) election.**

# Captive Life Spans



- **Today Delaware has licensed 237 captive insurers, 13 protected cells, 413 series business units.**
- **Today there are 215 active captives, 12 active protected cells, and 392 active series units.**
- **The captive attrition rate is 10%.**
- **Over four years the series attrition rate is 5%.**
- **Over four years the cell attrition rate is 7.7%.**
- **Life reinsurance – XXX and AXXX captives have 0% attrition.**



# New Regulations and Laws for RRGs in 2013

- **RRGs comply with P&C actuarial opinion model law.**
- **Proposed regulation for model audit rule effective on November 11, 2013**
- **Application of Risk Based Capital.**



# Regulatory Guidelines

- **Maximum premium to surplus ratios. For series captives the maximum is 3:1 while other forms of captives can be as high as 5:1 if actuarially feasible.**
- **File a new pro-forma financial statement after five years of operation for all captives.**
- **Investment plans. Pure captives are unlimited per the law. All series investment plans will be reviewed.**



# Regulatory Guidelines

- **Maximum premium to surplus ratios. For series captives the maximum is 3:1 while other forms of captives can be as high as 5:1 if actuarially feasible.**
- **List of restricted lines of business for series captives. No third party coverage and no pollution.**
- **Series captives formed as association captives will be regulated like association captives.**
- **May I convert a series to a pure or other form of captive? Yes. There will be no regulatory fees assessed for such a conversion.**



# Application Process

- Year end 2013 applications – what is the cut-off date and time?

**Answer: December 31, 2013 at 11:59 P.M. EST.**

- Application and biographical affidavits must be received no later than 5:00 P.M. EST on January 10, 2014.
- The Captive Bureau only needs hard copies with pen and ink signature of the application and biographical affidavits. The remainder of the application is filed electronically.
- File electronically at *[captive@state.de.us](mailto:captive@state.de.us)*



# Application Process

- **If changes must be made to the application, then all changed documents must be dated with the new date clearly noted on the document.**
- **Policies need to state the risk being covered and the conditions under which a claim occurs.**
- **All policies must be submitted with the application.**



# Application Process

- **Send business plan and pro-forma in both pdf, word processing and spreadsheet, i.e. MS Word and Excel, formats.**
- **Only completed applications will be reviewed.**
- **Be patient. On January 1, 2013 the Captive Bureau had 114 applications ready for processing. Reviewing applications takes time.**
- **Submitting an application is not a guarantee of approval.**



# Business Plan Changes

- **What level of materiality requires prior regulatory approval?**  
**Answer: If the change is such that it necessitate a business plan change, then it mandates prior regulatory approval.**
- **What are examples of changes necessitating prior approval?**  
**Answer: New lines of business, ownership changes, and changes affecting 10% or more of the capital and surplus. Each time a business plan change is submitted, the Captive Bureau needs a NEW BUSINESS PLAN and a red line version submitted with the request.**
- **If the business plan change impacts financial statements then new pro-forma financial statements for a five year period must be filed.**



# Business Plan Changes

- **Effective January 1, 2014, business plan changes must be submitted in the following format:**
  - ✓ **Redline showing changes. Simple addendums will no longer be accepted.**
  - ✓ **In word processing format, i.e. MS Word, WordPerfect, etc.**
  - ✓ **Spreadsheets in Excel, Quatro Pro, etc., format.**
- **No dividend and loan requests allowed for series captives during first-year of operations. Ownership changes are allowed.**



# Examinations

- **The examination protocol is to conduct the first examination after the initial three years of a captive's operations. Thereafter, an examination will occur every five years.**
- **The Commissioner has the right to call an examination at any time.**
- **When the examination is complete, the captive's board of directors must adopt a resolution acknowledging receipt of the examination.**
- **Examinations in large part are examinations of the captive manager's practices and procedures.**



# Medical Stop Loss Captives

- Delaware has and will continue licensing medical stop loss captives.
- At least \$20,000 minimum individual attachment.
- Minimum specific deductible is \$6,500.
- Aggregate attachment point has no minimum under Delaware law.
- Prohibition of stop loss for small groups of 15 people or less. 18 Del.C. 7218

# Questions and Answers