

Dated 1/21/2022: PROFORMA FINANCIAL STATEMENT GUIDANCE

This guidance document revises and fully replaces guidance issued under MEMO #97/3 (issued October 22, 1997). (MEMO #97/3 required revised proforma financial projections be submitted to the Vermont DFR whenever the current financial projections become outdated, or when a significant change in the Company's operations occurs.)

Effective immediately, the Vermont DFR will require the following with respect to proforma financial projections:

- 1) Five-year (or longer if required, as with SPFIs) proforma financial projections (expected and adverse scenarios) will continue to be a mandatory filing for licensing applications for all captive types including the Business Plan Change Form for Addition of Protected Cells (Risk-bearing cells only of a Sponsored captive).
- 2) Updates to five-year proforma financial projections will continue to be a mandatory filing for all Risk Retention Groups (RRGs). Revised projections should continue to be submitted to the Vermont DFR (via DFR.CaptiveMail@vermont.gov) whenever outdated, or when significant changes in RRG operations occur.
- 3) Updates to five-year proforma financial projections are no longer a mandatory filing for non-RRG captives or risk-bearing cells of a Sponsored captive. Please note the Vermont DFR may request a company prepare and submit projections to support the feasibility of material business plan changes. We encourage companies who use financial projections as a valuable management tool to continue to prepare them; however, we will not require submission on an ongoing basis. During examinations or annual surveillance process, the Vermont DFR may inquire if a company prepares them for internal use, at which time we may request a copy to help explain fluctuating balances/trends.

This change is the result of the Vermont DFR's continuing efforts to evaluate and update regulatory filing requirements as part of our risk-focused approach in monitoring the solvency of captives domiciled in Vermont.

Please contact us with any questions or concerns.