

**\*\*IMPORTANT – ALL VCAR templates have changed.**

**All updates noted in 'RED'**

## **VERMONT CAPTIVE ANNUAL REPORT (VCAR)**

### **GENERAL INSTRUCTIONS 2021**

**NOTE: The Vermont Captive Annual Report (VCAR) Instructions are an important part for the preparation of this filing. The Instructions have been updated to include more details in order to try and avoid commonly made mistakes. PLEASE READ.**

### **Who Files and Form Types**

The **Vermont Captive Annual Report (VCAR) Form** is a Vermont domestic specific form maintained by the Department of Financial Regulation Captive Insurance Division (VT DFR). It is intended to be used by all Vermont licensed captive insurance companies that are not filing the NAIC Annual Statement.

**\*\*IMPORTANT\*\*:** *VCAR Forms are available on our web site and upon request. VCAR*

Forms are in Excel 97-2003 Worksheet (\*.xls) format and when open **SECURITY WARNING**

**▲ Some active content has been disabled. Click for more details. – Click**

and  Trusted Document.

1. **VCAR Form** – To be used by all 12/31 year-end captives and by fiscal year-end captives at time of their year-end. Excel file name = [VCAR- Version 2021].
2. **VCAR Supplemental Form** – To be used for required separate reporting by captives filing supplemental insurance subsidiaries or unincorporated protected cells by contract. Excel file name = [VCAR Supplemental Form- Version 2021]
3. **VCAR Incorporated Protected Cell (IPC) Form** - To be used for required separate reporting by incorporated protected cells (IPC) of sponsored captives. Excel file name = [VCAR Incorporated Protected Cell Form- Version 2021]

Note: The **VCAR Short Form** has been eliminated. Beginning 12/31/2021 Fiscal year-end captives are no longer required to submit a filing at 12/31 year-end with exception to still providing a copy of the filed Vermont premium tax return and VCAR page 5 as support of their reported premium written for the calendar year. At the Fiscal year-end both the PDF and the Excel file of the VCAR are required to be submitted. Also, with the elimination of the Short Form the VCAR Long Form is now referred to as the VCAR Form, which has been enhanced for use to report Dormant captives or by special permission when certain pages are not required including (4) Questionnaire.

## Basis and by Type Specifics

**Basis of Accounting:** The VCAR shall be reported based on generally accepted accounting principles (GAAP), statutory accounting principles (NAIC SAP) or international financial reporting standards (IFRS) unless the commissioner requires, approves, or accepts the use of any other comprehensive basis of accounting ([Title 8 V.S.A. Chapter 141; Section 6007 \(b\)](#)).

**Sponsored Captives and Cells** [Title 8 V.S.A. Chapter 141; Section 6034 \(7\)](#)

### **PLEASE READ CAREFULLY FOR CHANGES IN OUR SPONSORED REPORTING REQUIREMENTS**

Beginning with year-end 2021 VT DFR requires the annual Sponsored captive entity reporting of the Core and Cells separately, as originally intended under the Statutes. The only exception will be for Cores and Cells that qualify for consolidation or combination based on the method of accounting used. Please note that the presentation of a Sponsored captive's annual report may not match the audited financial statements; therefore, a reconciling footnote in the audited financial statements would be required.

The following are examples to follow for the new reporting:

#### **Example 1**

For a Sponsored captive entity comprised of the licensed Sponsored Captive Core and two (2) protected cells with cell 1 (incorporated) and cell 2 (unincorporated):

- Core – files **VCAR Form** of Core's sole financials only
- Cell 1 – files **VCAR Incorporated Protected Cell (IPC) Form** of Cell 1 only
- Cells 2 – files **VCAR Supplemental Form (Unincorporated Protected Cell/Separate Accounts)** of Cell 2 only

#### **Example 2**

For a Sponsored captive entity comprised of the licensed Sponsored Captive Core and two (2) protected cells with Cell 1, an unincorporated cell who meets the rules of consolidation through "common ownership and control" with the core and Cell 2, an unincorporated separate entity, would then file:

- Core and Cell 1 – files **VCAR Form** as combined for consolidation
- Cell 1 – files **VCAR Supplemental Form (Unincorporated Protected Cell/Separate Accounts)** of Cell 1 only
- Cell 2 – files **VCAR Supplemental Form (Unincorporated Protected Cell/Separate Accounts)** of Cell 2 only

**Note:** In order to prepare the VCAR of the Sponsored Captive and Cell(s) on a consolidated or combined basis it must meet the rules of consolidation through common ownership and control or with prior VT DFR approval submitted to [DFR.CaptiveMail@vermont.gov](mailto:DFR.CaptiveMail@vermont.gov).

**VCAR Cell Confirmation Exhibit** is a new required form, beginning with year-end 12/31/2021, and is to be used to provide a listing of all the approved cells of the Sponsored Captive as of the year-end reporting date, whether “active” or “dissolved/closed”. “Active” is defined as not closed or dissolved but should include those cells that may be inactive or in run-off. [See page 26 for Exhibit instructions]. The form (10) CELL CONFIRMATION EXHIBIT is part of the **VCAR Form** and prompts for completion based on “Sponsored” Company Type selection.

**Captives with Separate Accounts** – Captives with separate accounts must submit a full VCAR that includes the separate account(s) as well as a separate balance sheet (**Page 2**) and income statement (**Page 3**) for each separate account, premium schedule (**Page 5**), and reinsurance ceded and assumed (**Pages 6a and b**), for each separate account. Use **VCAR Form** for consolidated and **VCAR Supplemental Form** for each separate account.

**Captives with Insurance Subsidiaries** – Captives with insurance subsidiaries must submit a full VCAR on a consolidated basis in accordance with [8 V.S.A. Section 6007](#), which will agree to the audited financial statements. In addition, Captives must file supplemental (2) **BALANCE SHEET**, (3) **INCOME**, (5) **PREMIUMS** and (6a) **REINSURANCE CEDED** and (6b) **REINSURANCE ASSUMED** for the Vermont operations only. The Captive must file a copy of the insurance subsidiary’s annual statement, as filed with the state of domicile. Use **VCAR Form** for consolidated and **VCAR Supplemental Form** to file for each insurance subsidiary.

**Dormant Captives** – Captives who hold a Certificate of Dormancy must submit the **VCAR Form** and per the Captive Company Status on the Jurat page of “Dormant” the page (4) Questionnaire notation indicates that it is not required to be completed.

## **When and What to Submit**

The 12/31 VCAR filing is due on or before March 15 or 75 days after calendar year-end ([Title 8 V.S.A. Chapter 141; Section 6007 \(b\) and \(c\)](#)) and must include the following:

1. Applicable full current VCAR Form must be filed in *unsecured* PDF format, legal size pages. Note: Jurat page must be signed by a minimum of two executive officers and notarized. (Exception: Not required for IPC or Supplemental Forms). Electronic signatures and notarizations are accepted. For captives with cells or separate accounts, combine all VCAR PDFs into one PDF file.
2. VCAR Form must also be filed in EXCEL format, which agrees to PDF as submitted.

3. PDF Copy of executed Vermont Captive Insurance Tax Return (with applicable support) as filed with Vermont Department of Taxes via [www.myVTax.vermont.gov](http://www.myVTax.vermont.gov) (Note: any discrepancies to VCAR (5) PREMIUMS MUST be noted in footnote same page and please file copy of amended tax returns as occurs).

Note: For Fiscal year-end companies no VCAR short form filing is due at 12/31, however item 3. above is due. Utilize VCAR (5) PREMIUMS in support of the totals reported on the premium tax return.

**For Fiscal year-end companies, the VCAR is due 75 days after fiscal year-end:**

1. Applicable full current VCAR Form must be filed in unsecured PDF format, legal size pages. Note: Jurat page must be signed by a minimum of two executive officers and notarized. (Exception: Not required for IPC or Supplemental Forms).
2. VCAR Form must also be filed in EXCEL format, which agrees to PDF as submitted.

## Where

**Submit via Email to:** [DFR.CaptiveFinancialFilings@vermont.gov](mailto:DFR.CaptiveFinancialFilings@vermont.gov)

**Note:**

- Please include Vermont Captive License # and full Captive Name on Email SUBJECT line.
- The signed and notarized Jurat must be included in the PDF file, not submitted separately. (Exception: Not required for IPC or Supplemental Forms)
- Cover letters are not required unless you have comments or additional details about the filing, and if you are filing a cover letter it must be part of the PDF and not a separate document.
- After the filing of the VCAR, an amended VCAR filing is not required if there is an audit adjustment. The “Prior” year columns should be based on the final audit results of the respective period. Additionally, per [Regulation C-81-2](#) Section 3: ANNUAL AUDITED FINANCIAL STATEMENTS (D)(e)(1) the audited notes to financial statements should include a reconciliation of differences, if any, between the audited financial report and the report of its financial condition filed with the commissioner (VCAR). If a captive needs to file an amended VCAR (if not requested by VT DFR as part of financial analysis) a letter requesting formal approval is required to be submitted to [DFR.CaptiveMail@vermont.gov](mailto:DFR.CaptiveMail@vermont.gov).
- Additional filing requirements as well as [Title 8 V.S.A. Chapter 141](#) and [Regulation C-81-2](#) can be found on the DFR’s website at: <https://dfr.vermont.gov/industry/captive-insurance>

## Helpful tips and Common Mistakes to Avoid

Printing the form: To print the entire form (either in hard copy, or in pdf version) go to your print menu and under settings select “Print Entire Workbook”. This should capture all pages of the filing and enable you to save or print one document to PDF format, as required for submission.

Protected worksheet cells: There are password protected (locked) cells in almost every tab of the form. These cells are locked (and grayed out) because they contain formulas or because they are pulling from another source within the worksheet, to protect against manual entry impacting formulas and/or linked cells. Please note that *no sheets should be added to the VCAR as the format correlates directly to our importing unless prior arrangements are made with VT DFR directly.*

### **Please Remember to:**

- Properly roll forward and enter “**Prior**” Year Comparative Financial Information per line descriptions. Note: “Prior” should be based on final Audit results of respective period. **Please note that with the changes in the new VCAR Forms all information will need to be input in a blank VCAR template.**
- Properly “Select” **Company Type** on **JURAT** page, where applicable, as determines the regulatory minimum, or not less than, capitalization.
- Properly “Select” **Company Status** on **JURAT** page, where applicable as determines required pages for completion. **DORMANT status requires an issued Certificate of Dormancy, otherwise the captive is considered ACTIVE, even if all policies are currently in run-off.**
- Enter in Data Entry Table located on the JURAT Page beginning (*Line 7, Column K*) for items appear in ‘green’: **License #, Licensed Captive Name, Reporting Entity, Current Year End and Prior Year End dates** as links to all pages.
- Please Allocate reporting by specific **Lines of Business (LOB), (5) PREMIUMS, (7) UNPAID LOSS & LAE and (8) LOSS & LAE PAID & INCURRED.**
- Complete all **Header notes, Footnotes and Explanations – CASH & INV SCHEDULE (Pages 2 cont), (4) QUESTIONNAIRE, (5) PREMIUMS, (6a) REINSURANCE CEDED, (6b) REINSURANCE ASSUMED and (9) CROSS CHECKS.**
- Carefully read and respond to all questions on **(4) QUESTIONNAIRE**, and provide explanations for any discrepancies, as required.
- On **(6a) REINSURANCE CEDED and (6b) REINSURANCE ASSUMED**, include full legal reinsurer name, domiciliary jurisdiction and corresponding AM Best number, **AM Best rating (new)** and NAIC Company Codes, to assist with our reinsurer credit

worthiness review process. **Note the protection for both sheets has been updated to allow “insert rows” as needed or if there are not enough lines in your existing template to report reinsurers.**

- Include PDF copy of Vermont Premium Tax Return as filed, with all required support (such as pooling manager statement and housing tax credit support). Also, if amended tax returns are filed please submit a copy. **Note: For DORMANT status captive, Premium Tax Return (\$0 due) and VCAR (use VCAR Form) still must be filed.**
- Include VCAR in EXCEL format. **Note:** PDF and EXCEL versions should be the same.
- Please do **NOT** insert additional sheets in VCAR, as impacts our import process, unless prior arrangements made with VT DFR directly.
- If Separate reporting, complete the **VCAR Supplemental Form** for each account.
- For Incorporated Protected Cells, complete the **VCAR Incorporated Protected Cell Form** for each cell.
- For Unincorporated Protected Cells, complete the **VCAR Supplemental Form** for each cell.

Additional filing requirements can be found on the VT DFR’s website by captive type at:

<https://dfr.vermont.gov/industry/captive-insurance>

## March 15

**Vermont Captive Insurance Tax Return (on Form CPT 635 (including VT Schedules CPT 636-638, as applicable)) is due annually on or before March 15<sup>th</sup> filed directly with Vermont Department of Taxes via [www.myVTax.vermont.gov](http://www.myVTax.vermont.gov). A premium tax is imposed on captive insurance companies licensed by the Commissioner, Vermont Department of Financial Regulation under Title 8 V.S.A. Chapter 141; Section 6014. **\*\*IMPORTANT\*\*:** It is recommended that USERS try their access by early February annually, to ensure no issues. If changes in captive management or USERS, you may need to apply for new Access, to be done no later than February 25, to receive the Vermont Department of Taxation Access Code letter mailed to the registered address [immediate online access via e-mail is NOT available]. We also recommend to not wait to file on the due date, in the event of any unforeseen issues, as late filings are subject to interest and penalties under the authority of the Vermont Department of Taxes.**

## April 1

**License Renewal Fees** are due annually on April 1<sup>st</sup> and may be paid by Check, ACH or Wire to *People’s United Bank* (per VT DFR Memo #2018-01) or contact [val.stark@vermont.gov](mailto:val.stark@vermont.gov) or (802)

828-3304 for instructions. Please include Vermont Captive License # and Captive name with payment.

## June 30 (or 180 days after fiscal year-end)

Audited Financial Statements (including Report for Evaluation of Internal Controls, Accountant's Letter of Qualifications, Certification of Review of Audit Work Papers) and Statement of Actuarial Opinion with the [Audit and SAO Submittal Form](#) are due June 30 or 180 days after fiscal year-end. Unless prior waiver or extension approval has been granted.

## Upon Issuance

- **Parent Company Reports**

Due to be filed upon issuance on an annual basis and provide explanations for any material declines. **\*\*IMPORTANT:** All non-US dollar reporting must include a conversion of balance sheet to US dollar.

- **Approved Reinsurer Financial Statements**

Due to be filed upon issuance on an annual basis for all approved affiliated reinsurers and provide the current rating.

## Help Contact Information

- For VCAR filing questions – Contact:
  - Becky Aitchison ([Becky.Aitchison@vermont.gov](mailto:Becky.Aitchison@vermont.gov))
  - Jodi Roy ([Jodi.Roy@Vermont.gov](mailto:Jodi.Roy@Vermont.gov))
- Vermont Department of Financial Regulation | 89 Main St. | Montpelier, VT 05620-3301
  - [web site] <https://dfr.vermont.gov/industry/captive-insurance>
  - [captive requests] [DFR.CaptiveMail@vermont.gov](mailto:DFR.CaptiveMail@vermont.gov)
  - [captive filings] [DFR.CaptiveFinancialFilings@vermont.gov](mailto:DFR.CaptiveFinancialFilings@vermont.gov)



## **GENERAL FINANCIAL STATEMENT INSTRUCTIONS (Page by Page)-** **VCAR FORM (replaces Short and Long)**

Note: The **VCAR Short Form** has been eliminated. Beginning 12/31/2021, the Fiscal year-end captives are no longer required to submit a filing at 12/31 year-end with exception to still providing a copy of the Vermont premium tax return and support of their reported premium written. At the time of the Fiscal year-end filing is made (within 75 days) both the PDF and the Excel file of the VCAR is required to be submitted. Also, with the elimination of the Short Form the VCAR Long Form is now referred to as the VCAR Form and has been enhanced for use to report Dormant captives or by special permission when certain pages not required to be completed, including (4) Questionnaire.

### **JURAT**

**JURAT must be completed in its entirety, verified by the oath of a minimum of two (2) of its executive officers and notarized. We honor e-notarization and electronic signatures.**

- Enter in the Data Entry Table for 4-digit Vermont License # (Row 7, Column K) and Licensed Captive Name (Row 8, Column K)
- Enter in the Data Entry Table for the Current Year End, such as 12/31/2021 or 6/30/2021 (Row 10, Column K) and Prior Year End, such as 12/31/2020 or 6/30/2020 (Row 11, Column K)
- The Vermont Office is the captive's principal place of business.
- The Main Administrative Office is the location of the books and records, and in most cases is the same as the Vermont Office.
- The Contact Person (including phone number and Email) should be the person that filled out the VCAR form that can respond to possible questions posed by a VT DFR analyst/examiner.
- Select "Company Type" – (Affiliated Reinsurance Company, Agency, Association, Branch, Industrial Insured, Pure, Risk Retention Group, Special Purpose Financial Insurance Company, Sponsored) from drop-down list (Row 21, Column E). The proper Company Type is needed to correspond to (4) QUESTIONNAIRE, Q18, required minimum capitalization.
- Select "Company Status" – (Active or Dormant) from drop-down list (Row 22, Column E). The proper Company Type is needed to correspond to (4) Questionnaire completion notation. A DORMANT status requires an issued Certificate of Dormancy, otherwise the captive is considered ACTIVE, even if all policies are in run-off (further denoted under (4) QUESTIONNAIRE, Q9).
- Input the elected Vermont Resident Director (Row 32, Column D). (Note: Vermont Resident Director Biographical Affidavit Form (per Memo #2018/2) should be on file



with VT DFR or if confirmation provided to use most current filed Bio).

- Any new officers or directors elected during the year must have a '#' sign next to their name. (**Note:** The VT DFR must be notified of any new officer or director elections and a biographical affidavit must be submitted within 30 days of election).

## **(2) BALANCE SHEET**

All items must be reported based on GAAP, NAIC SAP, or IFRS as noted above, unless otherwise approved by the VT DFR. ([Title 8 V.S.A. Chapter 141; Section 6007 \(b\)](#))

### **ASSETS**

**Line 1 - Cash and Investments** – Includes bonds, stocks, cash and cash equivalents, and short-term investments. **LOCKED CELLS** - Amounts pull in directly from **CASH AND INV SCHEDULE (Pg 2 cont.)**.

**Line 2 a) – b) - Other Invested Assets** – Write-in any invested asset not detailed in Line 1. **LOCKED CELLS** - Amounts pull directly from the **CASH AND INV SCHEDULE (Pg 2 cont.)**, but a description of the asset must be entered within 2a and 2b.

**Line 5 - Loans to Parent and/or Affiliates** – *Note: Company must have prior written approval for loans to the Parent company or affiliates.*

**Lines 6 and 7 - Reinsurance Recoverable on Paid and Unpaid** – Unpaid losses (line 6) **LOCKED CELLS** pulls directly from **(7) UNPAID LOSS & LAE**. The total of these two items should reconcile to the amounts listed on **(6a) REINSURANCE CEDED and/or (6b) REINSURANCE ASSUMED**.

**Line 9 – Ceded Unearned** – **LOCKED CELL** pulls directly from **(6a) REINSURANCE CEDED**.

**Line 11 - Letters of Credit** – Include the value of any LOC's that have been issued as part of capitalization and are for the benefit of the VT DFR. ([Title 8 V.S.A. Chapter 141; Section 6004 \(c\)](#))

**Line 15 a) – d) – Other Assets** – provides for input of “other assets” and amount(s) as needed.

### **Liabilities, Capital and Surplus:**

**Line 17 - Loss and Loss Adjustment Expense Reserves:** Loss and LAE reserves are to be

reported gross of ceded reinsurance. **LOCKED CELL** pulls directly from the amounts reported on (7) UNPAID LOSS & LAE (Columns 1-3).

**Line 18 - Reinsurance Payable on Paid Losses & LAE** – Include amounts currently payable to fronting companies (i.e. losses & LAE payable on assumed policies).

**Line 19 - Insurance Deposit Liability** – Include the amount of liability related to insurance transactions accounted for using the deposit method.

**Line 27 - Dividends Payable** – *Note: All dividends must have prior VT DFR approval.*

**Line 32 – Capital and Surplus d) & e)** – *Note: Additional line added for further breakdown as needed for amounts held for SSA and surplus note.*

### **(2 cont.) CASH AND INV SCHEDULE**

- The balances on this schedule link directly to (2) BALANCE SHEET (Column B, lines 8-16).
- This schedule breaks out investments by type.
- This can be filled out in summary. *Note: Bank and/or Investment statements are not required as support and should not be filed with the VCAR.*
- The schedule must specify the bank or financial institution, the type of account (checking, money market, CD, investment, etc.).
- For Footnote (a) – **Select One** Are the Minimum Capital Requirements met with Cash or Letter of Credit?
- If “No” to Footnote (a) - Any investment accounts, other than cash and cash equivalents or LOC, that are being used to satisfy the minimum capital requirement must be identified in lines provided.

### **(3) INCOME (and CAPITAL AND SURPLUS ACCOUNT)**

**Line 1 - Premiums Written** – “Current” year (Column 1) Direct Premiums Written, Assumed Premiums Written and Ceded Premiums Written are **LOCKED CELLS** and pull directly from the amounts reported on (5) PREMIUMS, less the deposit premium, and ceded premium pulls from (6a) REINSURANCE CEDED, less the ceded deposit premium. (*Note: Please make certain “Prior” year (Column 2) reporting is manually input accurately per descriptive lines*).

**Line 5 - Other Insurance Income** – include income to the captive not related to premium or investments such as premium financing income, risk management charges, inspections, or

other sources.

**Line 7- Net Loss and LAE Incurred** – **LOCKED CELL** pulls directly from the amounts reported on (8) LOSS & LAE PAID & INCURRED.

**Line 10 - General and Administrative** – include expenses incurred by the captive for day-to-day operations that are not directly related to an insurance policy.

**Line 11- Total Underwriting Expenses** – **LOCKED CELL** is the total of Net Loss and LAE Incurred + Subtotal: Other Underwriting Expenses.

**Line 13 - Investment Income-Net** – include investment income earned from all forms of investments net of investment management fees.

**Line 15 – Other Expenses** – to deduct for Other Expenses listed on this line, must enter as a negative number.

**Note: For items represented in Capital and Surplus Account changes Lines 20-28, specifically Capital returned and Dividends, VT DFR prior approval is required by submitting to [DFR.CaptiveMail@vermont.gov](mailto:DFR.CaptiveMail@vermont.gov).**

#### **(4) QUESTIONNAIRE (Q1-Q24)**

**Note: Questions have been re-ordered, re-worded, eliminated, and new questions have been added on the VCAR. All questions are grouped by category, Ownership, Appointed Actuary & CPA, Accounting, Plan of Operation, Specific Captive Type/Transactions and Financial Results/Ratios. Please read carefully and complete all questions in full, and if “Dormant” no responses are required.**

#### **Ownership**

**Q1** – Enter the full name of the ultimate controlling company (for which financial statements are provided to the VT DFR) as of the balance sheet date reported. **Q1 a) and b)** request the affirmation that parent financials have been filed as required and the as of date. We understand that depending on the issuance date what is affirmed may relate to the prior year.

**Note:** Parent company reports are required to be filed annually upon issuance. Please note that this is still a common surveillance reach back to request, so if delayed in filing please provide status updates. Per **Q1 c)** If there will be or has been a change in ownership please submit a Business Plan Change of effective date, details, and organizational chart to [DFR.CaptiveMail@vermont.gov](mailto:DFR.CaptiveMail@vermont.gov).

## **Filings**

**Q2 – Q3** – Provide the full name, address and any relevant contact information for the indicated entities related to the operations of the captive. **Q2 a) and 3 a)**  if a waiver has been requested.

**Q4** - Disclose the **Five-year Pro Forma** details. If the Pro Forma is out-of-date or the actual results are out-of-line compared to the version on file, please affirm by what date a compliant version will be filed. Please note that this is a common surveillance reach back to request, so if a delay in filing please provide status updates.

## **Accounting**

**Q5-Q6** - Disclose if the captive is filing the VCAR in accordance with GAAP, NAIC SAP or IFRS as required in the Captive regulations. If not, please briefly describe. All permitted practices and deviations from GAAP, NAIC SAP or IFRS must have prior VT DFR approval.

**Q7** - Disclose if losses have been discounted, including the interest rate and the total amount of the discount which must have prior VT DFR approval.

## **Plan of Operation**

**Q8** - Affirm that all insurance related business plans changes have been submitted for approval to [DFR.CaptiveMail@vermont.gov](mailto:DFR.CaptiveMail@vermont.gov).

**Q9** – Disclose if the Company entered into any direct or assumed (re) insurance arrangements within the last 12 months , and if 'No' disclose if all lines are in run-off. If not all the lines are in run-off, please briefly describe. As noted, if a Company is in run-off they are still considered 'active', as would not fall under the other status options of 'dissolved' or 'dormant' until approved.

**Q10-Q11** – These questions are referring to both the “Net” per occurrence and aggregate changes and might relate to separate lines of business coverages.

**Q12** – Disclose if any pledged assets other than as security for ceding insurers.

**Q13** – Disclose if the company is insuring risks of “controlled unaffiliated business” per <https://legislature.vermont.gov/statutes/section/08/141/06001> item (7):

(7) "Controlled unaffiliated business" means any person:

(A) that is not in the corporate system of a parent and its affiliated companies in the case of a pure captive insurance company, or that is not in the corporate system of an industrial insured and its affiliated companies in the case of an industrial insured captive insurance company;

(B) that has an existing contractual relationship with a parent or one of its affiliated companies in the case of a pure captive insurance company, or with an industrial insured or one of its affiliated companies in the case of an industrial insured captive insurance company; and

(C) whose risks are managed by a pure captive insurance company or an industrial insured captive insurance company, as applicable, in accordance with section 6019 of this title.

**Q14** – Disclose if the company has any funds on deposit with the Vermont Treasurer for the protection of policyholders, other than letters of credit (LOC).

### **Specific Captive Type/Transactions**

#### **For Sponsored Captives only**

**Q15a)** – Enter the total number of open and active cells defined as not closed or dissolved.

**Q15b)** – If the response to Q15a is 1 or more, the new tab (10) CELL CONFIRMATION EXHIBIT must be completed and included within the Sponsored Captive VCAR filing.

**Q15c)** – Disclose if the Sponsor or any cells meet the Rules of Consolidation through Common Ownership and Control.

**Q15d)** – Affirm that filings have been submitted for each cell using the IPC Form for those that are incorporated and the Supplemental for those by contract. In order to file as combined the Sponsor and cells must meet the rules of consolidation or with approval.

**Q15e)** - Disclose if any open or active cells are insolvent as of the reporting date.

#### **For Separate account captives only**

**Q16a)** – Enter the total number of separate accounts.

**Q16b)** – Affirm if Supplemental VCAR Forms have been submitted for each separate account and if not, please explain.

#### **For Captives with insurance subsidiaries only**

For Captives with Insurance Subsidiaries, see General Instructions above - **Basis and by Type Specifics**.

**Q17** – Disclose the names of insurance subsidiaries and the state in which they are domiciled.

## Financial Results/Ratios

Q18 - This question contains automatic calculations **LOCKED CELLS** that is based on the Company Type selected on the Jurat for required unimpaired minimum capital.

Captive Company Type	Capital
Affiliated Reinsurance Company	Not less than \$5,000,000
Agency	Not less than \$500,000
Association	Not less than \$500,000
Branch	Not less than \$250,000
Industrial Insured	Not less than \$500,000
Pure	Not less than \$250,000
Risk Retention Group	Not less than \$1,000,000
Special Purpose Financial Insurance Company	Not less than \$5,000,000
Sponsored	Not less than \$100,000

Q19-Q24 – These questions contain automatic calculations **LOCKED CELLS** based on your completed VCAR financial results (2) BALANCE SHEET AND (3) INCOME. Any exceptions require an explanation. Note: For explanations, please provide any specific details as available. For example, please do not provide a general reason such as “due to adverse loss development” but instead to the detailed level such as “due to adverse loss development for WC large claim in the 2020 policy year”.

### (5) PREMIUMS

- This schedule should disclose Direct (*Column 1*) and Assumed Written Premium (*Column 3*), including any premium accounted for under the deposit method. The amounts in (*Columns 1 and 3*) are brought directly to (3) INCOME, less the amount reported in (*Columns 2 and 4*) as Deposit Premium. **Note: Please be as accurate as possible to allocate reported information by separate Line of Business (LOB) in accordance with issued policies, which should align to the business plan on file. Detailed LOB information assists for analyzing insurance market trends in the captive industry. For “All Other Lines” please list line descriptions beginning (*Line 50, column A*).**
- If reporting controlled unaffiliated premium see additional reference at: [Title 8 V.S.A. Chapter 141; Section 6002 \(1\)](#) and [Title 8 V.S.A. Chapter 141; Section 6001 \(7\)](#)
- Unrelated / Pooling relates to unrelated risks that don’t fall into the controlled unaffiliated category above, or for companies that have entered into pooling arrangements with reinsurance pools.



- The VT DFR also requires, for financial reporting periods ending 12/31, that a PDF copy of the **Vermont Captive Insurance Tax Return – VT Form CPT 635 (including VT Schedules CPT 636-638, as applicable)**, and any required pool or credit/deduction support be filed with the VCAR. Footnote (a) **Select One**, affirms inclusion. Per *Footnote (c)* - **if the amount of premium on the return is different from that on (5) PREMIUMS, an explanation in the space provided is required.** *This is a common surveillance reach back when differences are identified and not explained. Also, as a reminder please submit copies of tax returns if amended.*
- Footnotes (b) - Enter the amount of premium tax paid [TOTAL TAX DUE per VT Form CPT-635 line 19].

### (6a) REINSURANCE CEDED and (6b) REINSURANCE ASSUMED

- These sheets should disclose the breakdown of amounts Ceded to and Assumed by approved Affiliated and Non-Affiliated Reinsurers(eds), including full name of reinsurers(eds) and domiciliary jurisdiction(s). Note: (6a) REINSURANCE CEDED and (6b) REINSURANCE ASSUMED sheets should be used for filings, and while these sheets are protected, they are now set up to allow to insert rows for additional reporting as needed. If possible do not file as “see attached PDF”, as information is needed in EXCEL format for VT DFR to effectively complete necessary sorts and credit worthiness reviews.
- The amounts in these schedules are carried directly to **(2) BALANCE SHEET**, and (*Column 5*), for Assumed premium, should reconcile to **(5) PREMIUMS**. (*Column 7*) for Ceded Premium, less column G for Ceded Deposit Premium, is linked directly to **(3) INCOME**.
- Any new Reinsurers from the prior filing must be approved by the VT DFR.
- **Full Legal Name of Reinsurer** (*Column 1*)– Please provide the full legal name of the reinsurer per the terms of the reinsurance contract (no abbreviations or shortened names). i.e. ACE (not acceptable), as should be ACE AMERICAN INSURANCE COMPANY.
- **Domiciliary Jurisdiction** (*Column 2*)– Please provide the Domiciliary Jurisdiction (U.S. State or non-U.S. Country) of each reinsurer listed. i.e. For ACE AMERICAN INSURANCE COMPANY, the domicile is PA.
- AM Best Number (*Column 3*), **AM Best Rating** (*Column 3a*), NAIC Company Code (*Column 4*)– Please provide the Company’s AM Best # and/or NAIC Co code as applicable. Numbers/Codes, if applicable, can be obtained through the following websites: [www.naic.org](http://www.naic.org) and [www.ambest.com](http://www.ambest.com). **For the AM Best Rating, please list the most current**

financial strength rating represented by an alphabetical range between A++ and E that is available, and if not rated indicate 'NR'. *Note: We have included reference information in our approved reinsurance listings.* i.e. For ACE AMERICAN INSURANCE COMPANY, AM Best#: 002257 and NAIC #: 22667. Further to Column 3a) their corresponding rating affirmed as of 12/17/2020 is A++.

- Authorized Reinsurance - In accordance with [8 V.S.A., Chapter 141, Section 6011\(b\)](#) credit for reinsurance ceded is allowed when a captive has a contract for reinsurance with companies that are licensed, accredited or certified in [Vermont per 8 V.S.A., Chapter 101, Section 3634a](#); or when a captive contracts for reinsurance with companies specifically approved by the Vermont VT DFR. An Authorized Reinsurer is any reinsurance company meeting the requirements of this section of the law.
- **(6a) REINSURANCE CEDED** – If more than 10% of total surplus (*Column 6*) locked formulas have been added to assist with our analysis.

#### **(7) UNPAID LOSSES AND LAE**

- This schedule should disclose the breakdown of Direct and Assumed reserves by Line of Business, ending with reserves net of reinsurance. Amounts disclosed in this section are carried directly to **(2) BALANCE SHEET** and should reconcile to **(8) LOSS & LAE PAID & INCURRED**.
- If reinsurance recoverable (*Column 4*) cannot be broken out by Line of Business, it can be entered in aggregate on Line 50.

#### **(8) LOSSES & LAE PAID & INCURRED**

- This schedule should disclose the breakdown of paid losses (*Columns 1-4*), current year reserves (*Column 5*), and the prior year reserves (*Column 6*) to calculate the net incurred losses by line of business. Amounts should reconcile to **(7) UNPAID LOSS & LAE** and some amounts are carried over to **(3) INCOME**.
- If Reinsurance Recovered (*Column 3*) cannot be broken out by Line of Business, it can be entered in aggregate on Line 52.

#### **(9) CROSSCHECK**

- This Cross Check/Check Sheet is intended to help the preparer and the VT DFR to identify potential errors in the preparation of the VCAR. Rounding errors can be

disregarded.

- This page is required to be filed with the VCAR and any differences must be explained.

**(10) CELL CONFIRMATION EXHIBIT (NEW IN 2021)**

This is the new VCAR Cell Confirmation Exhibit Form that must be completed and included within the VCAR filings for all Sponsored captives with cells if the response on **(4) Questionnaire, Q15a** is 1 or more. The purpose of the new form is to provide an inception-to-date summary of the cells. Once the initial reporting is created, going forth only updates or changes to existing cells need to be made or new cells added in the reporting year. As this is the first year of the required reporting, modifications may be made as deemed necessary for subsequent year reporting.

**CELL NAME – Column (1):** Input the full name of the Cell as it appears on the Certificate of Approval to Organize or for an incorporated protected cell as it appears on the Certificate of Approval to Organize/Incorporate.

**CELL TYPE – Column (2):** Click the drop-down to select the cell type “PC” or “IPC”. “PC” indicates an Unincorporated Protected Cell that is not incorporated but strictly by contract and “IPC” is an Incorporated Protected Cell, which is registered with the Vermont Secretary of State.

**PARTICIPANT NAME – Column (3):** Input the cell participant name and if multiple participants please indicate all names in the Column (5) Comments/Explanation, if additional space is needed. If the participant is a group, list the industry business type ie. Long Term Care.

**OWNER NAME IF DIFFERENT THAN PARTICIPANT NAME – Column (4):** Input the owner’s name only in circumstances that it is different than the Participant Name in column (3). Please Column (7) Comments/Explanation if additional space is needed.

**STATUS:** Click the drop-down to select the cell status “Active” or “Dissolved/Closed”. Active is defined as “Active” is defined as not closed or dissolved but should include those cells that may be inactive or in run-off. .

**RUN-OFF – Column (6):** If the cell is no longer actively underwriting any direct policies or assuming reinsurance contracts and in “Run-off” please mark “YES”, otherwise “NO”.

**COMMENTS/EXPLANATION – Column (5):** Please use if additional space is required or to explain status of the cell (i.e. In the process of closing or transitioning, etc.). In the cases of sequential cell numbers where a cell # is currently vacant, please list those details here.

**GENERAL FINANCIAL STATEMENT INSTRUCTIONS (Page by Page)-**  
**VCAR SUPPLEMENTAL FORM**

**To be used for required separate reporting by captives filing supplemental insurance subsidiary reporting or unincorporated protected cells.**

**COVER (Not a JURAT)**

- Enter in the Data Entry Table for 4-digit Vermont License # (*Row 7, Column K*), Licensed Captive Name (*Row 8, Column K*), and Reporting Entity (*Row 9, Column K*).
- Enter in the Data Entry Table for the Current Year End, such as 12/31/2021 or 6/30/2021 (*Row 10, Column K*) and Prior Year End, such as 12/31/2020 or 6/30/2020 (*Row 11, Column K*)

**(2) BALANCE SHEET**

All items must be reported based on GAAP, NAIC SAP, or IFRS as noted above, unless otherwise approved by the VT DFR. ([Title 8 V.S.A. Chapter 141; Section 6007 \(b\)](#))

**ASSETS**

**Line 1 - Cash and Investments** – Includes bonds, stocks, cash and cash equivalents, and short-term investments.

**Line 2 a) – b) - Other Invested Assets** – Write-in any invested asset not detailed in Line 1.

**Line 5 - Loans to Parent and/or Affiliates** – *Note: Company must have prior written approval for loans to the Parent company or affiliates.*

**Lines 6 and 7 - Reinsurance Recoverable on Paid and Unpaid** – The total of Reins. Recoverable on Unpaid Losses & LAE (line 6) plus Reins. Recoverable on Paid Losses & LAE should reconcile to the amounts listed on **(6a) REINSURANCE CEDED and (6b) REINSURANCE ASSUMED.**

**Line 9 – Ceded Unearned** – LOCKED CELL pulls directly from **( 6a) REINSURANCE CEDED.**

**Line 11 - Letters of Credit** – Include the value of any LOC's that have been issued as part of capitalization and are for the benefit of the VT DFR. ([Title 8 V.S.A. Chapter 141; Section 6004 \(c\)](#))

**Line 15 a) – d) – Other Assets** – provides for input of “other assets” and amount(s) as needed.

### **Liabilities, Capital and Surplus:**

**Line 17 - Loss and Loss Adjustment Expense Reserves:** Loss and LAE reserves are to be reported gross of ceded reinsurance should agree to the amounts reported on **(7) UNPAID LOSS & LAE** (*Columns 1-3*). Supplemental form does not have a page 7.

**Line 18 - Reinsurance Payable on Paid Losses & LAE** – Include amounts currently payable to fronting companies (i.e. losses & LAE payable on assumed policies).

**Line 19 - Insurance Deposit Liability** – Include the amount of liability related to insurance transactions accounted for using the deposit method.

**Line 27 - Dividends Payable** – *Note: All dividends must have prior VT DFR approval.*

**Line 32 – Capital and Surplus d) & e)** – *Note: Additional line added for further breakdown as needed for amounts held for SSA and surplus note.*

### **(3) INCOME**

**Line 1 - Premiums Written** – “Current” year (*Column 1*) Direct Premiums Written, Assumed Premiums Written and Ceded Premiums Written are **LOCKED CELLS** and pull directly from the amounts reported on **(5) PREMIUMS**, less the deposit premium, and ceded premium pulls from **(6) REINSURANCE CEDED**, less the ceded deposit premium. (*Note: Please make certain “Prior” year (Column 2) reporting is manually input accurately per descriptive lines*).

**Line 5 - Other Insurance Income** – include income to the captive not related to premium or investments such as premium financing income, risk management charges, inspections, or other sources.

**Line 7- Net Loss and LAE Incurred** – Should agree to the amounts reported on **(8) LOSS & LAE PAID & INCURRED**. Supplemental form does not have (8) LOSS & LAE PAID & INCURRED page.

**Line 10 - General and Administrative** – include expenses incurred by the captive for day-to-day operations that are not directly related to an insurance policy.

**Line 11- Total Underwriting Expenses** – **LOCKED CELL** is the total of Net Loss and LAE Incurred + Subtotal: Other Underwriting Expenses.

**Line 13 - Investment Income-Net** – include investment income earned from all forms of investments net of investment management fees.

**Line 15 – Other Expenses** – to deduct for Other Expenses listed on this line, must enter as a negative number.

**Note: For items represented in Capital and Surplus Account changes Lines 20-28, specifically Capital returned and Dividends, require prior VT DFR approval.**

### **(5) PREMIUMS**

- This schedule should disclose Direct (*Column 1*) and Assumed Written Premium (*Column 3*), including any premium accounted for under the deposit method. The amounts in (*Columns 1 and 3*) are brought directly to **(3) INCOME**, less the amount reported in (*Columns 2 and 4*) as Deposit Premium. ***Note: Please be as accurate as possible to allocate reported information by separate Line of Business (LOB) in accordance with issued policies, which should align to the business plan on file. Detailed LOB information assists for analyzing insurance market trends in the captive industry. For “All Other Lines” please list line descriptions beginning (Line 50, column A).***
- If reporting controlled unaffiliated premium see additional reference at: [Title 8 V.S.A. Chapter 141; Section 6002 \(1\) and Title 8 V.S.A. Chapter 141; Section 6001 \(7\)](#)
- Unrelated / Pooling relates to unrelated risks that don't fall into the controlled unaffiliated category above, or for companies that have entered into pooling arrangements with reinsurance pools.

### **(6a) REINSURANCE CEDED and (6b) REINSURANCE ASSUMED**

- These sheets should disclose the breakdown of amounts Ceded to and Assumed by approved Affiliated and Non-Affiliated Reinsurers(eds), including full name of reinsurers(eds) and domiciliary jurisdiction(s). ***Note: (6a) REINSURANCE CEDED and (6b) REINSURANCE ASSUMED sheets should be used for filings, and while these sheets are protected, they are now set up to allow to insert rows for additional reporting as needed. If possible do not file as “see attached PDF”, as information is needed in EXCEL format for VT DFR to***



*effectively complete necessary sorts and credit worthiness reviews.*

- The amounts in these schedules are carried directly to **(2) BALANCE SHEET**, and (Column 5), for Assumed premium, should reconcile to **(5) PREMIUMS**. (Column 7) for Ceded Premium, less column G for Ceded Deposit Premium, is linked directly to **(3) INCOME**.
- Any new Reinsurers from the prior filing must be approved by the VT DFR.
- **Full Legal Name of Reinsurer** (Column 1)– Please provide the full legal name of the reinsurer per the terms of the reinsurance contract (no abbreviations or shortened names). i.e. ACE (not acceptable), as should be ACE AMERICAN INSURANCE COMPANY.
- **Domiciliary Jurisdiction** (Column 2)– Please provide the Domiciliary Jurisdiction (U.S. State or non-U.S. Country) of each reinsurer listed. i.e. For ACE AMERICAN INSURANCE COMPANY, the domicile is PA.
- AM Best Number (Column 3)/ NAIC Company Code (Column 4)– Please provide the Company's AM Best # (AM Best rating-new) and/or NAIC Co code as applicable. Numbers/Codes, if applicable, can be obtained through the following websites: [www.naic.org](http://www.naic.org) and [www.ambest.com](http://www.ambest.com). *Note: We have aggregated the codes on our authorized reinsurance listings available on our web site.* i.e. For ACE AMERICAN INSURANCE COMPANY, AM Best#: 002257 and NAIC #:22667. Further to Column 3a) their corresponding rating affirmed as of 12/17/2020 is A++.
- Authorized Reinsurance - In accordance with [8 V.S.A., Chapter 141, Section 6011\(b\)](#) credit for reinsurance ceded is allowed when a captive has a contract for reinsurance with companies that are licensed, accredited or certified in [Vermont per 8 V.S.A., Chapter 101, Section 3634a](#); or when a captive contracts for reinsurance with companies specifically approved by the Vermont VT DFR. An Authorized Reinsurer is any reinsurance company meeting the requirements of this section of the law.
- **(6a) REINSURANCE CEDED** – If more than 10% of total surplus (Column 6) locked formulas have been added to assist with our analysis.

## **(9) CROSSCHECK**

- This Cross Check/Check Sheet is intended to help the preparer and the VT DFR to identify potential errors in the preparation of the VCAR. Rounding errors can be disregarded.
- This page is required to be filed with the VCAR and any differences must be explained.

## **GENERAL FINANCIAL STATEMENT INSTRUCTIONS (Page by Page)- VCAR Incorporated Protected Cell (IPC) FORM**

**To be used for required separate reporting by IPCs of sponsored captives.**

### **JURAT**

**JURAT must be completed in its entirety. Note for the IPC Form, not required to be signed nor notarized.**

- Enter in the Data Entry Table for 4-digit Vermont License # (Row 7, Column K), Licensed Captive Name (Row 8, Column K), and Reporting Entity (Row 9, Column K).
- Enter in the Data Entry Table for the Current Year End, such as 12/31/2021 or 6/30/2021 (Row 10, Column K) and Prior Year End, such as 12/31/2020 or 6/30/2020 (Row 11, Column K)
- Any new officers or directors elected during the year must have a '#' sign next to their name. (*Note: The VT DFR must be notified of any new officer or director elections and a biographical affidavit must be submitted.*)

### **(2) BALANCE SHEET**

All items must be reported based on GAAP, NAIC SAP, or IFRS as noted above, unless otherwise approved by the VT DFR. ([Title 8 V.S.A. Chapter 141; Section 6007 \(b\)](#))

### **ASSETS**

**Line 1 a) - d) - Cash and Investments** – Includes bonds, stocks, cash and cash equivalents, and short-term investments. **LOCKED CELLS** - Amounts pull in directly from the **CASH AND INV SCHEDULE (Pg. 2 cont.)**.

**Line 2 a) – b) - Other Invested Assets** – Write-in any invested asset not detailed in Line 1. **LOCKED CELLS** - Amounts pull directly from the **CASH AND INV SCHEDULE (Pg. 2 cont.)**, but a description of the asset must be entered within 2a and 2b.

**Line 5 - Loans to Parent and/or Affiliates** – *Note: Company must have prior written approval for loans to the Parent company or affiliates.*

**Lines 6 and 7 - Reinsurance Recoverable on Paid and Unpaid** – Unpaid losses (line 6) **LOCKED CELLS** pulls directly from **(7) UNPAID LOSS & LAE**. The total of these two items should reconcile to the amounts listed on **(6a) REINSURANCE CEDED and (6b) REINSURANCE ASSUMED**.

**Line 9 – Ceded Unearned** – **LOCKED CELL** pulls directly from **(6a) REINSURANCE CEDED**.

**Line 11 - Letters of Credit** – Include the value of any LOC's that have been issued as part of capitalization and are for the benefit of the VT DFR. ([Title 8 V.S.A. Chapter 141; Section 6004 \(c\)](#))

**Line 15 a) – d) – Other Assets** – provides for input of “other assets” and amount(s) as needed.

### **Liabilities, Capital and Surplus:**

**Line 17 - Loss and Loss Adjustment Expense Reserves:** Loss and LAE reserves are to be reported gross of ceded reinsurance. **LOCKED CELL** pulls directly from the amounts reported on **(7) UNPAID LOSS & LAE (Columns 1-3)**.

**Line 18 - Reinsurance Payable on Paid Losses & LAE** – Include amounts currently payable to fronting companies (i.e. Losses & LAE payable on assumed policies).

**Line 19 - Insurance Deposit Liability** – Include the amount of liability related to insurance transactions accounted for using the deposit method.

**Line 27 - Dividends Payable** – *Note: All dividends must have prior VT DFR approval.*

**Line 32 – Capital and Surplus d) & e)** – *Note: Additional line added for further breakdown as needed for amounts held for SSA and surplus note.*

### **(2 cont.) CASH AND INV SCHEDULE**

- The balances on this schedule link directly to **(2) BALANCE SHEET (Column B, lines 8-16)**.
- This schedule breaks out investments by type.
- This can be filled out in summary. *Note: Bank and/or Investment statements are not required as support and should not be filed with the VCAR.*
- The schedule must specify the bank or financial institution, the type of account (checking, money market, CD, investment, etc.).
- For Footnote (a) – **Select One** Are the Minimum Capital Requirements met with Cash or Letter of Credit?
- If “No” to Footnote (a) - Any investment accounts, other than cash and cash equivalents or LOC, that are being used to satisfy the minimum capital requirement must be identified in lines provided.

### (3) INCOME

**Line 1 - Premiums Written** – “Current” year (Column 1) Direct Premiums Written, Assumed Premiums Written and Ceded Premiums Written are **LOCKED CELLS** and pull directly from the amounts reported on (5) **PREMIUMS**, less the deposit premium, and ceded premium pulls from Page 6, less the ceded deposit premium. (*Note: Please make certain “Prior” year (Column 2) reporting is manually input accurately per descriptive lines*).

**Line 5 - Other Insurance Income** – include income to the captive not related to premium or investments such as premium financing income, risk management charges, inspections, or other sources.

**Line 7- Net Loss and LAE Incurred** – **LOCKED CELL** pulls directly from the amounts reported on (8) **LOSS & LAE PAID & INCURRED**.

**Line 10 - General and Administrative** – include expenses incurred by the captive for day-to-day operations that are not directly related to an insurance policy.

**Line 11- Total Underwriting Expenses** – **LOCKED CELL** is the total of Net Loss and LAE Incurred + Subtotal: Other Underwriting Expenses.

**Line 13 - Investment Income-Net** – include investment income earned from all forms of investments net of investment management fees.

**Line 15 – Other Expenses** – to deduct for Other Expenses listed on this line, must enter as a negative number.

**Note: For items represented in Capital and Surplus Account changes Lines 20-28, specifically Capital returned and Dividends, must have VT DFR prior approval.**

### (4) QUESTIONNAIRE (Q1-Q24)

**Note: Questions have been re-ordered, re-worded, eliminated, and new questions have been added on the VCAR. All questions are grouped by category, Ownership, Appointed Actuary & CPA, Accounting, Plan of Operation, Specific Captive Type/Transactions and Financial Results/Ratios. Please read carefully and complete all questions in full, and if “Dormant” no responses are required.**

#### Ownership

**Q1** – Enter the full name of the ultimate controlling company of the reporting entity/cell (for which financial statements are provided to the VT DFR) as of the balance sheet date reported. Group

captives should provide the associated industry, e.g. long term care facilities, etc. **Q1 a) and b)** request the affirmation that parent financials have been filed as required and the as of date. We understand that depending on the issuance date what is affirmed may relate to the prior year. Note: Parent company reports are required to be filed annually when issued. Please note that this is still a common surveillance reach back to request, so if delayed in filing please provide status updates. Per **Q1 c)** if there will be or has been a change in ownership please submit Business Plan Change of effective date, details, and organizational chart to [DFR.CaptiveMail@vermont.gov](mailto:DFR.CaptiveMail@vermont.gov).

### **Filings**

**Q2 – Q3** – Provide the full name, address and any relevant contact information for the indicated entities related to the operations of the captive. **Q2 a) and 3 a)**  if a waiver has been requested.

**Q4** – For risk-based cells only, disclose the **Five-year Pro Forma** details for the reporting entity/cell. As projections are provided for approval of risk-bearing IPCs, the expectation is that Five-year Pro Forma’s are to be maintained and filed for each of these IPCs. If the Pro Forma is out-of-date or the actual results are materially out-of-line compared to the one on file, please affirm by what date a compliant one will be filed. Please note that this is a common surveillance reach back to request, so if a delay in filing please provide status updates.

### **Accounting**

**Q5-Q6** - Disclose if the reporting entity/cell is filing the VCAR in accordance with GAAP, NAIC SAP or IFRS as required in the VT DFR regulations. If not, please briefly describe. All permitted practices and deviations from GAAP, NAIC SAP or IFRS must have prior VT DFR approval.

**Q7** - Disclose if the losses of the reporting/entity have been discounted, including the interest rate and the total amount of the discount which must have prior VT DFR approval.

### **Plan of Operation**

**Q8** - Affirm that all insurance related business plans changes of the reporting entity/cell have been submitted for approval to [DFR.CaptiveMail@vermont.gov](mailto:DFR.CaptiveMail@vermont.gov).

**Q9** – Disclose if the reporting entity/cell entered into any direct or assumed (re) insurance arrangements within the last 12 months , and if ‘No’ disclose if all lines are in run-off. If not all the lines are in run-off, please briefly describe.

**Q10-Q11** – This question is referring to both the “Net” per occurrence and aggregate changes.

**Q12** – Disclose if any pledged assets other than as security for ceding insurers.

Q13 – Disclose if the reporting entity/cell is insuring risks of “controlled unaffiliated business” per <https://legislature.vermont.gov/statutes/section/08/141/06001> item (7):

(7) "Controlled unaffiliated business" means any person:

(A) that is not in the corporate system of a parent and its affiliated companies in the case of a pure captive insurance company, or that is not in the corporate system of an industrial insured and its affiliated companies in the case of an industrial insured captive insurance company;

(B) that has an existing contractual relationship with a parent or one of its affiliated companies in the case of a pure captive insurance company, or with an industrial insured or one of its affiliated companies in the case of an industrial insured captive insurance company; and

(C) whose risks are managed by a pure captive insurance company or an industrial insured captive insurance company, as applicable, in accordance with section 6019 of this title.

Q14 – Disclose if the reporting entity/cell has any funds on deposit with the Vermont Treasurer for the protection of policyholders, other than letters of credit (loc).

### **Financial Results/Ratios**

Q15-Q20 – These questions contain automatic calculations **LOCKED CELLS** based on your completed VCAR financial results (2) BALANCE SHEET AND (3) INCOME. Any exceptions require an explanation. Note: For explanations, please provide any specific details as available. For example, please do not provide a general reason such as “due to adverse loss development” but instead to the detailed level such as “due to adverse loss development for WC large claim in the 2020 policy year”.

### **(5) PREMIUMS**

- This schedule should disclose Direct (*Column 1*) and Assumed Written Premium (*Column 3*), including any premium accounted for under the deposit method. The amounts in (*Columns 1 and 3*) are brought directly to (3) BALANCE SHEET, less the amount reported in (*Columns 2 and 4*) as Deposit Premium. **Note: Please be as accurate as possible to list information by separate Line of Business (LOB) in accordance with issued policies, which should align to the business plan on file. Detailed LOB information assists for analyzing insurance market trends in the captive industry. For “All Other Lines” please list line descriptions beginning (Line 51, column A).**



- If reporting controlled unaffiliated premium see additional reference at: [Title 8 V.S.A. Chapter 141; Section 6002 \(1\) and Title 8 V.S.A. Chapter 141; Section 6001 \(7\)](#)
- Unrelated / Pooling relates to unrelated risks that don't fall into the controlled unaffiliated category above, or for companies that have entered into pooling arrangements with reinsurance pools.
- The VT DFR also requires, for financial reporting periods ending 12/31, that a PDF copy of the **Vermont Captive Insurance Tax Return – VT Form CPT 635 (including VT Schedules CPT 636-638, as applicable)** any required pool or credit/deduction support be filed with the VCAR. Footnote (a) , affirms inclusion. Per **Footnote (c) - if the amount of on the return is different from that on Page 5, an explanation in the space provided is required.** *This is a common surveillance reach back when differences identified and not explained. Also, as a reminder please submit copies of tax returns if amended.*
- Footnotes (b) - Enter the amount of premium tax paid [CELL CALCULATED TAX per VT Schedule CPT-637 line 15].

#### **(6a) REINSURANCE CEDED and (6b) REINSURANCE ASSUMED**

- These sheets should disclose the breakdown of amounts Ceded to and Assumed by approved Affiliated and Non-Affiliated Reinsurers(eds), including full name of reinsurers(eds) and domiciliary jurisdiction(s). *Note: (6a) REINSURANCE CEDED and (6b) REINSURANCE CEDED sheets should be used for filings, and while these sheets are protected, they are now set up to allow to insert rows for additional reporting as needed. If possible do not file as "see attached PDF", as information is needed in EXCEL format for VT DFR to effectively complete necessary sorts and credit worthiness reviews.*
- The amounts in these schedules are carried directly to **(2) BALANCE SHEET**, and (Column 5), for Assumed premium, should reconcile to **(5) PREMIUMS**. (Column 7) for Ceded Premium, less column G for Ceded Deposit Premium, is linked directly to **(3) INCOME**.
- Any new Reinsurers from the prior filing must be approved by the VT DFR.
- **Full Legal Name of Reinsurer (Column 1)**– Please provide the full legal name of the reinsurer per the terms of the reinsurance contract (no abbreviations or shortened names). i.e. ACE (not acceptable), as should be ACE AMERICAN INSURANCE COMPANY.
- **Domiciliary Jurisdiction (Column 2)**– Please provide the Domiciliary Jurisdiction (U.S. State or non-U.S. Country) of each reinsurer listed. i.e. For ACE AMERICAN

INSURANCE COMPANY, the domicile is PA.

- AM Best Number (*Column 3*)/ NAIC Company Code (*Column 4*)– Please provide the Company’s AM Best #, **AM Best Rating (new)** and/or NAIC Co code as applicable. Numbers/Codes, if applicable, can be obtained through the following websites: [www.naic.org](http://www.naic.org) and [www.ambest.com](http://www.ambest.com). *Note: We are working to aggregate the codes to include in our approved reinsurance listings going forward.* i.e. For ACE AMERICAN INSURANCE COMPANY, AM Best#: 002257 and NAIC #:22667. Further to *Column 3a*) their corresponding rating affirmed as of 12/17/2020 is A++.
- Authorized Reinsurance - In accordance with [8 V.S.A., Chapter 141, Section 6011\(b\)](#) credit for reinsurance ceded is allowed when a captive has a contract for reinsurance with companies that are licensed, accredited or certified in [Vermont per 8 V.S.A., Chapter 101, Section 3634a](#); or when a captive contracts for reinsurance with companies specifically approved by the Vermont VT DFR. An Authorized Reinsurer is any reinsurance company meeting the requirements of this section of the law.
- **(6a) REINSURANCE CEDED** – If more than 10% of total surplus (*Column 6*) locked formulas have been added to assist with our analysis.

#### **(7) UNPAID LOSSES AND LAE**

- This schedule should disclose the breakdown of Direct and Assumed reserves by Line of Business, ending with reserves net of reinsurance. Amounts disclosed in this section are carried directly to Page 2 and should reconcile to **(8) LOSS & LAE PAID & INCURRED**.
- If reinsurance recoverable (*Column 4*) cannot be broken out by Line of Business, it can be entered in aggregate on line 51.

#### **(8) LOSSES AND LAE PAID AND INCURRED**

- This schedule should disclose the breakdown of paid losses (*Columns 1-4*), current year reserves (*Column 5*), and the prior year reserves (*Column 6*) to calculate the net incurred losses by line of business. Amounts should reconcile to **(7) UNPAID LOSS & LAE** and some amounts are carried over to **(3) INCOME**.
- If Reinsurance Recovered (*Column 3*) cannot be broken out by Line of Business, it can be entered in aggregate on line 53.

## (9) CROSSCHECK

- This Cross Check/Check Sheet is intended to help the preparer and the VT DFR to identify potential errors in the preparation of the VCAR. Rounding errors can be disregarded.
- This page is required to be filed with the VCAR and any differences must be explained.