
**DEPARTMENT OF FINANCIAL REGULATION
 AFFILIATED REINSURANCE COMPANY
 APPLICATION FOR ADMISSION TO VERMONT
GENERAL INSTRUCTIONS**

1. Prior to completing the **Affiliated Reinsurance Company (ARC) Application for Admission** (the **Application**), please coordinate a meeting with the Vermont Department of Financial Regulation (Department). The Department appreciates the opportunity to meet with prospective captive owners/members to hear about their organization and specific insurance needs, discuss the proposed business plan and ownership structure and share information about Vermont, including the application process and how we will regulate the captive after licensing. Please note all information regarding the **Application**, including these preliminary discussions, is Confidential.

2. The **ARC Application** is a "fillable" PDF Form only and it is recommended you open and complete in Adobe Acrobat. Note: Printing as a blank form for manual completion is not recommended, as questions with drop down **Select One** responses do not print selection options.
 - The **Application** and all related supplemental information should be submitted in PDF format and emailed to DFR.CaptiveMail@vermont.gov
 - A separate Word document consisting of the captive's plan of operation/business plan and a separate Excel file consisting of the proforma financial projections included with the e-mail submission would be appreciated.
 - A printed copy of the **Application** will be acceptable but is not necessary.

3. The **ARC Application** must be filled out in its entirety and submitted together with all required materials, including those items listed in Question 20, as applicable. A written explanation is required for any items deemed not applicable.
 - If applicable, the **ARC Application** will be reviewed by one of the actuarial review firms appointed by the Commissioner. The firms' duties are advisory in nature and final approval or disapproval of an **ARC Application** will be made by the Commissioner only.
 - Please prepare one (1) extra copy of the **ARC Application** and all required documents, with the exception of the biographical affidavits and /or other sensitive information, which you will send to the assigned reviewing actuary upon direction of this Department.
 - We will provide the reviewing actuary's contact information and preference with regard to format (pdf vs. printed copy) upon assignment by the Department. When e-mailing the reviewing actuary, please copy DFR.CaptiveMail@vermont.gov so we know it was sent.

4. No incomplete **ARC Application** package will be accepted. Incomplete **Applications** will be returned. Please submit complete **Application** materials to:

Via e-mail in unsecured PDF format: DFR.CaptiveMail@vermont.gov

or

Via mail (if preferred):

Vermont DFR - Captive Insurance Division
89 Main Street
Montpelier, VT 05620-3101

5. **ARC Application** fees can be submitted via check or electronic fund transfer (ACH or wire):

Via mail (checks): Vermont DFR - Captive Insurance Division
89 Main Street
Montpelier, VT 05620-3101

Or

For ACH/Wire Transfer instructions, please call 802-828-3304 or e-mail val.stark@vermont.gov

Please note, to ensure proper credit to the appropriate Captive Insurance Company, the following Reference Note is Required on checks and electronic fund transfers*: **DFR CI – (Name of Captive and Reason for Payment)** [*Example: DFR CI – XYZ Captive Insurance Company Application fees*]

Certain requirements/expectations are summarized on the following pages. For questions and additional guidance, please contact:

Christine Brown, CFE
Director of Captive Insurance
Vermont Department of Financial Regulation
christine.brown@vermont.gov

Jim DeVoe-Talluto, CPA, CFE
Assistant Director of Captive Insurance
Vermont Department of Financial Regulation
jim.devoe-talluto@vermont.gov

~See Pages 3-6 for additional application resources~

Applicable Laws, Regulations, Lists and Forms

Affiliated Reinsurance Companies must comply with Title 8 V.S.A. Section 6049. Please refer to the applicable statutes at <https://legislature.vermont.gov/statutes/chapter/08/141>. Certain requirements are summarized below for emphasis.

"Affiliated reinsurance company" means a company licensed by the Commissioner pursuant to this subchapter to reinsure risks ceded by a ceding insurer that is its parent or affiliate. Affiliate shall have the same meaning as defined in SSAP97.

An affiliated reinsurance company shall only reinsure the risks of a ceding insurer. An affiliated reinsurance company may cede the risks assumed under a reinsurance contract to another reinsurer, subject to the prior approval of the Commissioner.

In conjunction with the issuance of a license to an affiliated reinsurance company, the Commissioner may issue an order that includes any provisions, terms, and conditions regarding the organization, licensing, and operation of the affiliated reinsurance company that are deemed appropriate by the Commissioner and that are not inconsistent with applicable Vermont statutes.

To qualify for a license, an affiliated reinsurance company shall be subject, in addition to the requirements of subsection 6002(c) of this chapter, to the following:

- the source and form of the affiliated reinsurance company's capital and surplus;
- the investment policy of the affiliated reinsurance company, which shall provide for a diversified investment portfolio both as to type and issue and shall include a requirement for liquidity and for the reasonable preservation, administration, and management of such assets with respect to the risks associated with any reinsurance transactions.

The application shall include copies of all agreements and documentation, including reinsurance agreements.

An affiliated reinsurance company shall not be issued a license unless it possesses and thereafter maintains unimpaired paid-in capital and surplus of not less than \$5,000,000.00. The Commissioner may prescribe additional capital and surplus based upon the type, volume, and nature of reinsurance business transacted. The provisions of Title 8 V.S.A. Chapter 159, Risk Based Capital for Insurers, shall apply in full to an affiliated reinsurance company.

An affiliated reinsurance company may cede risks assumed through a reinsurance contract to one or more reinsurers through the purchase of reinsurance, subject to the prior approval of the Commissioner. The provisions of 8 V.S.A. Chapter 101, Subchapter 10, reinsurance of risks, shall apply in full to an affiliated reinsurance company.

Unless otherwise approved in advance by the Commissioner, a reinsurance contract shall not contain any provision for payment by the affiliated reinsurance company in discharge of its obligations under the reinsurance contract to any person other than the ceding insurer or any receiver of the ceding insurer.

An affiliated reinsurance company shall file its report in the form required by 8 V.S.A. Chapter 101, Subsection 3561(a), and each affiliated reinsurance company shall comply with the requirements set forth in 8 V.S.A., Section 3569; and

- An affiliated reinsurance company shall report using statutory accounting principles, unless the Commissioner requires, approves, or accepts the use of generally accepted accounting principles or another comprehensive basis of accounting, in each case with any appropriate or necessary modifications or adaptations required or approved or accepted by the Commissioner and as supplemented by additional information required by the Commissioner.

The provisions of Title 8 V.S.A. Chapter 101, Sections 3578a (annual financial reporting) and 3579 (qualified accountants) of this title shall apply in full to an affiliated reinsurance company.

The provisions of Title 8 V.S.A. Chapter 101, Section 3316 (corporate governance disclosure) shall apply in full to an affiliated reinsurance company.

The provisions of Title 8 V.S.A. Chapter 101, Subchapter 7A (own risk and solvency assessment) shall apply in full to an affiliated reinsurance company.

The provisions of Title 8 V.S.A. Chapter 101, Section 3577 (requirements for actuarial opinions) shall apply in full to an affiliated reinsurance company.

Consulting Actuarial Review

If applicable, the ARC licensing application will be reviewed by one of the twelve review firms appointed by the Commissioner. The firms' duties are of an advisory nature only and final approval or disapproval of an application will be made by the Commissioner only.

Principal Place of Business

Vermont Statutes (8 V.S.A., Chapter 141, Section 6002(b)(3)) require each company to “maintain its principal place of business in this state”. Most of the companies domiciled in Vermont maintain their principal place of business by contracting with one of Vermont’s Approved Managers. An affiliate reinsurance company may choose to staff an office in Vermont, or contract with a local Vermont Approved Manager. A list of Managers qualified to conduct business in Vermont can be found on our website at <https://dfr.vermont.gov/document/approved-management-companies>.

Vermont-Approved Management

The Department encourages all companies to contact one of the Vermont-Approved Managers. A listing can be found at: <https://dfr.vermont.gov/document/approved-management-companies>. The prospective ARC owner can rely on the manager's expertise in this area. The ARC is required to have a principal place of business in Vermont per 8 V.S.A., Chapter 141, Section 6002(b)(3), and an approved manager with offices located in Vermont will meet that requirement.

Legal Counsel

The Department recommends, but does not require, the use of Vermont counsel for Secretary of State filing purposes.

Certificate of General Good and Organization of the Business Entity in Vermont

Each ARC shall petition the Commissioner to issue a Certificate of Public Good. The factors to be addressed are outlined in 8 V.S.A. Sec 6006(e).

After the Commissioner has issued a Certificate of Public Good, it can be presented along with the appropriate organizational documents, to the Secretary of State's office (for a fee - see 11 V.S.A. Sec 3026 and 11A V.S.A. Sec 1.22) for registering the business entity in Vermont.

A Certificate of Authority to operate as an ARC in Vermont cannot be issued by the Commissioner until the business entity is registered with the Vermont Secretary of State's Office.

An affiliated reinsurance company incorporated or organized in Vermont shall have one or more incorporators or one or more organizers, at least one of which shall be a resident of Vermont.

In the case of an affiliated reinsurance company:

- (1) formed as a corporation, at least one of the members of the board of directors shall be a resident of this State;
- (2) formed as a reciprocal insurer, at least one of the members of the subscribers' advisory committee shall be a resident of this State;
- (3) formed as a limited liability company, at least one of the managers shall be a resident of this State.

Letters of Credit for Capital and Surplus

If letters of credit are used to meet capital and surplus requirements Form E-702 Irrevocable Letter of Credit is located at: <https://dfr.vermont.gov/document/letter-credit-template>

While Form E-702 Irrevocable Letter of Credit is provided as a "sample" format, please note that if you use a different format, you must adhere to the exact wording in paragraphs 1-7. All Letters of Credit should be issued on the bank's letterhead by a Qualified Bank (a member of the Federal Reserve Bank or included on the list of NAIC approved banks).

Biographical Affidavits

Include a *Biographical Affidavit* for each officer and director using either Vermont's prescribed *Biographical Affidavit* form or the NAIC's biographical affidavit and use form *Vermont Resident Director Biographical Affidavit* for required resident director. Each affidavit must be filled out in its entirety and no substitute for this form will be accepted. The Vermont format is located at:

<https://dfr.vermont.gov/document/biographical-affidavit>.

The NAIC format can be found at: https://naic.org/industry_ucaa.htm

Application Turnaround Time

Approximately 30 Days from receipt of complete application.

Please note that the Department may perform an organizational examination as soon as possible after the issuance of a Certificate of Authority and capitalization of the affiliated reinsurance company. The applicant will bear the cost of such examination.

Change in Plan of Operation

Before receiving a license, an ARC shall submit to the Commissioner for approval a comprehensive plan of operation as part of the application for admission. In the event of any subsequent material change in any item described in the plan of operation, the ARC shall submit to the Commissioner for approval an appropriate revision and shall not execute any revision until approved by the Commissioner.



[User Fillable PDF Form Only]

DEPARTMENT OF FINANCIAL REGULATION
AFFILIATED REINSURANCE COMPANY ("ARC")
APPLICATION FOR ADMISSION TO VERMONT

1. Name of Proposed ARC

2. Parent Company

NAIC No. Group Code

3. Individual to be contacted regarding this application

Street Address/City/State/Zip

Phone Number E-Mail

4. Organization Form

5. Vermont (VT) Principal Place of Business of Proposed ARC

6. Proposed VT Resident Registered Agent

Street Address/City/State/Zip

7. Proposed location of Books and Records

8. Basis of Accounting

If "Other Accounting", please explain:

9. Fiscal Year-End Date

10. Capital and/or Surplus of Company (not less than \$5,000,000.00)

(a) Initial Capital \$

Initial Surplus \$

Total \$

(b) Location of Shares of Stock _____

11. If a Letter of Credit is to be used to satisfy capital and surplus requirement, **the language on Department Form E-702 must be used.** While this document is provided as a “sample” format, please note that if you use a different format, you must adhere to the exact wording in paragraphs 1-7. All Letters of Credit should be issued on Bank letterhead. Exceptions will not be considered. The Letter of Credit Form E-702 may be found at: <https://dfr.vermont.gov/document/letter-credit-template>.

Name and Address of *Qualified Bank _____

*A qualifying bank is a member of the Federal Reserve Bank or included on the list of NAIC approved banks.

Amount of Letter of Credit \$ _____

If Letter of Credit used, please include draft with application. Included: YES PENDING

12. Provide the following information for each beneficial owner (**attach additional pages as needed**):

Name _____

Address _____

Percentage of ownership _____

Relationship among beneficial owners _____

Will the proposed ARC be under common ownership and control, as defined by 8 V.S.A., Chapter 141, Section 6001 and 6014 <https://legislature.vermont.gov/statutes/chapter/08/141>, with another existing Vermont licensed company? YES NO If YES, please attach list.

13. Enclose Annual Report or 10K's of Beneficial Owners.

(a) Provide Organizational chart

(b) Home office (City, State/Province, Country) _____

14. VT Approved Management Firm _____

Address _____

Phone Number _____ E-Mail _____

15. Lawyer _____

Address _____

Phone Number _____ E-Mail _____

16. Claims Handler _____

Address _____

Phone Number _____ E-Mail _____

17. Qualified Accountant* _____

Address _____

Phone Number _____ E-Mail _____

18. Qualified Actuary* _____

Address _____

Phone Number _____ E-Mail _____

***May require specific approval with application.**

19. (Re)insurance Broker _____

Address _____

Phone Number _____ E-Mail _____

20. Include the following with this application:

- (a) Identify prospective risks to the company and any mitigating strategies;
- (b) Copy of petition for *Certificate of General Good*;
- (c) Certified copy of Company's *Certificate of Incorporation, Articles of Association* and *Bylaws*;
- (d) Statement of Benefit to Vermont;
- (e) Holding company registration statement (if applicable); acceptable filing would be that of the parent company in their domicile;
- (f) Non-refundable license fee of \$500.00;
- (g) Actuarial fee of \$6,000.00 (refundable if deemed not necessary by the Commissioner);
- (h) Actuarial support and reinsurance business considerations, including but not limited to: risk analysis (experience, exposure, frequency & severity, market, systemic, credit, and trends); risk transfer analysis; design and pricing of the reinsurance agreement(s); funding of the ARC; and claims management;

- (i) Investment policy of the ARC (that will be presented to the board for approval), which shall provide for a diversified investment portfolio both as to type and issue and shall include a requirement for liquidity and for the reasonable preservation, administration, and management of such assets with respect to the risks associated with any reinsurance transaction;
- (j) Proposed Reinsurance agreements;
- (k) Identity of ceding insurance carrier(s) to be reinsured by the ARC including the affiliation to the ARC owner(s). Affiliate shall have the same meaning as defined in SSAP97.
- (l) All other applicable proposed agreements and documentation;
- (m) List of directors and officers: Include a *Biographical Affidavit* for each officer and director using either Vermont’s prescribed *Biographical Affidavit* form or the NAIC’s biographical affidavit and use form *Vermont Resident Director Biographical Affidavit* for required resident director;
- (n) List of other service providers and their responsibilities together with how fees for services rendered are to be charged;
- (o) Detailed Plan of Operation with supporting data including:
 - (1) Risks to be reinsured/assumed by line of business including amount or % reinsured; type of reinsurance (ie. Excess of loss; quota share, or stop loss);
 - (2) Reinsurance/retrocession including amount or % reinsured; type of reinsurance (ie. excess of loss; quota share, or stop loss); full reinsurer name(s), location(s) and AM Best/NAIC Code(s);
 - (3) Expected net annual premium income;
 - (4) Proposed initial capital (amount, source and form of ARC initial capitalization); and
 - (5) Financial projections on an expected and adverse-case scenario, including assumptions for each scenario.

I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF ALL THE INFORMATION GIVEN IN THIS APPLICATION IS TRUE AND CORRECT AND THAT ALL ESTIMATES GIVEN ARE TRUE ESTIMATES BASED UPON FACTS WHICH HAVE BEEN CAREFULLY CONSIDERED AND ASSESSED.

Name _____ Date _____

Signature _____

(Director or Officer of Company)