

VERMONT CAPTIVE ANNUAL REPORT (VCAR) - All Forms Instructions
Per Form Page by Page VCAR Instructions

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GENERAL FINANCIAL STATEMENT INSTRUCTIONS (Page by Page)

1. VCAR FORM

To be used by all licensed captives that are non-NAIC filers.

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 # (K7) and Licensed Captive Name (K8)
- Enter in the Data Entry Table for the Current Year End, such as 12/31/2023 or 6/30/2023 (K10) and Prior Year End [required field even if no reporting and/or N/A], such as 12/31/2022 or 6/30/2022 (K11).
- Organized under the laws of the State of is the State of Domicile. (G13)
- Date of License is as per the Certificate of Authority. (G14)
- Captive Address is the principal place of business and in most cases the address of the Vermont Captive Manager. (E16-17)
- The Annual Report 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. (F19-21)
- 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 (G23). The proper Company Type is needed to correspond to (4) **QUESTIONNAIRE, Q10**, required minimum capitalization.
- Select “Company Status” – (Active or Dormant) from drop-down list (H24). 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**).
- Input the elected Vermont Resident Director (D41). (Note: **Vermont Resident Director Biographical Affidavit Form** 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).
- Input the elected Vermont Resident Director (D41). (Note: **Vermont Resident Director Biographical Affidavit Form** should be on file with VT DFR or if confirmation provided

to use most current filed Bio).

(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 (B8-16)**.
- 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) – 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 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 – 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.

(4) QUESTIONNAIRE (O1-O16)

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, address and % ownership (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 of parent or ultimate parent, and organizational chart to DFR.CaptiveMail@vermont.gov.

Appointed Actuary & CPA

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)** **Select One** if a waiver has been requested.

Accounting

Q4 - 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.

Q5 - 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

Q6 - Affirm that all insurance related business plans changes have been submitted for approval to DFR.CaptiveMail@vermont.gov.

Specific Captive Type/Transactions

For Sponsored Captives only

Q7) – Enter the total number of open and active cells defined as not closed or dissolved. If the response to Q7 is 1 or more, the tab (E-1) CELL CONFIRMATION EXHIBIT must be completed and included within the Sponsored Captive VCAR filing.

For Separate account captives only

Q8) – Enter the total number of separate accounts.

For Captives with insurance subsidiaries only

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

Q9 – Disclose the names of insurance subsidiaries and the state in which they are domiciled.

Financial Results/Ratios

Q10 - This question contains automatic calculations **LOCKED CELLS** that is based on the Company Type selected on the Jurat for required unimpaired minimum capital. For those below the minimum capital a remedial letter should be filed with DFR.CaptiveMail@vermont.gov.

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

Q11-16 – 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 2023 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 (A50).
- 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 and 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.

(E-1) CELL CONFIRMATION EXHIBIT

The VCAR Cell Confirmation Exhibit Form must be completed and included within the VCAR filings for all Sponsored captives with cells if the response on **(4) Questionnaire, Q7** is 1 or more. The purpose of the 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.

Header Notes: Click the drop-downs to affirm the corresponding VCAR forms have been filed for incorporated and unincorporated protected cells.

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.

Common Ownership and Control Filing Consolidated with the Sponsor– Column (3): Click the drop-down to select “YES” or “NO”. A YES response indicates that the cells fall under Common Ownership and Control, and is filing Consolidated with the Sponsor.

PARTICIPANT NAME – Column (4): Input the cell participant name and if multiple participants please indicate all names in the Column (9) 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 (5): 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 – Column (6): 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 (7): If the cell is no longer actively underwriting any direct policies or assuming reinsurance contracts and in “Run-off” please mark “YES”, otherwise “NO”.

CELL FINANCIALLY SOLVENT – Column (8): Click the drop-down to select “YES” or “No”. If “NO” indicating that the cell is financially insolvent provide a brief explanation in Column (9) and must write in to dfr.captivemail@vermont.gov with a remedial plan.

ADDITIONAL DETAILS/EXPLANATION – Column (9): 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.

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)

2. VCAR SUPPLEMENTAL FORM

To be used for unincorporated protected cells, separate accounts, and filings for insurance subsidiaries, unless required to file on NAIC forms.

COVER (Not a JURAT)

- Enter in the Data Entry Table for 4-digit Vermont License # (K7), Licensed Captive Name (Row 8, Column K), and Reporting Entity (K9).
- Enter in the Data Entry Table for the Current Year End, such as 12/31/2023 or 6/30/2023 (K10) and Prior Year End, such as 12/31/2022 or 6/30/2022 (K11)

(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 (A50).***
- 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) and/or NAIC Co code as applicable. Numbers/Codes, if applicable, can be obtained through the following websites: www.naic.org and 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.

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)

3. VCAR Incorporated Protected Cell (IPC) FORM

To be used for incorporated protected cells (IPC) of sponsored captives, unless required to file on NAIC forms.

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 12/31/2023 or 6/30/2023 (K10) and Prior Year End, such as 12/31/2022 or 6/30/2022 (K11)
- 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 – 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. 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 (B8-16)**.
- 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) – 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-Q16)

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, address % ownership (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 of parent or ultimate parent, and organizational chart to DFR.CaptiveMail@vermont.gov.

Approved Actuary & CPA

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.

Accounting

Q4 – Disclose the basis of accounting the reporting entity/cell uses to prepare the Annual Report – GAAP, NAIC SAP, IFRS or Other (Please explain).

Q5 - 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

Q6 - Affirm that all insurance related business plans changes of the reporting entity/cell have been submitted for approval to DFR.CaptiveMail@vermont.gov.

Financial Results/Ratios

Q7-Q12 – These questions contain automatic calculations 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 2023 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 (A50).

- 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 and/or NAIC Co code as applicable. Numbers/Codes, if applicable, can be obtained through the following websites: www.naic.org and 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.

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.