

DIVISION OF INSURANCE

124 S. Euclid Ave., 2nd Floor, Pierre, SD 57501
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CAPTIVE INSURANCE COMPANY APPLICATION

Part I - Captive Insurance Company Application for Admission

Part II - Economic Feasibility Study

Part III - Captive Strategic Plan (Five Year)

Part IV - Captive Insurance Company Biographical Affidavit

CAPTIVE INSURANCE COMPANY APPLICATION FOR ADMISSION

- 1. Name of proposed captive:
- 2. Parent or Sponsor:
- 3. Type of Captive:
Trust Sponsored Group Pure Special Purpose

- 4. Address and telephone number of principal office:
In South Dakota:

Name:

Address:

City State Zip

Telephone:

Elsewhere:

Name:

Address:

City State Zip

Telephone:

- 5. South Dakota location of books and records:

CAPTIVE INSURANCE COMPANY APPLICATION FOR ADMISSION (Continued)

6. Attach a Resolution of the Parent's Board of Directors, designating individual(s) to:
- a) Establish captive and vote the stock of the captive shareholders.
 - b) Negotiate a Letter of Credit, Repayment Agreement and/or Continuing Guaranty Agreement.

7. List the name, address, and percentage of ownership for each owner(s) of the captive. If more than one owner, describe the relationship(s) between them.

Name:	Address:	%Ownership	Relationship:
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8. Attach a copy of the most recent Financial Statements, each beneficial owner

9. If Letters of Credit are to be used, show name and address of bank and amount(s). Bank
- | Name : | Address: | Amount: |
|--------|----------|---------|
|--------|----------|---------|

CAPTIVE INSURANCE COMPANY APPLICATION FOR ADMISSION (Continued)

10. Name, address, telephone number, and email address of:

1. Lawyers:

Name:

Address:

City State Zip

Telephone:

Email:

2. CPA:

Name:

Address:

City State Zip

Telephone:

Email:

3. Captive Manager:

4. Actuary:

5. Risk Management Advisor:

6. Registered Resident Agent:

CAPTIVE INSURANCE COMPANY APPLICATION FOR ADMISSION (Continued)

11. Biographical information for Directors and Officers (List below and include a biographical affidavit for each. See part IV of application. **Attach additional pages as necessary.**) Name

Position(s) with Captive

Employer and Position

Name

Position(s) with Captive

Employer and Position

Name

Position(s) with Captive

Employer and Position

CAPTIVE INSURANCE COMPANY APPLICATION FOR ADMISSION (Concluded)

12. Include the following information with this Application:

- a. Name, address, telephone number, and email of person to be contacted regarding this application.

Name:

Address:

City

State

Zip

Telephone:

Email:

- b. Copy of proposed captive's organizational documents.
- c. A check for \$ 2,000 non-refundable application fee made payable to "South Dakota Division of Insurance" with the applicant's name noted on the check or remittance portion of the check.
- d. An Economic Feasibility Study (see Part II of application) by an actuary approved by the Insurance Director.
- e. Comprehensive Business Plan, Pro-Forma Financial Projections and any other relevant documentation and information. (see Part III of application)

NOTE: Submit one (1) complete copy of application package along with all required documentation.

The Director of the Division of Insurance may request additional information if deemed necessary.

I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL OF 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 Captive and Representative of Parent Company)

ECONOMIC FEASIBILITY STUDY (Continued)

6. Display estimated gross premium income, net premium income after reinsurance ceded, expenses and taxes for the first five years of operation.

7. Please provide the following information and a brief discussion of any unusual or unique circumstances for each year presented in the accompanying pro formas:

a. The expected "leverage ratio" of the proposed captive.

b. Net Premium/Capital ratios:

ECONOMIC FEASIBILITY STUDY (Continued)

8. While it is realized that the forecast of losses is subject to the outcome of unknown future contingent events, the underlying assumptions regarding incurred losses must be reasonable within today's economic environment. Please provide a brief discussion of the assumptions used in regard to the following:
- a. Economic/inflationary adjustments

b. Expected number of claims

c. Allocated loss expense ratio

d. Unallocated loss expense ratio

e. Policy regarding discounting or reserves

f. Method by which IBNR losses are treated.

9. Please provide a brief discussion and series of exhibits regarding the investment philosophy and cash flow position of the proposed captive. This discussion should include:

- a. Cash flow exhibits
- b. Interest rate assumptions
- c. Portfolio assumptions

ECONOMIC FEASIBILITY STUDY (Continued)

10. Pro-forma Balance Sheet:

- a. Assets
 - i. Cash
 - ii. Investments
 - iii. Real Property
 - iv. Other
- b. Liabilities
 - i. Loss Reserves
 - ii. Other
 - iii. Paid Capital
- c. Retained Earnings
- d. Tax Impacts
- e. Underwriting Profit/Loss
- f. Dividends (Paid or Declared)
- g. Capital and Surplus

CAPTIVE STRATEGIC PLAN (FIVE YEAR)**A. GENERAL**

1. Give proposed name for captive insurance company. Include alternate name in the event the original choice cannot be registered.

Proposed Name:

Alternate Name:

2. What is the proposed date for commencement of business?
3. State ending date of financial reporting year (calendar/fiscal).
4. Give particulars of any business other than insurance or reinsurance underwriting which the captive proposes to conduct.

B. ACCOUNTING AND FINANCIAL

1. Indicate which of the following will be located in South Dakota:
 - a. General Ledger
 - b. General Journal
 - c. Subsidiary Ledgers (referred to in General Ledger)
 - d. Cash Book Receipts and Disbursements
 - e. Premium Registers
 - f. Loss Registers
 - g. Reinsurance Reports
 - h. Daily Reports of Claim Files
 - i. Copies of Policies
 - j. Copies of Reinsurance Treaties and Agreements

CAPTIVE STRATEGIC PLAN (FIVE YEAR)

(Continued)

2. Will there be any guarantees? Yes No If so, please provide the anticipated amount as well as the names and addresses along with a copy of current financial statements of guarantors.

3. Give names and locations of all banks, which the captive proposes to use.

CAPTIVE STRATEGIC PLAN (FIVE YEAR)
(Continued)

4. Provide details of capitalization, including number of shares, par value, classes of shares, registered owners, additional paid in capital and total contributed capital and surplus.

5. Have cash flow projections considered the possibility of negative cash flow if claim patterns are adverse? How will this be handled?

6. How will deficiencies in required capital be handled, if needed?

7. Please describe methods, including formula and time frames, contemplated in the return of premium to policyholders in the form of dividends, or distribution of profits to shareholders.

CAPTIVE STRATEGIC PLAN (FIVE YEAR)

(Continued)

8. Describe any loans which the captive has made or contemplates making to any director, officer, shareholder or employee of the captive or any related or affiliated company and any investments in any related or affiliated company.

9. Describe the contingency plan in the event the captive becomes insolvent, if the parent or sponsor is taken over by another company, or if it is decided to voluntarily close down the captive operation.

C. INSURANCE/REINSURANCE

1. What lines of business are to be written by the captive?

CAPTIVE STRATEGIC PLAN (FIVE YEAR)
(Continued)

2. Does the parent own or have an investment in other captives? Yes No
If yes, list name(s) and domicile(s).

Will the proposed South Dakota captive conduct any reinsurance business with
this (these) captive(s)? Yes No If yes, describe fully.

CAPTIVE STRATEGIC PLAN (FIVE YEAR)
(Continued)

3. Describe excess insurance or reinsurance arrangements above the captive's net retentions, up to policy limits. Separately describe excess of loss and aggregate stop loss requirements.
 - a. Will any portion of the limits above the net retention not be insured or reinsured? Yes No

 - b. Provide the names and domiciles of insurance and reinsurance companies and respective brokers or intermediaries for the program.

4. Does the captive intend to assume reinsurance from unrelated sources?
Yes No If so, describe the captive's procedures for underwriting these risks.

5. Who will prepare the Reinsurance Contract?

6. State the method by which business will be obtained. (i.e., by the captive's own employees, by brokers, by both.)

CAPTIVE STRATEGIC PLAN (FIVE YEAR)**(Continued)**

7. Does the captive intend to issue policies on a cash flow basis (paid loss) or retrospectively rated plan? Yes No If yes, provide the formula for the captive's retention, timing of payments, and timing of interim and final retrospective adjustments.
8. Attach a specimen copy of each policy form including all endorsements to be used for each line of coverage.
9. If the captive will be reinsuring a front (ceding) company, please provide the following information:
- a. Name and domicile of the front company

 - b. Net retention of the fronting company?

 - c. Allocation factors for premiums to be retained by the front company and ceded to the captive.

 - d. Indicate the fronting fee in dollars and as percent of gross primary premium.

CAPTIVE STRATEGIC PLAN (FIVE YEAR)
(Concluded)

10. Claims Administration:

a. Claims Administrator:

Name:

Address:

City

State

Zip

Telephone:

b. Describe claims management program and loss control or safety measures.

c. Who will develop claims statistical and accounting data, and how will it be used?

CAPTIVE INSURANCE COMPANY
BIOGRAPHICAL AFFIDAVIT

Name of Captive Insurance Company:
Captive Status (Select One):

Application Pending

Existing Licensee

To the Insurance Commissioner, South Dakota:

In connection with the above named company, I herewith make representation and disclosures about myself.

Attach a separate sheet if necessary.

If answer is "NONE" or "NO EXCEPTIONS" so state; do not use "N/A".

1. Affiant's Full Name:

Social Security Number:

If not available, then complete the following:

Passport Number:

Country of Issue:

Expiration Date:

2. Other names used at any time:

3. Date of Birth:

Place of Birth:

4. Education and Degrees:

High School:

College:

Graduate or Professional:

(List all educational institutions and locations on additional sheet, if necessary).

CAPTIVE INSURANCE COMPANY
BIOGRAPHICAL AFFIDAVIT
(Continued)

5. Member of Professional Societies or Associations (list):
-
-
-
-
-
-
-
-
-
-
6. I control directly or indirectly, or own legally or beneficially 10% or more of the outstanding stock (in voting power) of the following insurers, brokerage, insurance services or risk management consultation firms:
-
-
-
-
-
-
-
-
-
-
7. Present Chief Occupation:
- | | |
|----------------------|-----------|
| Position/Title: | How Long: |
| Employer's Name: | |
| Address: | |
| Length of Employment | Where: |
8. Other jobs, positions, directorates, or officerships held at present:

CAPTIVE INSURANCE COMPANY
BIOGRAPHICAL AFFIDAVIT
(Continued)

12. I have never been convicted or had a sentence imposed, or suspended or had a pronouncement of a sentence suspended or been pardoned for conviction of or pleaded guilty of or nolo contendere to any information or an indictment charging any felony, or charging a misdemeanor involving embezzlement, theft or larceny, mail fraud, or charging a violating of any corporate securities statute or any insurance law, nor have I been the subject of any cease and desist order or any disciplinary proceedings of any federal or state regulatory agency, except as follows:
13. During the past 10 years, have neither been refused a professional, occupational, or vocational license issued by any public or governmental licensing agency or regulatory authority, nor has such a license held by me ever been suspended or revoked, except as follows:

CAPTIVE INSURANCE COMPANY
BIOGRAPHICAL AFFIDAVIT
(Continued)

14. I presently hold or have held in the past, the following professional, occupational, or vocational license issued by a public or governmental licensing agency or authority (state date license issued, issuer of license, date terminated, reason for termination):
15. I have never been an officer, director, trustee, investment committee member, key employee, or controlling stockholder of an insurer which, while I occupied any such position or in the 12 months subsequent or capacity with respect to it, became insolvent or was placed in conservatorship, or was enjoined from or ordered to cease and desist from violating any securities or insurance law, except as follows:
16. The Certificate of Authority or license to do business of any insurance company of which I was an officer or director or key management person has never been suspended or revoked while I occupied such position or in the 12 months subsequent, except as follows:

CAPTIVE INSURANCE COMPANY
BIOGRAPHICAL AFFIDAVIT
(Concluded)

17. No insurer of which I was an officer, director, or key management person at the time or 12 months subsequent, has ever been denied or refused or voluntarily withdrawn its application for a license or certificate of authority, except as follows:

Dated and signed this day of , at .

I hereby certify under penalty as provided by law that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)