



MONTANA

Captive Domicile Report

2024





CHAIRMAN'S MESSAGE

Another year has gone by, and it is now my pleasure to once again share my thoughts in this space about the Montana captive domicile and the important role of MCIA.

As you will read in this report, the domicile continues to see steady growth, and that is not by accident, as there are several reasons that Montana continues to be a successful domicile, including the support of our regulator partners.

The Office of the Commissioner of Securities and Insurance (CSI) consistently promotes a friendly and accessible regulatory environment. The staff is approachable and knowledgeable and works hard to find solutions for companies to be successful in placing their companies in Montana.

On that note, last year, we thanked Steve Matthews for his many years leading the captive division and congratulated him on his well-earned retirement. This year, we say goodbye to long-time captive regulator Tal Redpath, who also made the decision to retire.

But just as familiar faces leave the scene, we look forward to what is ahead as a new captive regulatory team takes shape. MCIA will be engaged as part of this process, so please watch for updates as developments warrant.

Finally, I would like to thank MCIA's members and conference sponsors who collectively power the association. For those of you in attendance for our Annual Conference in June, I look forward to expressing this appreciation in person.

That's all for now from Big Sky country!

Sincerely,

John Huth

Chairman
MCIA Board of Directors





COMMISSIONER OF SECURITIES AND INSURANCE

Troy Downing
Commissioner

Office of the
Montana State Auditor

Dear Friends:

As your Commissioner of Securities and Insurance, I am proud of our agency's role in the captive insurance industry. Our passionate captive team is delighted to join you at the Montana Captive Insurance Association (MCIA) 2024 Annual Conference in Whitefish, Montana.

Since 2001, our agency continues to be a leader in captive insurance regulation. For over twenty years, we have been fortunate and blessed with the best and most experienced team regulating the captive industry. While some of these agency professionals have retired, we continue to attract enthusiastic and knowledgeable individuals to work with you. I am proud of our regulatory team and their commitment to maintaining a quality, common-sense program.

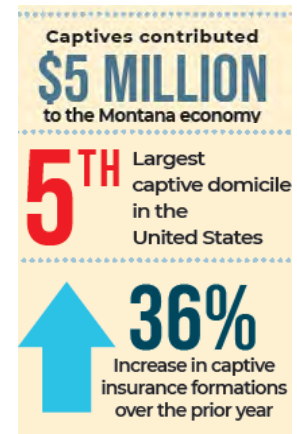
We believe the captive insurance industry will continue to thrive as markets harden, new risks emerge, and companies seek more control over the costs and flexibility of their risk management programs. ***The CSI is an active leader in this prospering marketplace, supporting 50 new captive insurance formations in 2023 and 19 through April 2024.*** We appreciate your partnership and are impressed with the creative and innovative risk management solutions you present.

Our agency is especially appreciative of the meaningful role MCIA plays in Montana's success as a captive domicile. From collaboration on modern legislation to hosting an annual conference that brings us all together, MCIA members are our best advertisement for boasting the advantages of domiciling in Montana.

Through the combined efforts of industry members, the MCIA, and the CSI's captive insurance regulatory team, I have no doubt that captive insurance will continue to flourish in our captivating state.

Warm regards,

Troy Downing
Commissioner of Securities and Insurance
Montana State Auditor



840 Helena Avenue, Helena, Montana 59601
(main fax) 406.444.3413 | (securities fax) 406.444.5558
(insurance consumer services fax) 406.444.1980 | (legal fax) 406.444.3499
(phone) 800.332.6148 or 406.444.2040 | (email) csi@mt.gov | (web) www.csimt.gov

THE BASICS

ABOUT CAPTIVE INSURANCE OPPORTUNITIES
IN MONTANA

The cost and availability of corporate insurance continue to be a major concern of Montana's business community. Interestingly, many business leaders do not know that Montana took action several years ago to help businesses find a solution to their risk management challenges by allowing them to form and operate captive insurance companies that can insure business risks anywhere in the world.

In this regard, a formal introduction to captive insurance is clearly overdue.

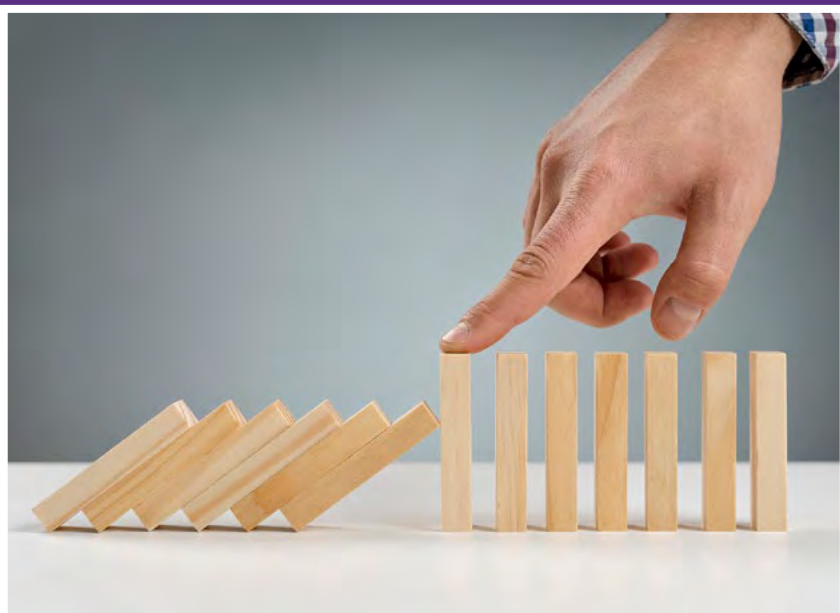
The simplified explanation of captive insurance is that it is a specialized form of self-insurance where a corporate entity or a group of corporate entities form their own insurance company to insure the risks of its parent(s) and affiliated entities.

Only certain states allow the formation of captive insurance companies, and Montana inserted itself into the captive industry as a captive "domicile" in 2001. Since then, the state has licensed more than 500 captive insurance companies, which were formed to cover a variety of corporate risks.

Years ago, most captive insurance companies were formed in offshore locations, such as Bermuda or the Cayman Islands, but the current trend is for captives to be formed in domestic domiciles. Montana is part of this domestic domicile club, which is a tremendous advantage to the state's business community.

WHY FORM A CAPTIVE

There are many good reasons for business owners to form a captive insurance company – not the least of which is the creation of teamwork among the risk management, treasury and tax-accounting functions for overall improved financial health. Several more specific reasons are as follows:



THE ALTERNATIVE TO COMMERCIAL INSURANCE

The first apparent benefit of forming a captive is to take control of the risk management budget, now and in the future. Underwriting cycles for first-dollar coverage become non-events for the owner of a captive, and exposures that are difficult to cover in the commercial market are secure in a captive.

Captives commonly provide policies covering property, liability, Excess Workers' Compensation, and medical stop-loss insurance. Life, health, surety, marine and disability insurance can also be written by a captive insurance company. Montana's laws have specific regulations on some of these policy types, so be sure to confirm with the captive regulatory staff prior to choosing your captive-placed policies.

COVERAGE TAILORED TO AN ORGANIZATION'S SPECIFIC NEEDS

Many organizations – to their dismay – experience shifting or evolving risks as their businesses grow or take new directions. Exposures such as environmental risk, employment practices liability, flooding and many other risks can be actuarially quantified and protected in a captive program while others wait for the development of “off the shelf” programs from commercial insurers. The Montana regulatory team prides itself on being flexible in terms of risks

chosen to insure and business plans that accommodate the insured operating entity’s plans. We are always willing to listen to new concepts in the insurance market to see if our laws can accommodate such a request.



ACCUMULATION OF INVESTMENT INCOME TO REDUCE NET COSTS

The captive has control over its investment income. As with any insurance company, the captive invests the assets that support loss reserves and capital surplus. Prudent investing can return profits greater than those that would be provided by a commercial insurer and will help immunize the loss portfolio against unexpected inflation.

IMPROVED CASH FLOW

A captive provides a place to store funds for future liabilities without paying for risk transfer. The reserve funds don’t have to be identified for a particular exposure, but exist in a pool. This pool of funds can be used to insure any difficult-to-insure exposures without further cost to the insured businesses.

INCENTIVE FOR LOSS CONTROL

It’s amazing how careful people can become if they have to pay for their mistakes. The same holds true among owners of captive insurance companies. They quickly understand the value of things like operational safety programs, careful maintenance, staff training and peer review, depending on the exposures being covered. It’s no coincidence that captive owners usually see decreased loss experience in the years following captive formation. This results in healthier, more productive and profitable organizations.



GREATER CONTROL OVER CLAIMS

Claims handling is performed at the direction of the captive owner rather than an insurance company whose best interests are often served by delaying claims (see Hurricane Katrina). Claims review includes all the necessary parameters and standards that the captive owner requires for efficient risk management.



UNDERWRITING AND RETENTION FUNDING FLEXIBILITY

Many large organizations with decentralized operations may experience different appetites for risk and at different levels. For example, a parent organization may be able to maintain higher risk retention than its local operation units can. A captive can be extremely effective in its ability to spread risk according to the needs of the organization.

REDUCED COST OF OPERATION

In short, there is no point in forming a captive that will not reduce overall operating costs. A captive may offer the early recognition of losses for federal income tax purposes. Premiums may be tax deductible if the captive is found by the IRS to be an insurance company by insuring the exposures of those other than its parent. Whether premiums will be deductible when paid needs to be addressed by any corporation that considers forming a captive.



DIRECT ACCESS TO THE REINSURANCE MARKETS

As an insurance company, a captive may purchase a selected level of loss protection from reinsurance companies. Unlike the “primary” insurance market, the reinsurance market is largely unregulated concerning forms, rules and rates. Unique exposures can be handled with customized policy language. Many captive owners are also supplementing their existing commercial policies by either using their captive to reinsure a layer of the commercial policy as an excess layer or as the initial payment layer.

FORMS OF CAPTIVES

All captive insurance companies are owned and controlled by their insureds –but they may take on various forms:

PURE CAPTIVE (SINGLE PARENT)

A pure captive is owned and controlled by one company and insures the risks of the parent, subsidiaries, and affiliates. These can be formed as a corporation or LLC.

ASSOCIATION CAPTIVE

An association captive is a captive insurance company that is owned and controlled by two or more non-affiliated organizations that the captive insures. The association captive can either insure similar types of risks for businesses within a common industry, or it can insure non-homogeneous businesses and insure different risks. These can be formed as a corporation, LLC, or reciprocal.

RECIPROCAL CAPTIVE

A sub-designation of Association captives where the non-affiliated organizations enter into a collective series of contracts (policies) with each other. An Attorney-in-Fact administers the policies for the group. The reciprocal is an unincorporated legal entity. This is a structure form rather than a type of captive.

INDUSTRIAL INSURED CAPTIVE

A sub-designation of Association captives where the captive insures the risk of members of an industrial insured group and their affiliates. An industrial insured group is one that collectively owns or controls the industrial insured captive or is an RRG. An industrial insured is an operating entity that has at least 25 employees, total annual premiums of \$25,000 or more, and uses a full-time employee who acts as an insurance manager. These can be formed as a corporation, LLC, or reciprocal.

RISK RETENTION GROUP (RRG)

Can be a sub-designation of Industrial Insured Captive, Association Captive, or their own type. RRGs are enabled and protected by the federal Liability Risk Retention Act. An RRG is a group captive that is domiciled in one state, but often registers to operate in multiple states, similar to a traditional insurance company. At present, RRGs are limited to insuring only liability exposures. RRGs can form as a corporation, LLC, or reciprocal.

REINSURANCE CAPTIVE

Reinsurance captives are formed in a similar manner to a pure or association captive but have 50% of the normal capitalization requirement.

FORMS OF CAPTIVES

BRANCH CAPTIVE

Branch captives are formed as a local principal office location for a foreign captive insurance company to operate in this state. Only business conducted within this state by the branch captive is regulated, but the main captive is observed for proper conduct.

PROTECTED CELL CAPTIVE

A structure that permits incorporated cells to maintain separate assets and liabilities while each incorporated cell carries out its own distinct captive insurance operations. These independent insurance operations must be fronted by another insurance carrier licensed to operate as an insurer. The structure provides efficiencies and cost savings through the sharing of administrative and service provider expenses.

SPECIAL PURPOSE CAPTIVE

Any captive insurance company that does not meet any of the above listed types and/or definitions or is formed for the benefit of a political subdivision of this state.

SERIES LLC CAPTIVE

(Not a statutory type and not listed on the COA but a form of captive)

Each series member or series business unit (SBU) maintains separate assets and liabilities while carrying out its own distinct captive insurance operations. These operations can be directly written or reinsured from another licensed carrier by the SBU. The structure provides efficiencies and cost savings through the sharing of administrative and service provider expenses. These are classified as Special Purpose captives for flexibility of business plans and commissioner discretion of capital and surplus requirements.

AGENCY CAPTIVE

(Not a statutory type and not listed on the COA but a form of captive)

Agency captives are formed and controlled by insurance brokers/agents who have chosen to participate, together with traditional insurance companies, in the risks of their own clients. These can be formed as a corporation, LLC, Protected Cell, or Special Purpose Series LLC and are commonly licensed as a reinsurance captive.

DORMANT CAPTIVES

If the owner of a captive insurance company of any type (except RRG) wishes to keep their captive in an active status but does not wish to write insurance through their captive for a short duration, they can trade their Certificate of Authority for a Certificate of Dormancy. The captive must have run off all of its insurance business, have no remaining insurance policies issued, and no remaining liabilities or reserves. The captive then applies for dormant status and, if dormancy is approved by the commissioner, will only pay an annual dormancy tax of \$1,000 for any portion of the preceding year the captive goes dormant and only has to maintain \$25,000 in capitalization. This Certificate of Dormancy is only valid for a 5-year duration. Captives in a dormant status are not subject to any other taxation or examinations and supply only a report of the captive's financial condition within 90 days of its fiscal year-end.

MONTANA PREMIUM TAX

As Montana's captive insurance industry has grown over the past several years, so has its positive economic impact in the form of premium taxes paid to the state. The information provided below illustrates the growth in premium tax revenue since 2001. MCIA expects this positive trend line will continue for many years to come.

YEAR-END NUMBERS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Association	0	1	1	1	2	2	2	2	2	2	2
Branch	0	0	0	0	0	0	0	0	0	0	0
Industrial Insured	0	0	0	0	0	0	0	0	0	0	0
Protected Cell - Core	0	0	0	0	0	1	1	1	1	2	5
Protected Cell - Incorporated	0	0	0	0	0	0	0	0	0	0	0
Protected Cell - Unincorporated	0	0	0	0	0	0	0	0	1	4	29
Pure	1	3	7	9	9	12	13	15	22	39	50
Special Purpose	0	0	0	0	0	1	1	1	1	1	1
Special Purpose - Core	0	0	0	0	0	0	0	0	0	0	0
Special Purpose - SBU	0	0	0	0	0	0	0	0	0	0	0
Reciprocal	0	0	0	0	0	0	0	0	0	0	0
Reinsurance	0	0	0	0	0	1	5	10	11	13	14
Risk Retention Group	0	1	1	1	2	4	8	9	10	10	12
	1	5	9	11	13	21	30	38	48	71	113

YEAR-END NUMBERS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Association	2	2	2	2	3	3	3	3	3	3	3	1
Branch	0	0	0	0	0	0	0	0	0	0	0	0
Industrial Insured	0	0	0	0	0	0	0	0	0	0	0	0
Protected Cell - Core	7	8	8	8	8	7	7	7	7	6	7	7
Protected Cell - Incorporated	1	0	9	13	18	15	12	11	5	5	8	10
Protected Cell - Unincorporated	29	35	50	42	42	38	8	8	8	3	3	3
Pure	76	105	124	143	140	121	106	97	92	77	73	63
Special Purpose	1	1	1	1	1	2	2	5	4	5	5	6
Special Purpose - Core	0	2	5	9	11	11	11	12	12	12	12	10
Special Purpose - SBU	0	13	30	60	89	107	118	131	125	130	140	144
Reciprocal	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurance	17	21	14		10	8	8	9	8	11	9	12
Risk Retention Group	12	13	13	11	8	8	8	9	9	9	9	7
	145	200	256	289	330	320	283	292	273	261	269	263

TYPE OF COVERAGE CURRENTLY BEING WRITTEN BY MONTANA CAPTIVES

Captive insurance companies licensed in Montana are currently being used for many different types of corporate risks, including:

- Agency Professional Liability
- Trucking Liability
- Attorney's Liability Reinsurance
- Warranty
- Bail Bond Liability
- Work-Comp Deductible Buy-Down
- Worldwide Cargo & Transit
- Cable Repair, Communications Company
- Contractors Liability
- Contractual Liability
- Defense Costs
- Employment Practices Liability
- Environmental Liability
- Excess Property
- Excess Stop Loss
- Excess Workers' Compensation
- Medical Malpractice
- On-Site Cleanup
- Patent Defense
- Reinsurance
- Third-Party Liability
- Computer & Privacy Liability
- Aviation Liability
- Administrative Action
- Directors & Officers Liability
- Litigation Expense
- Livestock Liability
- Primary & Excess Liability
- Punitive Damages Liability
- Tax Audit Expenses
- Unfair Competition Liability
- Wage and Hour Liability

YEAR	YEARLY FORMATIONS	TOTAL FORMATIONS	YEARLY SURRENDERS	TOTAL SURRENDERS	TOTAL CAPTIVES AT YEAR-END	PREMIUM TAX COLLECTED	DIRECT PREMIUM WRITTEN
2001	1	1	0	0	1	-	-
2002	4	5	0	0	5	20,037	8,750,200
2003	4	9	0	0	9	51,713	6,419,100
2004	5	14	3	3	11	72,569	7,690,736
2005	3	17	1	4	13	86,696	14,759,504
2006	8	25	0	4	21	161,994	31,580,902
2007	10	35	1	5	30	226,168	37,877,161
2008	9	44	3	8	36	339,585	65,123,909
2009	16	60	4	12	48	420,070	74,863,332
2010	29	89	5	17	72	619,539	88,724,747
2011	51	140	8	25	115	804,583	120,274,295
2012	36	176	7	32	144	1,034,625	165,605,660
2013	69	245	15	47	198	1,385,155	196,833,421
2014	85	330	18	65	265	1,546,674	227,206,651
2015	78	408	37	102	306	1,689,834	245,096,707
2016	60	468	32	134	334	1,709,617	246,394,168
2017	43	511	54	188	323	1,697,552	229,896,606
2018	25	536	62	250	286	1,369,835	203,398,282
2019	40	576	34	284	292	1,416,035	218,503,586
2020	23	599	42	326	273	1,550,790	235,723,800
2021	29	628	41	367	261	1,555,009	259,564,468
2022	47	675	39	406	269	1,319,867	245,070,953
2023	50	725	54	460	263	1,519,702	263,183,573
TO-TAL	725	725	460	460	263	\$20,597,649	\$3,192,541,761

MONTANA'S CAPTIVE INSURANCE LAW

In 2001, Montana became the 16th state to pass legislation opening existing insurance regulations to the captive insurance industry. Under Montana captive insurance law, a company or association of companies may form a wholly owned subsidiary to insure the parent entity. By using a captive, the parent company retains part of the insurance risk within the corporate umbrella and the captive company collects the premiums and handles the claims.

There are many different legal issues involved in forming and operating a captive insurance company including:

- What types of captives are allowed in Montana and how much capital & surplus is required?
- What are the investment limitations under Montana law?
- What fees and taxes are applicable?
- What are the regulatory requirements?

TYPES OF CAPTIVES AND CAPITAL & SURPLUS

A captive insurance company may not be issued a license unless it possesses and maintains unimpaired paid-in capital and surplus of:

- a. Pure captive insurance company: \$250,000.
- b. Industrial insured captive insurance company or RRG: \$500,000.
- c. Association captive insurance company: \$500,000.
- d. Special purpose captive: Amount determined by the Commissioner based on business plan.
- e. Protected cell captive: \$500,000 (or \$250,000 if less than 11 cells & homogenous risk).
- f. Special purpose series LLC captive: \$50,000 in the core and not less than a 4-to-1 premiums to surplus ratio in each series business unit.
- g. Reinsurance captive: Half the capital requirement for same type of direct-writing captive.

The Commissioner may require additional capital and surplus based on the type, volume, and nature of insurance business transacted.

Capital and surplus may be in the form of cash or an irrevocable letter of credit issued by a bank chartered by the state of Montana, or a bank chartered by another state if approved by the Commissioner.

A captive insurance company may be formed as a corporation, LLC, reciprocal, Series LLC/SBU, or a protected cell formed as an LLC or corporation. The officers, directors, and controlling beneficial owner(s) of the captive must provide a biographical affidavit that shows the character and reputation of the individuals controlling the captive. The controlling beneficial owner(s) of the captive must provide a signed financial statement of the owner(s) as well as of the insured entity(ies).

Montana domiciled captive insurance companies are required to also have a Montana Resident Director/ Manager-Subscriber Committee Member, depending on the captive type or form.

INVESTMENT LIMITATIONS

For pure captives, Montana law does not have any restrictions on allowable investments, except that the Commissioner may prohibit or limit investments that threaten the solvency or liquidity of the Company. Captive risk retention groups and association captives shall comply with the investment requirements for traditional domestic property & casualty insurers. Loan-backs are permitted to parent or affiliates subject to prior approval of the Commissioner.

FEES AND TAXES

\$200 application fee and the \$300 license fee, both due at time of application. Annual \$300 license renewal fee. Premium tax of .4% for direct premiums and .225% for reinsurance premiums, in both cases on the first \$20 million in premiums. Tax rates are lower for premiums that exceed \$20 million. There is a minimum premium tax of \$5,000 and a maximum tax of \$100,000. The maximum tax on SBUs is assessed individually on the Series LLC premium tax return. There is no maximum tax on protected cell structures. The premium tax return is due March 1 for all entities.

REGULATORY REQUIREMENTS

Montana's regulatory requirements are similar to other states. Captives other than RRGs must file an annual financial report on a Commissioner-prescribed form, whereas RRGs and association captives file their annual reports on the NAIC convention statement. Financial statements audited by an independent CPA are due six months after fiscal year-end. GAAP reporting is acceptable for captives and Risk Retention Groups, and approved letters of credit are recognized as assets. Normal reporting deadlines are March 1 for RRGs and April 1 for all other captive types on the annual financial report, and the audited financial reports are due June 1 for RRGs and June 30 for all other captive types. Fiscal year reporting periods can be used instead of calendar year periods, when approved by the commissioner.

LOSS RESERVE REPORTING REQUIREMENTS

Montana administrative rules require that a captive's loss reserves and loss expense reserves be certified by a Fellow of the Casualty Actuarial Society, a member in good standing of the American Academy of Actuaries, or an individual who has demonstrated his competence in loss reserve evaluation to the Commissioner. A captive must select an actuary that meets the requirements of the administrative rule, and the Commissioner must approve the actuary. The statement of actuarial opinion is due with the captive's audited financial statements.

EXAMINATION REQUIREMENTS

Examinations of captive risk retention groups (RRG) will occur every 5 years unless the Commissioner establishes a quicker examination cycle for a particular RRG. For examinations of all other types of captive insurers, there is no standard periodic examination cycle and an examination will only be conducted if the Commissioner deems it necessary. Costs of examination shall be borne by the captive.

TAX ISSUES (MINIMUM PREMIUM TAXES OF \$5,000)

Premium Level	Direct Tax Rate	Reinsured Tax Rate
\$ 1 – 20m	0.4%	0.225%
\$ 20 – 40m	0.3%	0.15%
Over \$40m	n/a	0.05%

COMMISSIONER'S OFFICE

CSI CAPTIVE INSURANCE PROGRAM STAFF



KARI LEONARD, CAPTIVE COORDINATOR AND EXAMINATIONS BUREAU CHIEF

Kari is a Certified Financial Examiner (CFE) and a CPA with 11 years of insurance regulatory experience. Her focus with the regulatory team is supervision of the Examinations Bureau staff, financial analysis of captive and traditional insurers, and supervision of all examination work. Kari's role with the team expanded last year when she advanced into the Examinations Bureau Chief position.



ERIN SNYDER, SUPERVISING CAPTIVE INSURANCE ANALYST

Erin is in her third year with the regulatory team and her first year as the Supervising Analyst for the Captives Team. She is a CPA and came to the Department with 25 years of insurance accounting and auditing experience from her time with Blue Cross & Blue Shield of Montana. In her new role, Erin handles all things RRG-related and oversees all captive regulatory matters. In her spare time, Erin and her husband enjoy hiking and taking day trips within our great state.



DAKOTA TERRY, CAPTIVE INSURANCE ANALYST

Dakota is embarking on her third year with the captive regulatory team, including a 3-month stint as a captive intern in the Summer of 2021 between her junior and senior years at Montana State University (MSU). Dakota graduated from MSU with a degree in Financial Engineering. With the captive regulatory team, she is the go-to person who handles the nuts & bolts of captive operations, assisting industry personnel with captive structure questions, new formations, mergers & acquisitions, business plan reviews, loan and dividend requests, and corporate document filing guidance. Dakota loves gardening, cooking, riding horses, skiing, and all things outdoors.



RAMONA BIDON, CAPTIVE OPERATIONS & COMPLIANCE TECHNICIAN

Ramona is in her ninth year with the Department and is in her fourth year of providing operations and compliance support to the captive regulatory team. Her previous roles with the Department included a position with the agency's Central Services Bureau, and she also held a Legal Secretary position with the Department's Legal Services Bureau. Ramona's husband (Ted) also works for the Department; he is the Bureau Chief of Insurance Investigations and Insurance Consumer Services. Ramona and Ted enjoy working on their future mountain cabin and they are avid antique collectors!

COMMISSIONER'S OFFICE

CSI CAPTIVE INSURANCE PROGRAM STAFF



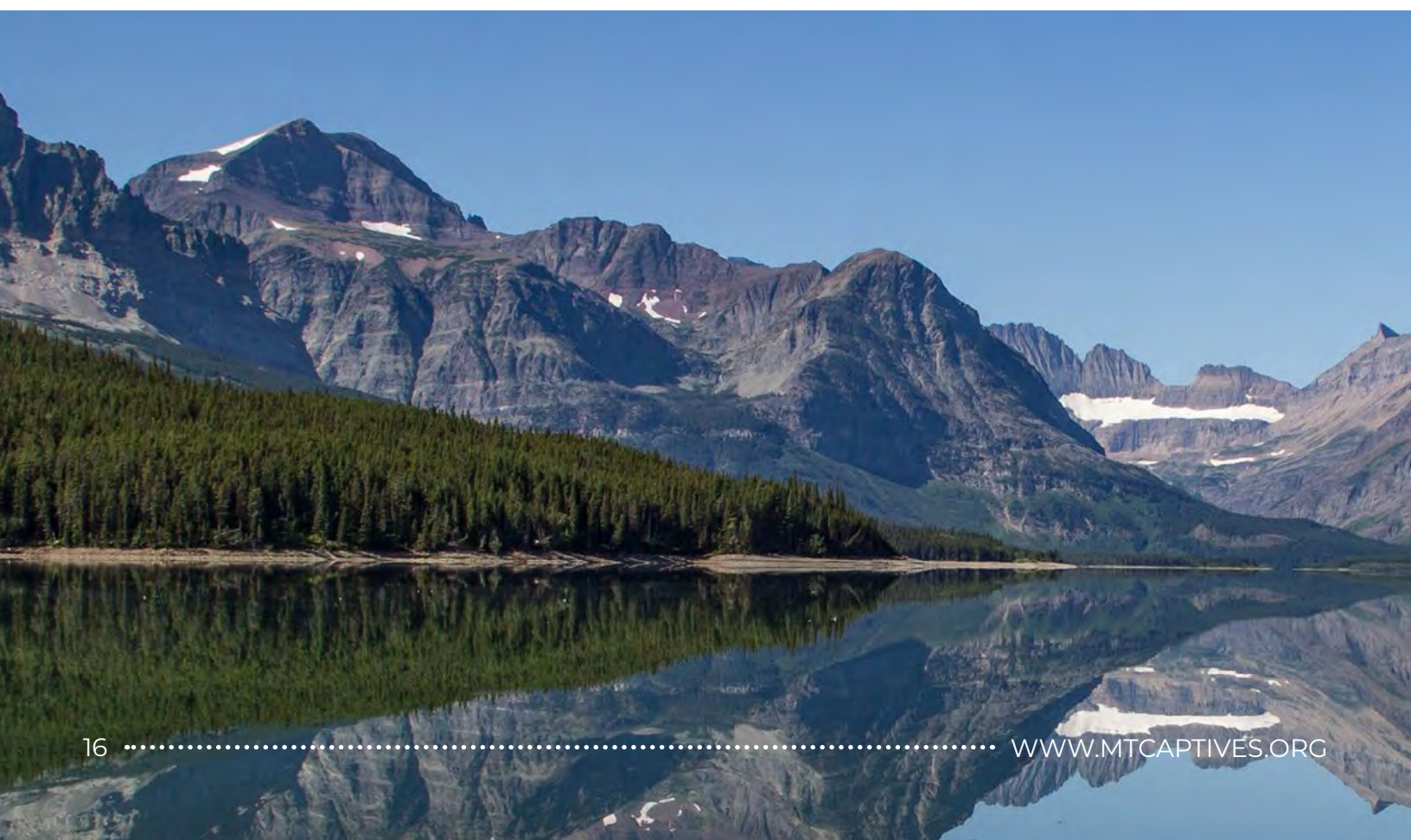
PATRICK HUNTER, INSURANCE ANALYST

Patrick is in his sixth year with the regulatory team. He brings a wealth of hands-on industry experience to the team, having worked in captive management and running his own captive. Patrick is the resident expert regulator of the state's farm mutual insurers, and he also conducts financial analysis of traditional property-casualty companies and captive risk retention groups as needed. Patrick's two dogs are Lewis & Clark.



DAVID HEESCH, INSURANCE ANALYST

David joined Montana's regulatory team last year, bringing 14 years of banking, finance, and licensed insurance agent experience. His familiarity with commercial finance, lending, financial institution management and strategic planning all contribute a breadth of knowledge to his role as an examiner and analyst. David's role with the team consists of conducting financial examination and analysis of traditional insurers, captive-RRGs, and multiple employer welfare arrangements (MEWAs), as well as reviewing third-party administrator licensing applicants, expansion applicants, surplus lines applicants, and motor clubs.



MONTANA CAPTIVE DOMICILE FURTHER STRENGTHENED WITH LATEST LEGISLATIVE ACTION



The Montana Captive Insurance Association, Inc. (MCIA) applauds Governor Greg Gianforte signing into law SB 260, marking the latest legislative victory for the association on behalf of its members and the state's growing captive insurance domicile.

Supported by the association along with state captive regulators, the legislation removes an impediment to attracting more captive insurers to be domiciled in Montana, by aligning Montana with the model legislation and a significant majority of other states.

By amending the Unfair Trade Practices Act (UTPA) to explicitly protect captive insurers from third-party bad faith claims, Montana further amplifies its message that captive insurers are welcome in the state.

With this change, the state is now aligned with other competitive jurisdictions by exercising the statutory authority for private enforcement of the UTPA against captives.

In addition to thanking Governor Gianforte, MCIA thanks the bill sponsors, Senator Dan Salomon and Representative Ed Buttrey, along with State Auditor Troy Downing and the Montana Chamber of Commerce for working with the association on this important legislation.

Learn more about SB 260 and other legislative/regulatory developments at the association's upcoming Annual Conference. Event details can be accessed at www.mtcaptives.org

GETTING STARTED

PROCEDURES FOR FORMING A MONTANA CAPTIVE INSURANCE COMPANY



In 2001, the Montana Legislature passed legislation allowing captive insurance companies to do business in the state. This law is found in Montana Code Annotated (MCA) Title 33, Chapter 28.

The procedures listed below should be followed to form a captive insurer in Montana and to apply for a Certificate of Authority from the Montana Commissioner of Securities and Insurance:

- Prepare the documents needed for the application for Certificate of Authority. See the captive application form on the Commissioner's website for a list of all required documents.
- Submit the application to the Commissioner for review.

Include a \$200 application fee and a \$300 license fee.

- Submit drafts of the business organizational documents with the captive insurer's application for Certificate of Authority. In drafting the organizational documents, the services of a local attorney may be desirable. Draft forms are available upon request from the CSI.
- Business organizational documents to be approved by the Montana Secretary of State's office must also be delivered to the Commissioner with the respective filing fees made out to the Montana Secretary of State's office.
- Provide information concerning the adequacy of the expertise, experience, and character of the person or persons who will own and manage the captive insurer. Biographical Affidavits are required on directors, officers and controlling beneficial owner(s). Attested financial statements on the owner(s) and insured operating entity(s) are also required.
- If not already authorized, have your desired CPA complete the Application Authorization form to perform audits as required for captives.
- If not already authorized, have your desired actuary complete the Application form for authorization to render the opinion on loss reserves for captive accounts.
- If a Letter of Credit (LOC) will be used for Capital & Surplus, obtain the required LOC format from the Commissioner's website. The issuing bank must be a State of Montana chartered bank, or a bank chartered by another state if approved by the Commissioner.
- The Montana insurance code authorizes the Commissioner to contract with an actuarial firm to review a captive applicant's feasibility study, at the applicant's expense. If the Commissioner determines that the services of an actuarial contractor are needed, you will be required to submit an additional copy of the application materials to the actuarial contractor and you will be notified of the cost of the review.

MONTANA CAPTIVE INSURER REQUIREMENTS

CPA AUDIT REQUIREMENT

Montana administrative rules require that an independent certified public accountant, approved by the Commissioner, audit the captive annually. The applicant must select an accountant who meets the requirements of the administrative rule. You may ask the Department if your CPA is currently approved. See 6.6.6801 through 6.6.6821 ARM.

CERTIFICATION OF RESERVES

Montana administrative rules require that loss reserves and loss expense reserves be certified by a Fellow of the Casualty Actuarial Society, a member in good standing of the American Academy of Actuaries, or an individual who has demonstrated his competence in loss reserve evaluation to the Commissioner. The Commissioner must approve the actuary. The applicant must select an actuary that meets the requirements of the administrative rule. See 6.6.6816 ARM.

ANNUAL STATEMENT FORM

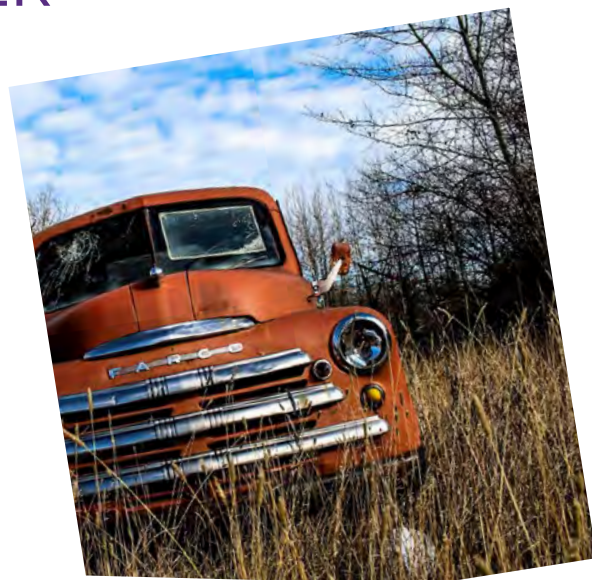
Pursuant to Section 33-28-107(2)(a), MCA, each captive insurance company shall submit to the commissioner a report of its financial condition in a form and manner as required by the commissioner, verified by oath of two of its executive officers.

As required by Section 33-28-107(2)(c), MCA, each captive insurance company shall report using generally accepted accounting principles, unless the commissioner requires the use of statutory accounting principles.

Captive Risk Retention Groups must file an annual statement on or before March 1 using the annual statement blank adopted by the National Association of Insurance Commissioners (NAIC) for property-casualty insurance companies. This form must also be filed with the NAIC. All captive insurers other than risk retention groups may file the Montana Short Form Annual Statement on or before April 1.

REGULATORY CONTACT

The regulatory contact for captive insurance applications is Dakota Terry. Dakota can be reached by phone at 406-444-3721 or via email at dakota.terry@mt.gov.



The image is a full-page background featuring a scenic mountain landscape. In the foreground, a calm river flows, reflecting the sky and the surrounding forest. The middle ground shows a dense forest of evergreen trees, with some trees displaying autumn-colored foliage in shades of yellow and orange. In the background, a large, rugged mountain peak rises, partially covered in snow and surrounded by clouds. The sky is a mix of blue and white, with soft lighting suggesting either dawn or dusk.

SERVICE PROVIDERS

2024

WE ARE PLEASED TO INCLUDE THE FOLLOWING LISTING OF MCIA MEMBERS WHO ARE AVAILABLE TO PROVIDE EXPERTISE AND/OR SERVICES TO HELP WITH THE ESTABLISHMENT AND OPERATION OF CAPTIVE INSURANCE COMPANIES IN THE MONTANA DOMICILE.



ACCOUNTING SERVICES

Larson & Company

Martha Hayes, CPA

Lead Captive Audit Partner
11240 S. River Heights Drive, Suite 300
Jordan, UT 84095

(801) 984-1848
mhayes@larsco.com
www.larsco.com

The Larson captive team gives you expertise, efficiency, and accuracy in all of your captive audit and tax preparation needs. We currently serve over 250 captive entities across the nation, and our clients appreciate our high level of communication, our dedication to the captive industry, and our friendly professionalism.

RH CPAs, PLLC

Diana Hardy

Audit Partner, Chief Operating Officer
212 West Center Street
Lexington, NC 27295

(336) 248-8281
dhardy@rh-accounting.com
www.rh-accounting.com

RH CPAs, PLLC is a full-service accounting, audit and tax firm with a specialization in the insurance industry. Our tax and audit teams have broad experience across the industry. Whether the discussion is Statutory Accounting, GAAP Accounting, IFRS Accounting, or Tax Accounting, we have people who specialize in those areas. We are Personable, Responsive, Dependable, Team Players with a Can-Do Attitude.

ACTUARIAL SERVICES

Allegiant Actuarial Group, LLC

Randall Ross, ACAS, MAAA

Principal and Senior Consulting Actuary
P.O. Box 95361
South Jordan, UT 84095

(801) 204-9192
rross@allegiantactuarial.com
www.allegiantactuarial.com

Allegiant Actuarial Group, LLC is a property & casualty actuarial consulting firm with extensive experience in captive insurance and risk retention groups. Allegiant provides captive pricing, feasibility analyses, reinsurance pricing & risk-transfer analyses, and statements of actuarial opinion for a wide variety of middle-market clients, including approximately 100 Montana-domiciled companies.

Perr&Knight

Dean Ferdico

Principal, Director of Business Development
401 Wilshire Boulevard, Suite 960
Santa Monica, CA 90401

(201) 963-1610
dferdico@perrknight.com
www.PerrKnight.com

Perr&Knight has assembled an expert team of actuaries with deep industry experience, seasoned project management, communication and consulting skills, and a keen understanding of our clients' business. Our services for alternative risk financing include: •Feasibility Studies

Pinnacle Actuarial Resources, Inc.

Marissa Jones

Marketing Communications Coordinator
3109 Cornelius Drive
Bloomington, IL 61704

(309) 807-2343
mqjones@pinnacleactuarial.com
www.pinnacleactuarial.com

Pinnacle is a leading independent actuarial consulting firm offering the full range of actuarial services for the captive industry, from feasibility studies and funding analyses to ongoing loss reserve services. Pinnacle has all of the expertise necessary to help captive managers drive better business decisions.

WTW

Miekael Menberu

Director
333 Bush Street, 4th Floor
San Francisco, CA 94104

(415) 706-9762
miekael.menberu@wtwco.com
www.wtwco.com

At WTW, we are the market leader in consulting on actuarial and alternative risk financing matters. We have over 300 captive actuarial clients across a wide range of industries. Our clients benefit from our analytical skills, significant product expertise and deep industry knowledge. We provide unique insights "beyond the numbers."

CAPTIVE MANAGEMENT SERVICES

Advantage Insurance Management (USA) LLC

Les Boughner

Chairman

12 Gillon Street

Charleston, SC 29401

(312) 315-3166

l.boughner@aihusa.com

www.aihusa.com

Advantage Insurance Inc., through its operating subsidiaries, specializes in providing customized insurance solutions to business owners worldwide to serve their risk management and strategic planning objectives. Advantage is an international company headquartered in Puerto Rico. Its Business Insurance Division manages over 100 Risk Retention Groups, Protected Cell Companies and Pure Captives from offices in San Juan, Puerto Rico, Grand Cayman, Burlington, Vermont and Charleston, South Carolina. In addition to International Captives, the Business Insurance Division manages insurance entities in 10 states. Premium Volumes of our captives under management range from \$200,000 to over \$300 million.

Hylant Group, Inc.

Anne Marie Towle

CEO – Global Captive Solutions

10401 N Meridian Street, Suite 200

Carmel, IN 46290

(317) 922-4390

anne.marie.towle@hylant.com

www.hylant.com

From determining if a captive is the right solution for you all the way to developing an exit strategy, we serve as your partner throughout the captive lifecycle. We promise to provide you the captive support you need to secure the optimal solution for your organization's risk management needs. Learn more at <https://hylant.com/solutions/consulting/captive>.

Innovative Captive Strategies

Joe Streck

AVP, Consulting & Management

108 Crestview Drive, Suite A

Bigfork, MT 59911

(406) 282-0170

jstreck@yourcaptive.com

www.yourcaptive.com

Turning client relationships into an unbreakable partnership, ICS is doing business boldly by doing business right. ICS is focused on all areas of domestic and offshore captive insurance, including feasibility, formation, consulting, and management. Partner with ICS to “Do Business Boldly”.



CAPTIVE MANAGEMENT SERVICES

MIJS Captive Management, LLC

Matthew Howard, Member

Tim Andrew, Captive Management Administrator
326 Roswell St, Suite 100
Marietta, GA 30060

(770) 429-1499
MJHoward@mijs.com
Tpandrew@mijs.com
www.mijs.com/captive

MIJS has formed and managed over 300 captive insurance companies over the last 15 years. MIJS is equipped with a team of experienced liability attorneys and insurance professionals who work to ensure your captive insurance company provides the protection that your business needs.

Oxford Risk Management Group

Laura Perisse

Chief Commercial Officer
954 Ridgebrook Road, Suite 100
Sparks, MD 21152

(410) 472-6490
Contact@OxfordRMG.com
www.OxfordRMG.com

Founded in 2010, Oxford has earned the reputation as a leader in providing forward-thinking captive solutions for our clients. Oxford has implemented over 1,000 total captives with a variety of structures and solutions and for a broad range of coverages. As one of the most respected alternative risk transfer management firms in the industry, Oxford has earned an AM Best Financial Strength Rating of "A" (Excellent) and a Long-Term Issuer Credit Rating of "A" (Excellent).

Palmetto Consulting of Columbia, LLC

Matthew Holycross

Managing Member
1325 Park Street, Suite 200
Columbia, SC 29201

(803) 400-6862
matt@palmettoconsulting.us
www.palmettoconsulting.us

Founded in 1998, Palmetto Consulting is a boutique consulting and captive management firm focused on the intersection of the captive insurance and traditional insurance marketplaces. Our clients include traditional insurance companies, risk retention groups, agency captives, reinsurance captives, and managing general agencies.

CAPTIVE MANAGEMENT SERVICES

Pegasus Captive Management, LLC

Alyse Fisher

Director of Insurance Services
1878 West 12600 South #503
Riverton, UT 84065

(801) 244-5167
afisher@pegasuscaptive.com
www.pegasuscaptive.com

The team at Pegasus Captive Management provides captive insurance services, including feasibility studies, business plans and licensing related matters. Proper structuring is a specialty. We partner with our clients to provide all facets of captive management. Our recent partnership with EPIC Insurance Brokers & Consultants broadens our capabilities to include risk management, property & casualty, and employee benefits consulting and brokerage.

Property Owners Protection Insurance Company, LLC (POPIC)

Noah Molnar

Chief Executive Officer
665 W 17th Street
Costa Mesa, CA 92627

(949) 662-5478
NMolnar@popicllc.com
www.popicllc.com

POPIC specializes in tenant liability programs for all types of rental properties. With us, owners and operators earn revenue that otherwise goes to insurers while better managing compliance and risk. We administer programs and manage captives with a white-glove approach and a fee structure closely aligned to our client's interests.

WTW

Jason Palmer

Director
38 Eastwood Drive, Suite 300
South Burlington, VT 05403

(802) 264-9555
Jason.palmer@wtwco.com
www.wtwco.com/en-US

Willis Towers Watson designs, forms, manages and provides strategic guidance to captives of all types in 35 major captive domiciles worldwide. It manages over 335 captives with total gross premiums exceeding \$20 billion. Its more than 200 captive professionals, among its 45,000 employees, provide both captive management and consulting services.

FINANCIAL SERVICES

IPFS Corporation

Dick Crnkovich

Vice President

P.O. Box 410759

Melbourne, FL 32941

(253) 310-1966

dick.crnkovich@ipfs.com

www.ipfs.com

IPFS Corporation, through its two nationally recognized business units, IPFSDirect and Imperial PFS, offers solutions platforms that have served insurance companies, distributors and policyholders for over 40 years. We use our solutions-based digital tools to simplify processes and reduce administrative costs by handling billing, collections and funding of premiums for our partners. IPFSDirect uses cutting-edge technology to improve customer experience and their journey for the purchase of insurance.



LEGAL SERVICES

Browning, Kaleczyc, Berry & Hoven, P.C

Daniel J. Auerbach

Shareholder

800 North Last Chance Gulch, Suite 101
Helena, MT 59601

(406) 443-6820

daniel@bkbh.com

www.bkbh.com

BKBH incorporates expertise in corporate, transactional, and litigation work to assist with the formation, maintenance, and compliance of captive insurance companies. We advise a broad range of business clients to determine whether and how captive insurance might help them achieve their risk management needs and goals. We assist private companies and public entities with the creation and maintenance of self-insurance programs, including pure captives, RRGs, agency captives, and reinsurance captives.

Moulton Bellingham PC

Adam Tunning and Cole Derks

Shareholder

27 N 27th Street, Suite 1900
Billings, MT 59103

(406) 248-7731

adam.tunning@moultonbellingham.com

www.moultonbellingham.com

The attorneys at Moulton Bellingham PC specialize in many areas of law that affect the captive insurance industry. We assist with the regulatory, legal, and tax aspects of captive insurance company formation and provide guidance in the management of captives, RRGs, and other Alternative Risk Transfer arrangements. In addition, we have experienced litigators who are qualified to defend claims when they arise.

Womble Bond Dickinson (US) LLP

Jeffrey K. Simpson

Partner

1313 North Market Street, Suite 1200
Wilmington, DE 19801

(302) 252-4320

Jeff.Simpson@wbd-us.com

www.womblebonddickinson.com/us

Womble Bond Dickinson's Captive Insurance Team is here to help, with attorneys who have years of experience advising clients in captive insurance matters. We help captive owners and managers at every stage in the life cycle of a captive, including design, formation, governance, regulatory issues, policy drafting, and reinsurance agreements.

MISCELLANEOUS SERVICES

Agile Premium Finance Captive Specialists

Michael Vincent

Captive Specialist
2535 Kettner Blvd #3A3
San Diego, CA 92116

619) 321-7540
mike@financepremium.com

Agile Premium Finance - Captive Specialists, a division of Valley National Bank, provides creative premium funding and capital solutions for the captive industry, including: 1) Pure Captive Premium Finance - This provides significant cash flow relief for the parent. 2) Alternative Loan Back Program - These programs help clients avoid pitfalls commonly associated with traditional loan back programs. 3) Collateral Financing Program - Specifically designed for new captives in need of assistance with capital. 4) Private Premium Finance Company Formation - For group captives and risk retention groups interested in starting a premium financing company. As captive specialists, we strive to offer creative and comprehensive premium funding and capital solutions that are easy to use and clearly valuable for captive owners.

Kinder & Associates, Inc.

James A. Kinder

Chairman
P.O. Box 1237
Simpsonville, SC 29681

(864) 505-5293
jkinder120@icloud.com

Independent director services for captives/RRGs. Offering over 50 years of experience in the insurance/self-insurance-alternative risk financing market. Served as CEO/President and/or Director of Self-Insurance Institute of America, South Carolina Captive Insurance Association, Montana Captive Insurance Association and Self-Insurance Educational Foundation. Jim Kinder is the current Chairman/Director of Kinders & Associates, Inc., Self-Insurers' Publishing Corp. and Chairman of the Kinder Family Foundation, Inc.

RISK MANAGEMENT SERVICES

Marsh McLennan Agency

Scott Simmons, Tex Seaton

Scott Simmons - Managing Director, Risk Solutions

Tex Seaton -Technical Director, Alternative Risk Specialist (509) 363-4029

501 N. Riverpoint Boulevard, Suite 403

Spokane, WA 99202

ssimmons@paynewest.com

www.mmanorthwest.com

Marsh McLennan Agency Northwest Region is a full-service retail insurance agency. With a dedicated team of Alternative Risk specialists, backed by the resources of Marsh, we fully support our client's captive insurance needs including single-parent, agency, group and stop-loss benefits captive models.



THE MONTANA DIFFERENCE

- Industry-Friendly Legislation
- Cooperative and Efficient Regulators
- One-on-One Working Relationship with Insurance Department Staff and Statewide Elected Officials
- Accessible Infrastructure of Industry Leaders

BENEFITS OF MEMBERSHIP

- Regular communications from MCIA headquarters providing you important news from the Montana domicile
- Significant registration discounts for conferences and seminars
- Preferred consideration for speaker selection at educational events
- Invitations to exclusive Members Only networking and educational events
- Complimentary listing in MCIA's online Service Provider Directory
- Industry-wide exposure with a listing in Montana's Annual Domicile Report, distributed at industry tradeshows and upon request
- Perhaps most importantly, your membership will support the association's work in promoting a business and regulatory climate where captive insurance programs will thrive.

MEMBERSHIP APPLICATION

Company/Organization Name _____

Street Address _____

City/State/Zip _____

Phone _____ Fax _____

Email _____ Website _____

Full Name of Company Representative _____

Job Title _____

Primary Industry of Applicant _____

Additional Company Contacts (others who should receive MCIA materials)

Name _____ Title _____ Email _____

Name _____ Title _____ Email _____

How did you find us? (please select the best option below)

☐ Internet ☐ Networking Event ☐ MCIA Conference ☐ Direct Mail ☐ MCIA Blast Email

☐ Referral From Colleague ☐ Tradeshow ☐ Montana State Auditor's Office

☐ Other _____

MEMBERSHIP CATEGORY (check one)

☐ Captive Insurance Company/RRG - \$695

☐ Industry Service Provider - \$995

Your membership in MCIA is not tax deductible as a charitable contribution for federal income tax purposes. However, membership dues and related payments made to MCIA may be deductible as an ordinary business expense.

Please check the box that best describes your business:

☐ Single Parent Captive Program 01

☐ Association Sponsored Captive Program 02

☐ Risk Retention Group 03

☐ Captive Manager 04

☐ Financial Services 05

☐ Legal Services 06

☐ Accounting/Actuarial Services 07

☐ Reinsurance 08

☐ Risk Management Consultant 09

☐ Other 10

PAYMENT INFORMATION (check one)

☐ Enclosed is my check made payable to MCIA

Please charge the following:

☐ Visa ☐ Mastercard ☐ AMEX ☐ Discover

Credit Card No. _____

Exp. __/__/__ VAL Code _____ (MC, Visa, Discover - last 3 digits on card back; AMEX - 4 digits on card front)

Card in the name of _____

Billing Address _____

City/State/Zip _____

Signature _____

MAIL COMPLETED APPLICATION & PAYMENT TO:

Montana Captive Insurance Association, Inc. (MCIA)
1302 24th Street West #303 • Billings, MT 59102-3861
866.388.6242 or info@mtcaptive.org

