

The Amethyst CAPTIVE FORMATION

Steps to Forming a Captive

Amethyst professionals have industry expertise and a long history of developing, forming, and managing captive insurance companies in nearly every major domicile.

PLANNING & DOCUMENT PREPARATION

Secure internal team sign-off, typically CFO, GC and RM. Firm up reinsurance, tax & legal opinion(s). Clear Treasury department for bank covenants, collateral, security requirements.

Select Domicile: Feasibility and pre-application process should not underestimate the strategic importance of choosing the right domicile.

Hire domicile approved captive manager & local legal counsel early. These experts navigate captive owner(s) through all steps from planning to licensure.

Key Decisions: Identify directors, officers, including resident director, if required. Choose potential captive names for Secretary of State or domicile registrar's approval.

Meet with Regulator(s): Key to formation is holding a face-to-face preliminary meeting between principal(s), head insurance regulators, local counsel and captive manager.

Complete Biographical Affidavits: Directors & Officers complete biographical affidavit forms subject to background check. Failure to complete can hold up submission.

Prepare Domicile Application: Facilitated by captive manager, documents may include biographical affidavits, by-laws, business plan, pro-forma financial statements, program design, premium rating/methodology, actuarial loss support, and risk management plans.

SUBMISSION & LICENSING

- Reserve captive name, petition for Certificate of General Good and complete incorporation process with the Secretary of State or equivalent domicile authority.
- File captive application with fees with Department of Insurance (DOI) or equivalent authority; send duplicate of application to independent review firm chosen by DOI.
- Respond to review questions/comments AND obtain insurance license.
- Directors approve formation, other governance matters, and establish authorities.
- Obtain FEIN, establish bank accounts, capitalize captive and issue stock.
- Circulate corporate resolutions, investment policies, bank signatory cards, as necessary.
- Contract with service providers. Submit\seek authorization for certain providers, as necessary.
- Issue policy(ies) and commence operations.

Amethyst comprehensive approach to captive planning and development ensures your captive structure will be matched with the most suitable domicile. Amethyst is currently authorized in D.C., DE, NJ, NY and VT. Bermuda, Cayman and other US domestic expansion plans are in process.



DOMICILE SELECTION FACTORS

- Domestic vs. Foreign
- Political Stability & Infrastructure
- Enduring Nature of Statute & Regulations
- Cost of Doing Business (including capitalization, premium tax, investment form and flexibility, provider choices)
- Accessibility (Regulators Responsiveness and Domicile Location)
- Industry Expertise (service providers & regulators)

KEY PLANNING POINTS

- Legal Structures- LLC's, Family Ownership, Non-Profit, Outside Ownership, Group – each have unique planning needs.
- Tax & Accounting Considerations – income tax, indirect, excise, premium, self-procurement and local. Financial transaction review with audit firm for desired reporting outcomes.
- Quality of Historical Loss Data – ability to respond to questions arising from review.
- Identify possible outside authorities, besides licensing domicile that may impact captive for example: SEC, IRS, state taxing authorities, DOI(s), claim funds, EPA, HUD, rating agencies, AM Best, NAIC, Accounting Guidance, others.

150 Bank Street, Suite 201
Burlington, VT 05401
802-735-1682 main
info@acisvt.com
www.ACISVT.com