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## DISB Risk Finance Team

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- David Schleit, Analyst
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- David Christhlf, P&C Actuary
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## Captive Activity in 2020

- DC has issued 13 licenses so far in 2020:
  - 1 RRG
  - 1 Pure
  - 1 Agency PCC
  - 4 Rental PCCs
  - 3 Incorporated Cells
  - 3 Protected Cells
- 2019 comparison - 18 licenses issued – 1 RRG, 5 pure, 1 rental PCC, 5 ICs, 6 PCs (2019 premiums \$1.4 billion)



## Captive Activity in 2020 (cont.)

- Current - 152 Captives and Cells: Assoc. (11); Agency (3); Branch (3); Cells (49); RRGs (33); Pure (39); Rental (14)
- Applications pending – 1 Cell
- Pipeline – 5 to 10 likely to file applications before year-end (mix of pures and cells)
- Cell companies continue to be popular, but all types of captives are being formed
- Some recent formations related to hardening market – companies are retaining a portion of their own risk



## What is a Good Captive?

- How Does the DC Define a Good Captive?
  - Knowledgeable and active Board of Directors
  - Owners are committed to their captive through the insurance cycles
  - Having a highly qualified and experienced team (manager, legal counsel, actuary, auditor, underwriter and administrator)
  - Owners who work closely with their team and listen to their advice
  - Failures:
    - Interests of MGA/MGU and Policyholders were not aligned
    - Under Reserving
    - Inadequate Pricing
    - Not following business plan

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## Captive Initiatives

- Captive Marketing
  - Started the process of hiring a marketing firm
    - Brand Development
    - Digital Marketing
    - Graphic Design
    - Video Production
    - Web Development
- Department's website was updated this summer
- DC Regulatory Sandbox Council recommended creation of a sandbox InsureTech, RegTech and FinTech
  - Microinsurance
  - Claims
  - Distribution Channels
  - Smart Contracts
  - Financial Reporting, Exams and Audits

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## DISB/RFB News and Hot Topics

- Impacts of COVID
  - Continued telework
  - April 23 bulletin remains in effect through Dec. 31, 2020
  - Electronic filings
  - Wire Transfers for fees encouraged
  - Notarized documents
  - Waiver of DC meeting requirement
  - On-going monitoring of captives for COVID impacts



## DISB/RFB News and Hot Topics (cont.)

- RRG BOD independence
- Coordinated RRG Examinations
- Non-RRG Examination Waiver provision
- Premium tax electronic payments
- NAIC Accreditation Review
- RRG reinsurance risk transfer analysis



## NAIC Update

- Spring meeting cancelled
- Summer and Fall virtual meetings shortened
- No significant new issues impacting captives or RRGs
- NAIC Insurance Summit
- NAIC Accreditation - NAIC will conduct a review of RRGs and traditional insurers in June 2021



## Questions

### Questions?

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