

**Requirements for Formation of a Captive  
Insurance Company  
(Article VIIC - Illinois Insurance Code)**

Applicants must utilize the NAIC's Primary Application available at <https://content.naic.org/industry/ucaa>. The complete Primary Application, and the check made payable to the Illinois Department of Insurance, should be mailed in an original paper format to the following mailing address:

Marcy Savage  
Deputy Director – Corporate Regulation  
Illinois Department of Insurance  
320 West Washington Street, 4<sup>th</sup> Floor  
Springfield, IL 62767-0001

In conjunction with the Primary Application, applicants should also adhere to the following requirements and instructions set forth below when preparing their Primary formation application to this Department. Documents with signature lines and all NAIC Biographical Affidavits require original ink signatures as part of this Primary Application.

1. Minimum capital and surplus: (*Section 13*).
2. Duplicate originals to Articles of Incorporation: (*Section 14.1 and 15*).
3. By-Laws adopted by Incorporators: (*Section 12 and 15*).
4. Form of Subscription Agreement: (*Section 15 and 21*).
5. Executed Escrow Agreement: (*Section 15 and 21.1*).
6. Check in the amount of \$7,000 payable to the Director of Insurance (*Section 408*).
7. Plan of Operation/Feasibility Study.
8. Biographical statements by all promoters, incorporators and proposed management personnel: (*Section 155.04 and Part 915 of Regulations*) - The attached biographical may be reproduced as to number needed). Per Company Bulletin CB 2016-05, all companies will be required to utilize nationally recognized independent third-party agencies to provide background investigation/verification reports to the Illinois Department of Insurance. Those vendors are listed in the NAIC chart at the following website location:  
[http://www.naic.org/documents/industry\\_ucaa\\_third\\_party.pdf](http://www.naic.org/documents/industry_ucaa_third_party.pdf)
9. Approval of Articles of Incorporation (*Section 18*).
10. Recording of Articles of Incorporation (*Section 19*).
11. Permit to solicit subscriptions: (*Section 20*).
12. Examination of Company: (*Section 24*).

**QUESTIONNAIRE FOR FORMATION OF  
AN ILLINOIS CAPTIVE INSURANCE COMPANY**

1. Name of Captive.
2. Indicate the category of captive insurance company pursuant to which the company will be organized (check one):

<input type="checkbox"/>	<b>Pure</b>
<input type="checkbox"/>	<b>Industrial Insured</b>
<input type="checkbox"/>	<b>Association</b>

3. If the company is being organized as an industrial insured or an association captive, indicate whether such captive will be a stock of a non-stock mutual insurance company (check one):

<input type="checkbox"/>	<b>Stock</b>
<input type="checkbox"/>	<b>Mutual</b>

4. If the company is being organized as a pure captive state the name and address of the parent and each affiliated company whose risk the captive will insure.

- **Parent Company:**

- **Affiliated Companies:**

5. If the company is being organized as an industrial insured captive, state the name and address of each industrial insured whose risks the captive will insure.
6. If the company is being organized as an association captive, state the name and address of the sponsoring association and each member organization who risks the captive will insure.
7. Provide a summary of the amount and nature of the initial capitalization of the captive.
  - Assets in accordance with the requirements of the Illinois Insurance Code.
8. List the types of insurance permitted under Classes 2 and 3 of Section 4 of the Illinois Insurance Code which the captive seeks authority to write, excluding clause (d) of Class 2.
9. Provide a summary of the insurance coverage to be afforded by the captive.
10. List the states in which the company intends to become licensed or to conduct a surplus line business.
11. If the company is being organized as a mutual, describe any contingent liability or assessment features to be contained in the insurance policies to be issued by the captive.
12. Briefly describe the stockholders' or members' (*as applicable*) rights to dividends and other distributions, if any.

13. Provide the address of the proposed principal office of the captive.
14. Provide the address of the Illinois place of business of either the captive or the organization which will provide principal administration or management services to such captive, if different than the response to Question 13.
15. Provide the location at which the original books and records of the captive will be kept in Illinois, if different than the response to Question 13.
16. Provide the names and addresses of the following individuals, if available:
  - **Accountants:**
  - **Loss Reserve Specialist:**
  - **Management Firm:**
17. Provide the name and home address of each incorporator of the company.
18. Provide the name, title and business address of each director and officer proposed by the incorporator.
19. Indicate by check mark who will fulfill the following function:

<b>FUNCTION</b>	<b>EMPLOYEE OF NAME OF COMPANY</b>	<b>OUTSIDE PROVIDER</b>
<b>Underwriting</b>		
<b>Pricing</b>		
<b>Claims Administration</b>		
<b>Loss Prevention</b>		
<b>Accounting</b>		
<b>Investment</b>		

20. **FILINGS:** As part of the application process, please file all the following documents with the Department:
  - a) Duplicate originals of Articles of Incorporation and By-Laws.
  - b) Copy of Subscription Agreement, if the captive is organized as a stock company.
  - c) Statement of amount and liquidity of assets relative to the risks to be assumed.
  - d) Biographical affidavits of all proposed directors, officers, and managers.
  - e) Plan of Operation or Feasibility Study which analyzes the expected activities and results of operations of the captive, including at a minimum:
    - Information sufficient to verify that the members of the captive are engaged in businesses or activities similar or related with respect to the liability to which such members are exposed by virtue of any related, similar or common business, trade, product, services, premises or operations:

- For each state in which it intends to operate, the coverage (claims made or occurrence), deductibles, coverage limits, net retention limits, rates, and rating classification systems for each line of insurance the group intends to offer:
  - Historical and expected loss experience of the proposed members and national experience of similar exposures (to the extent reasonably available):
  - Pro forma financial statements and projections for at least a three (3) year period with run-off.
  - Appropriate opinions by a qualified, independent casualty actuary, including a determination of minimum premium or participation levels required to commence operations and to prevent a hazardous financial condition:
  - Identification of management, underwriting, and claims procedures, marketing methods, investment policies and reinsurance agreements:
  - A statement as to whether the captive intends to reinsure risks itself.
  - Investment policy statement, including the type of investments to be made and, if the company will be organized as an industrial insured captive, the diversified of such investments:
- f) Description of the captive's loss prevention program.
- g) Copies of all management and consulting agreements to be entered into by the captive.
- h) Copies of any of the following financing documents, if such financing vehicles are to be used by the captive to meet its capital/surplus requirements:

#### **Letter of Credit (LOC) Agreement and LOC form**

#### **Contract for capital with description of collateral**

#### **Guaranty Fund or guaranty capital (if the captive is organized as a mutual)**

- i) Description of any reinsurance agreements to be entered into by the captive, including the name of the reinsurer, ceding premiums and commission. Attach a copy of the reinsurer's financials, the treaty or facultative contract, the LOC Trust Agreement and the LOC form to such description:
  - j) The name and latest financial statements for the fronting company to be utilized by the captive, if any:
  - k) Offering Memorandum of Information Circular with exhibits.
  - l) Policy forms:
  - m) Premium rates, if requested.
21. Provide a check made payable to the "Illinois Department of Insurance" in the amount of \$7,000 to cover the application fee.
22. After incorporation, the captive must file:

- a) Executive Appointment of Attorney designating the Director of the Illinois Department Insurance as agent for purposes or receiving service of legal documents or process.
- b) Check made payable to "Illinois Department of Insurance" to cover the fees and expenses of any investigation conducted by the Department in connection with the application, after receipt of an invoice from the Department for same.
- c) Statement providing the following information with respect to the depository at which funds solicited by the captive will be held:

<b>Name and Address of Bank</b>	
<b>Contact Person</b>	
<b>Telephone Number</b>	
<b>Account Number</b>	

- d) Federal Employer's Identification Number (*FEIN*).

**23. THE COMPANY MUST RECEIVE A CERTIFICATE OF AUTHORITY FROM THE ILLINOIS DEPARTMENT OF INSURANCE BEFORE EFFECTING CONTRACTS OF INSURANCE IN ILLINOIS.**

Dated and signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_,  
 at \_\_\_\_\_, Illinois. I hereby certify that the foregoing  
 and attached statements are true and correct to the best of my knowledge and belief.

Signature and Printed Name of Each Incorporator	
	Printed Name

Subscribed and sworn to before me  
 this \_\_\_\_\_ day of \_\_\_\_\_,  
 \_\_\_\_\_.

\_\_\_\_\_  
**Notary Public**  
**My Commission Expires:** \_\_\_\_\_

**QUEST2.CAP.2001**