

# **Nevada Captives FAQ**

Frequently Asked Questions about Captive Insurance Companies and the state of Nevada

## **1. What are the different types of captive insurers?**

- Agency Captive
- Alien Captive
- Branch Captive
- Association Captive
- Pure/ Single Parent Captive
- Sponsored Captive

For more information on these types of captives, go to [www.doi.nv.gov/captive-insurers](http://www.doi.nv.gov/captive-insurers)

## **2. What lines of insurance can captives write in NV?**

Captives may write most lines of insurance except for home/personal property, automobile liability, or workers compensation. All types of insurance can be reinsured by a Nevada Captive.

## **3. What is a feasibility study?**

The feasibility study, generally prepared by a certified public accountant (CPA) or actuary, is documentation of how the captive program will operate and provides a projection of expected profitability. It is a required element of the captive application. The study is used by the Division to decide whether to proceed with the formation of the captive. It must include both a written summary of the business plan and 5-year pro-forma financial statement.

## **4. What involvement will I have in operating the Captive?**

The owners or directors will be responsible for the activities of a captive insurer, and typically work in partnership with a Captive Manager who will help oversee the operations of the company. Directors must provide direction, coordinate the work of contracted service providers, ensure that loss control programs are executed, attend board meetings in the state of domicile, and any other necessary directorship functions. Director participation is critical to achieving success in a captive program.

## **5. What is a captive manager?**

An insurance Captive manager is a specialized firm responsible for overseeing the

operations of a captive insurance company. The captive manager's role involves a combination of technical expertise, regulatory compliance, and strategic guidance to ensure the captive operates efficiently and effectively.

Key responsibilities of a captive manager include:

- **Formation and Licensing:** Assisting with the setup and licensing of the captive, including working with regulators, legal teams, and financial experts.
- **Regulatory Compliance:** Ensuring the captive adheres to all local and international insurance laws and regulations.
- **Financial Management:** Overseeing premium collection, claims processing, investment strategies, and financial reporting.
- **Risk Management:** Helping the parent organization analyze risks, determine appropriate coverage levels, and develop risk mitigation strategies.
- **Operational Support:** Managing day-to-day activities such as underwriting, policy issuance, and reinsurance arrangements.
- **Strategic Advice:** Offering guidance on optimizing the captive's structure, expanding coverages, or navigating market changes.

Captive managers often serve as a trusted partner to the parent organization, balancing technical insurance expertise with strategic insight to meet the company's unique risk management needs.

## 6. What services do actuaries perform?

An actuary experienced in captive programs can assist in the formation of a captive through preparation of the feasibility study, in determining the appropriate premium to charge and recommending appropriate reinsurance coverage. The captive must also engage an actuary to provide an annual Actuarial Opinion which must be submitted to the Division as part of regular reporting.

## 7. What types of investments are captives allowed to pursue?

A pure captive insurer is not subject to any restrictions on allowable investments. The Commissioner of Insurance may prohibit or limit any investment that threatens the solvency or liquidity of the pure captive. All other captive insurers (i.e., Association Captive, Agency Captive, Rental Captive, a Sponsored Captive or a state-chartered Risk Retention Group) are subject to [NRS 682A – Investments](#).

## 8. Does the captive get to keep its investments income?

Yes

**9. Can a captive join a state guaranty fund?**

No. Captive insurers licensed in Nevada are prohibited from joining state guaranty funds by statute.

**10. Where can I find more information on captive insurance?**

There are several resources available to learn more about Captive Insurance. Please see the list below.

- A. [Captive.com](http://Captive.com)
- B. [Nevada Captive Insurance Council \(nvcic.com\)](http://NevadaCaptiveInsuranceCouncil(nvcic.com))
- C. [Captive Insurance Companies Association \(CICA\) \(cworld.com\)](http://CaptiveInsuranceCompaniesAssociation(CICA)(cworld.com))
- D. [NRS: CHAPTER 694C - CAPTIVE INSURERS \(state.nv.us\)](http://NRS:CHAPTER694C-CAPTIVEINSURERS(state.nv.us))
- E. [NAC: CHAPTER 694C - CAPTIVE INSURERS \(state.nv.us\)](http://NAC:CHAPTER694C-CAPTIVEINSURERS(state.nv.us))

**11. What are the minimum starting capitalization requirements?**

NRS 694C.250 indicates that captive insurers must meet a minimum capital amount to be licensed. This amount will increase based on the types of insurance and needs of your company. The minimum amounts are as follows:

- Pure Captives - \$200,000.00
- Association Captive - \$500,000.00
- Agency Captives - \$600,000.00
- Sponsored Captive - \$500,000.00

**12. What are the common sources of formation capital?**

The Commissioner will accept the following types of formation capital:

- A. Cash held in an account controlled by the captive.
- B. Letter of credit, which must be issued by a bank chartered in the state, or a bank that is a member of the United States Federal Reserve's System and has been approved by the Commissioner. The letter of credit must also be automatically renewable.
- C. The Commissioner will also accept a Surplus Note. This note will be subject to strict control by the Commissioner and requires previous approval from the Commissioner. If you would like to use this form of capital, please notify the Division, and we will provide more information.

**13. What is underwriting?**

Underwriting is the process of selecting and rating (i.e., pricing) the risks to insure.

**14. What is a fronting company?**

A commercially licensed insurance carrier that issues a policy and enters into reinsurance contracts to cede all or a substantial part of the risk to another carrier such as a captive.

**15. Will my captive have to use a fronting company to issue insurance policies?**

In many cases, captives do not utilize a fronting carrier, though certain types of coverage require evidence of fronting insurance from admitted insurers. Some insureds may be required to show evidence of insurance from a highly rated carrier.

**16. What is reinsurance?**

Reinsurance is, in simplest terms, Insurance on claims losses for Insurers. Reinsurance is a form of insurance whereby one insurer agrees to indemnify another insurer for losses resulting from retained risks. Reinsurance is very common in captive programs and can take a variety of forms. Two common types of reinsurance are: Quota Share reinsurance – the captive and the reinsurer agree to split premiums and losses proportionally (e.g., 50/50 split); and Excess Loss – the reinsurer agrees to reimburse the captive for claims costs over a specified amount (e.g., individual claims over \$100,000).

**17. How do I decide what reinsurance programs are appropriate for my captive?**

It is important to consult with someone experienced in forming captive programs to select an appropriate reinsurance program for your captive. Actuaries and captive managers may be valuable resources in designing the reinsurance program and contracting with reinsurers.

**18. Does a captive pay income taxes?**

The state of Nevada does not have income tax. Other taxes, such as federal income tax, NV Premium tax, and NV sales and use taxes may apply.

**19. What are premium taxes?**

Premium Taxes are collected by the Division of Insurance and are based on the Premiums written by the captive during the previous year. The form and the payment need to be received by the Division on or before March 1 every year, per NRS 694C.400.

- The minimum aggregate tax for any year is not less than \$5,000.
- The maximum aggregate tax for any year will not exceed \$175,000.

- A captive insurer is entitled to receive a non-refundable credit of \$5,000 applied against the aggregate taxes owed for the first year in which the captive insurer incurs a liability for the payment of taxes.

**20. What if the premiums I reported on my tax are different than those that appear on my audited financial statements?**

Because premium taxes are due before March 1<sup>st</sup>, and audited financials are not due until June 30<sup>th</sup>, there may be an unintentional misstatement of premiums. The Division understands that this may occasionally occur due to differences in accounting practices between bookkeepers and CPAs. If this happens to your company, notify the Division as soon as the discrepancy is found and prepare an amended tax return form. You should work with your accounting staff and CPA to identify and correct the cause to avoid future erroneous filings.

**21. How do captive insurers settle claims?**

Claims against captive insurance policies are settled essentially in the same manner as commercial policies. Often, captive programs are structured so that the fronting carrier settles the claims and collects reimbursement from the captive reinsurer. In other cases, the captive may settle claims directly or through use of service providers (i.e., third-party administrators, insurance adjustment firms, or attorneys).

**22. Who should I contact at the DOI to talk about forming a captive?**

To contact the captive's section at the NVDOI, please email [captives@doi.nv.gov](mailto:captives@doi.nv.gov), this is a shared email, so the inbox is always monitored. If you would like to talk to us in person, please call 775-687-0748.

**23. What are the annual requirements and due dates for a captive insurer in Nevada?**

Due by March 1 of each year, the captive will have to provide their annual renewal fee of \$550, their annual business plan, and pay their annual premium taxes. Other annual filings are due on June 30 every year, or 180 days after close of fiscal year end. These annual filings include the Annual Report, Audited Financials, and an Actuarial Opinion.

**24. How do I re-domesticate to Nevada?**

The re-domestication process into or out of the state takes time and requires the filing of forms in your current state and receiving approval and filing forms in

Nevada. If you are considering a re-domestication, please contact the Nevada Division of Insurance at [captives@doi.nv.gov](mailto:captives@doi.nv.gov) to find out more.

**25. How do I become an approved service provider in Nevada?**

The first step in becoming an approved service provider in the state of Nevada is to reach out to the Division of Insurance at [captives@doi.nv.gov](mailto:captives@doi.nv.gov). The service providers each have differing requirements for review, but all are required to submit a current resume and a biographical affidavit. The biographical affidavit can be found on the Captive Insurance forms page on the Nevada DOI website.

**26. Do I need to submit hard copy or electronic filings?**

The state of Nevada does not require hard copy filings for captive insurers, you may submit all forms electronically to [captives@doi.nv.gov](mailto:captives@doi.nv.gov).

**27. What information is required in the application for becoming a captive insurer?**

Please see our [Application Process](#) page for more information on applying for captive insurance certificate of authority.