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Required Format for Business Plans and Pro Forma Financial Statements for Risk Retention Groups (“RRGs”)

Nevada Revised Statute (“NRS”) 694C.240 requires a captive insurer, including Nevada domestic RRGs, to file a business plan **upon application and upon renewal** (3/1 of every year). In order to accomplish compliance with this statutory requirement, to ensure that all areas of the business plan are addressed, and to further enhance the Nevada Division of Insurance’s (“Division”) understanding and regulation of RRGs chartered in this State, the Division provides the attached templates to use for the annual submission of the business plan and pro forma financial statements.


SCOTT J. KIPPER
Commissioner of Insurance

State of Nevada



Department of Business and Industry

DIVISION OF INSURANCE

1818 East College Pkwy., Suite 103

Carson City, Nevada 89706

Annual Business Plan

As of December 31, 20XX

Enter the RRG Name Here

BUSINESS PLAN TEMPLATE PAGE 2

Introduction & Background

Describe the overall circumstances that led to the efforts to organize the captive risk retention group (“RRG”) including current and emerging market situations relative to the business the RRG will insure. Explain how transferring risk to the RRG will address the issues and concerns described above.

Goals

Describe the overall long-term risk transfer benefits and/or profitability to be achieved by the RRG.

Legal Business Description

List the RRG name, home office location, and principal place of business.

Compliance with LRRRA

Describe how members of the association are engaged in business activities similar or related with respect to the liability to which they are exposed because of any related, similar or common business, trade, product, service, premise or operation.

Coverage and Reinsurance

Describe coverages, deductibles, limits of coverage, rates and systems of rating classification for each line of insurance the RRG intends to offer.

Describe the type(s) of risk and limits that will be ceded or assumed by the RRG and maximum retention for each type of risk.

Identify the following:

- The product lines currently sold or planned to be sold in the future.
- Specialty lines, if any.
- Captive business, if any.
- The maximum ratio of the largest single net retained risk relative to the RRG’s surplus, within which the RRG intends to operate.

Pro Forma Financial Statements

Attach in the prescribed form, for at least three years ahead, the pro forma financial statements and assumptions utilized.

Management Team

List the management staff and provide descriptions of their responsibilities.

Board of Directors

List all the directors and officers of the RRG and describe their anticipated involvement in the oversight of the RRG.

BUSINESS PLAN TEMPLATE PAGE 3

Risk Management Program

Describe the underwriting procedures utilized by the RRG and how they fit into the RRG's goals and strategy. Outline the risk management program(s), if any, and describe how it will be used to mitigate exposures to loss. How are the results of the risk management program factored into underwriting analysis and evaluation of exposure to loss?

Investment Policy

Describe the RRG's investment policy and its risk appetite for market and credit-related risks and how these aspects comply with Nevada statutes pertaining to valuation and investment limitations.

Geographic Area

List the states in which the RRG has obtained or sought to obtain registration in.

Service Providers

Identify individuals and/or firms that will provide services to support the RRG's operations and describe the services that will be provided. (Include captive managers, claims administrators, managing general underwriters, managing general agents, reinsurance intermediaries, third-party administrators, investment custodians, investment managers or advisors, etc.)

Organizational Chart

Illustrate the RRG's operations, including any affiliate, subsidiary, or contracted operations and describe the services that will be provided by each.

Market Definition

Define the principal risk-transfer needs of participants in the market segment that will generate business for the RRG. Describe how these participants will benefit from the RRG's insurance program(s).

- Market-penetration strategy
- Growth strategy
- Strategy for channels of distribution: Who will sell your coverage?
- Communication strategy: How are you going to reach your customers?

Changes to Business Plan since Prior Year

Identify all changes that were made to this Business Plan since the prior annual submission (if any). Please affirm the RRG's commitment to requesting prior approval from the Nevada Division of Insurance with regard to any material change in the Business Plan, including the addition of any new lines of business, any changes to coverage limits, any expansions to new states, any changes to reinsurance arrangements, and any changes to contracts with service providers.

PROJECTION TEMPLATE PAGE 1

Enter the Company Name Here
 Three-Year Pro Forma Financial Statements
 Expected Scenario

	2015	2016	2017
Cash and Short-Term Investments			
Long-Term Investments:			
Bonds			
Common Stocks			
Preferred Stocks			
Real Estate			
Other Investments (Identify investments specifically)			
Total Investments			
Accrued Investment Income			
Premium Receivables			
Reinsurance Recoverables			
Deferred Acquisition Costs			
Prepaid Expenses			
Deferred Tax Asset			
Write-In Line (Identify assets specifically)			
Total Non-Invested Assets			
Total Assets			
Reserves (Less + LAE)			
Unearned Premium			
Advance Premium			
Reinsurance Payables			
Other Liabilities (Identify liabilities specifically)			
Write-In Line (Identify liabilities specifically)			
Total Liabilities			
Paid-in Capital			
Surplus Notes			
Unassigned Funds (Retained Earnings)			
Write-In Line (Identify surplus account specifically)			
Total Capital and Surplus			
Total Liabilities and Capital & Surplus			
Gross Written Premiums			
Ceded Written Premiums			
Net Written Premiums			
Net Earned Premiums			
Investment Income			
Realized Investment Gains			
Total Revenues			
Losses			
LAE			
Total Losses & LAE			
Other Underwriting Expenses:			
Commissions			
Deferred Acquisitions Costs			
Captive Management Fees			
Actuarial Fees			
Legal Fees			
Audit Fees			
Taxes, Licenses, and Fees			
Write-In Line (Identify expenses specifically)			
Total Underwriting Expenses			
Total Expenses			
Net Underwriting Gain			
Income Taxes			
Net Income			
Net Largest Individual Risk			
Net Retention Ratio Over Largest Individual Risk Capital & Surplus			

PROJECTION TEMPLATE PAGE 2

Enter the Company Name Here
 Three-Year Pro Forma Financial Statements
 Adverse Scenario

	2015	2016	2017
Cash and Short-Term Investments			
Long-Term Investments:			
Bonds			
Common Stocks			
Preferred Stocks			
Real Estate			
Other Investments (Identify investments specifically)			
Total Investments			
Accrued Investment Income			
Premium Receivables			
Reinsurance Recoverables			
Deferred Acquisition Costs			
Prepaid Expenses			
Deferred Tax Asset			
Write-In Line (Identify assets specifically)			
Total Non-Invested Assets			
Total Assets			
Reserves (Loss + LAE)			
Unearned Premium			
Advance Premium			
Reinsurance Payables			
Other Liabilities (Identify liabilities specifically)			
Write-In Line (Identify liabilities specifically)			
Total Liabilities			
Paid-in Capital			
Surplus Notes			
Unassigned Funds (Retained Earnings)			
Write-In Line (Identify surplus account specifically)			
Total Capital and Surplus			
Total Liabilities and Capital & Surplus			
Gross Written Premiums			
Coded Written Premiums			
Net Written Premiums			
Net Earned Premiums			
Investment Income			
Realized Investment Gains			
Total Revenues			
Losses			
LAE			
Total Losses & LAE			
Other Underwriting Expenses:			
Commissions			
Deferred Acquisitions Costs			
Captive Management Fees			
Actuarial Fees			
Legal Fees			
Audit Fees			
Taxes, Licenses, and Fees			
Write-In Line (Identify expenses specifically)			
Total Underwriting Expenses			
Total Expenses			
Net Underwriting Gain			
Income Taxes			
Net Income			
Net Largest Individual Risk			
Net Retention Ratio (Net Largest Individual Risk/Capital & Surplus)			

Account	Assumption Utilized
Gross Written Premiums	
Ceded Written Premiums	
Net Premiums Earned	
Losses Incurred	
LAE Incurred	
Other Underwriting Expenses	
Net Income	
Investments	
Other Assets (Be Specific)	
Total Assets	
Reserves (Losses & LAE)	
Premium Payables	
Other Liabilities (Be Specific)	
Total Liabilities	
Capital and Surplus	