

Captive Insurers

For additional information regarding captive insurance companies, please refer to the [Company Licensing Captives](#) link.

Important: A captive insurance company must comply with Insurance Code Chapter 823 and regulations implementing that chapter if the captive insurance company is affiliated with another insurance company that is part of a holding company and subject to Insurance Code Chapter 823. Please refer to the [Holding Company Filings](#) link for additional filing instructions.

Captive Insurers must file the following documents:

1. ANNUALLY ON OR BEFORE MARCH 1:

NOTE: Please refer to [Annual Report Instructions](#) for more filing information and the [Technical Instructions](#) for guidance in using the Excel spreadsheet.

ANNUAL REPORT Consisting of:	Texas Administrative Code (TAC) Reference	Required
<ul style="list-style-type: none"> Annual Statement (electronically, in Excel format) 	<ul style="list-style-type: none"> TAC §6.401 	<ul style="list-style-type: none"> Annual Report (CARF)
<ul style="list-style-type: none"> Actuarial Opinion 	<ul style="list-style-type: none"> TAC §6.1 	
<ul style="list-style-type: none"> Actuarial Opinion Waiver Affidavit 		
<ul style="list-style-type: none"> Financial Projections (every third year) 	<ul style="list-style-type: none"> TAC §6.406 	<ul style="list-style-type: none"> FIN182

2. ANNUALLY ON OR BEFORE JUNE 1 ([TIC 964.060\(b\)\(2\)](#)):

<ul style="list-style-type: none"> Audited Financial Statements* 	<ul style="list-style-type: none"> TAC §6.403 TAC §7.85 TAC §7.88 Audited Financial Statements Instructions
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*Under Texas Insurance Code Article [401.006](#), generally companies are exempt from filing CPA audited financial reports if they write **both** less than \$1 million in direct Texas premiums and less than \$1 million in nationwide assumed reinsurance premiums. Submission of an affidavit, made under oath by one of the insurer's officers, that specifies the amount of direct premium written in this state during the period is required in the event an exemption is requested.

3. CAPTIVE INSURANCE COMPANIES USING OTHER THAN CALENDAR YEAR FISCAL YEARS

<ul style="list-style-type: none"> Annual Report 	<ul style="list-style-type: none"> Due not later than the 60th day after the captive insurance company's fiscal year end
<ul style="list-style-type: none"> Audited Financial Statements 	<ul style="list-style-type: none"> Due not later than the 150th day after the date the annual report is due

NOTE: Prior approval is required per [TAC §6.404](#) to use a fiscal year end other than a calendar year end.

4. POLICYHOLDER DIVIDEND DISBURSEMENT NOTIFICATION

Per [TAC §6.409](#), a captive insurance company must notify the commissioner of a policyholder dividend within 30 days of issuing the dividend.

5. SHAREHOLDER DIVIDENDS

Per [TIC §964.063\(b\)](#), issuance of dividends or distributions to the holders of an equity interest in a captive insurance company requires commissioner’s approval.

6. LOANS TO AFFILIATES

A captive insurer must submit a written request to the commissioner for prior approval of a loan agreement with an affiliate in accordance with [TAC §6.407](#). However, if the captive insurance company is affiliated with another insurance company that is part of a holding company and subject to Insurance Code Chapter 823, then the captive insurer must comply with Insurance Code Chapter 823.

7. MATERIAL CHANGES TO THE PLAN OF OPERATION

Per [TAC §6.304](#), all material changes to the plan of operation, i.e. changes which result in a significant modification in the captive insurer’s risk profile, require prior approval of the commissioner, including:

- Adding one or more new lines of business or perils;
- Modifying policy limit(s) or policy coverage(s);
- Changes in captive managers;
- New reinsurance;
- Reinsurance amendments;
- Changing the captive insurer’s ultimate controlling person;
- Changes to the information associated with controlled unaffiliated business; and
- Entering runoff or eliminating a line of business.

Updated financial projections are required if a material change in the plan of operation will result in a variation in the most recently filed projections equal to an amount greater than 15% of projected net equity. The updated financial projections must be submitted along with the notice of a material change.

A reassessment of the captive insurer’s minimum capital and surplus requirements will be conducted in the event of a change to the plan of operations. Additionally, the captive insurer must provide an actuarial opinion on the effect of the change in the plan of operation if requested by the department.

8. LETTERS OF CREDIT

In order to be reported as an asset, a letter of credit must comply with [TAC §6.408](#). Compliance requires an evergreen clause which provides for a period of no less than 30 days’ written notice to the commissioner prior to expiry date or nonrenewal. Further, in the event that a letter of credit is not renewed, replaced, or is suspended, the captive insurance company and the issuing bank must give immediate notice to the commissioner.

**** IMPORTANT: Submissions and Notifications to the Commissioner and Department ****

Unless otherwise specified, all submissions to the Commissioner or department must be sent:

Electronically	FACaptives@tdi.texas.gov
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