



**Rules of
Department of Commerce and
Insurance**

**Division 200—Insurance Solvency and Company Regulation
Chapter 20—Captive Insurance Companies**

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**Title 20—DEPARTMENT OF
COMMERCE AND INSURANCE**
**Division 200—Insurance Solvency and
Company Regulation**
**Chapter 20—Captive Insurance
Companies**

20 CSR 200-20.010 Scope and Definitions

PURPOSE: This rule sets out the scope of the rules in this chapter and provides definitions to aid in the interpretation of the rules in this chapter.

(1) Applicability of Rules. The rules in this chapter apply to captive insurance companies transacting business under sections 379.1300 to 379.1350, RSMo and special purpose life reinsurance captives transacting business under sections 379.1353 to 379.1421, RSMo. The rules are to be read together with Chapter 536, RSMo.

(2) Definitions.

(A) “Company,” captive insurance company or companies, including a special purpose life reinsurance captive (SPLRC) unless otherwise specified.

(B) “Director,” the director of the department.

(C) “Department,” the Department of Commerce and Insurance.

AUTHORITY: sections 374.045, 379.1328, and 379.1421, RSMo 2016. Original rule filed Nov. 15, 2007, effective June 30, 2008. Amended: Filed Nov. 19, 2018, effective May 30, 2019. Non-substantive change filed Sept. 11, 2019, published Oct. 31, 2019.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995, 2008; 379.1328, RSMo 2007; and 379.1421, RSMo 2007.*

20 CSR 200-20.020 Forms

PURPOSE: This rule sets out the forms which may be used in the regulation of captive insurance companies in this chapter.

(1) The following forms are suggested, not mandatory, for filing with the department:

(A) Captive Application for Admission (Form CI-1), revised on October 1, 2007, or any form which substantially comports with the specified form;

(B) Captive Irrevocable Letter of Credit (Form CI-2), revised on October 1, 2007, or any form which substantially comports with the specified form;

(C) Captive Application for Authorization

as an Independent Certified Public Accountant (CPA) (Form CI-3) revised on October 1, 2007, or any form which substantially comports with the specified form;

(D) Captive Application for Authorization to Certify Reserves (Form CI-4), revised on October 1, 2007, or any form which substantially comports with the specified form; and

(E) Missouri Captive Insurance Premium Tax Return (Form CI-5), revised on October 1, 2007, or any form which substantially comports with the specified form.

(2) Availability of Forms. The forms are available at the department’s office in Jefferson City, Missouri, on the department website, www.insurance.mo.gov, or by mailing a written request to the Missouri Department of Commerce and Insurance, PO Box 690, Jefferson City, Missouri 65102.

AUTHORITY: section 374.045, RSMo 2000 and sections 379.1328 and 379.1421, RSMo Supp. 2007. Original rule filed Nov. 15, 2007, effective June 30, 2008. Non-substantive change filed Sept. 11, 2019, published Oct. 31, 2019.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995; 379.1328, RSMo 2007; and 379.1421, RSMo 2007.*

20 CSR 200-20.030 Admission

PURPOSE: The purpose of this rule is to set forth the requirements for admitting a captive insurance company to transact business, which the director deems necessary for the regulation of captive insurance companies.

(1) Application and Fees. Application for admission as a captive insurance company will contain the information outlined in sections 379.1300 to 379.1350 or 379.1353 to 379.1421, RSMo by filing with the director—

(A) Initial Admission:

1. A completed Form CI-1;
2. A license fee of seven thousand five hundred dollars (\$7,500) for a company; and
3. An application fee of ten thousand dollars (\$10,000) for a special purpose life reinsurance captive;

(B) Renewal:

1. All annual reports due at the time of renewal pursuant to sections 379.1300 to 379.1350, RSMo and rule 20 CSR 200-20.040; and
2. An annual renewal fee of seven thousand five hundred dollars (\$7,500).

(2) Organizational Examination. In addition to processing of the application, an organiza-

tional investigation or examination may be performed before an applicant is admitted. Such investigation or examination may consist of a general survey of the company’s corporate records, including charter, bylaws, and minute books; verification of capital and surplus; verification of principal place of business; determination of assets and liabilities; and a review of such other factors as the director deems necessary.

(3) Change of Business. Any change in the nature of the captive business from that stated in the company’s plan of operation filed with the director upon application requires prior approval from the director. Any change in any other information filed with the application requires only an informational filing with the director.

AUTHORITY: sections 374.045, 379.1328, and 379.1421, RSMo 2016. Original rule filed Nov. 15, 2007, effective June 30, 2008. Amended: Filed Nov. 19, 2018, effective May 30, 2019.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995, 2008; 379.1328, RSMo 2007; and 379.1421, RSMo 2007.*

20 CSR 200-20.040 Financial Requirements

PURPOSE: The purpose of this rule is to set forth the financial and reporting requirements, which the director deems necessary for the regulation of captive insurance companies.

(1) Annual Reporting Requirements.

(A) An association captive insurance company doing business in this state shall annually submit to the director a report of its financial condition, verified by oath of two (2) of its executive officers. The report shall be prepared in accordance with section 375.041, RSMo.

(B) A pure or industrial insured captive insurance company doing business in this state shall annually submit to the director a report of its financial condition, verified by oath of two (2) of its executive officers. Except as otherwise approved by the director, the report shall—

1. Be prepared on the basis of generally accepted accounting principles consistently applied; and
2. Consist of a—
 - A. Balance sheet;
 - B. Statement of gain or loss from operations;
 - C. Statement of cash flows;



D. Statement of changes in financial position;

E. Statement of changes in capital paid up, gross paid in, and contributed surplus and unassigned funds (surplus); and

F. Notes to financial statements. The notes to financial statements shall be those required by generally accepted accounting principles, and shall include:

(I) A summary of ownership and relationship of the company and all affiliated corporations or companies insured by the captive; and

(II) A narrative explanation of all material transactions and balances with the company.

(C) A special purpose life reinsurance captive (SPLRC) doing business in this state shall annually submit on or before March 1 of each year a report of its financial condition, verified by oath of two (2) of its executive officers. The report shall be prepared in accordance with section 375.041, RSMo.

(2) Annual Audit. All companies shall have an annual audit by an independent certified public accountant (CPA), except to the extent waived by the director. The company shall within ninety (90) days of admission apply to the director for approval of the CPA by submitting an application to the director (Form CI-3). Annual audited financial reports are due to the director on or before June 30 (except for SPLRCs, whose filings are due on or before May 31) for the year ending December 31 immediately preceding, unless the director has approved a fiscal year ending on a date other than December 31 in which case the audited financial report shall be filed with the director within six (6) months after the end of such approved fiscal year. The annual audit report will be considered part of the company's annual report of financial condition except with respect to the filing due date. The annual audit shall consist of the following:

(A) Opinion of Independent Certified Public Accountant. Financial statements furnished pursuant to this section shall be examined by independent certified public accountants in accordance with generally accepted auditing standards as determined by the American Institute of Certified Public Accountants. The opinion of the independent certified public accountant shall cover all years presented, be addressed to the company on stationery of the accountant showing the address of issuance, bear signatures, and be dated;

(B) Report of Evaluation of Internal Controls. This report shall include an evaluation of the internal controls of the company relat-

ing to the methods and procedures used in the securing of assets and the reliability of the financial records, including, but not limited to, such controls as the system of authorization and approval and the separation of duties. Unless otherwise approved by the director, the review will be conducted in accordance with generally accepted auditing standards;

(C) Accountant's Letter. The accountant shall furnish the company, for inclusion in the filing of the audited annual report, a letter stating—

1. That the accountant is independent with respect to the company and conforms to the standards of the profession as contained in the Code of Professional Ethics and pronouncements of the American Institute of Certified Public Accountants and pronouncements of the Financial Accounting Standards Board;

2. The general background and experience of the staff engaged in audit including the experience in auditing captives or other insurance companies;

3. That the accountant understands that the audited annual report and his opinions thereon will be filed in compliance with the rules of this chapter with the director;

4. That the accountant consents to the requirements of section (3) of this rule and that the accountant consents and agrees to make available for review by the director, his designee or his appointed agent, the work papers as defined in section (3); and

5. That the accountant is properly licensed by an appropriate state licensing authority and is a member in good standing in the American Institute of Certified Public Accountants;

(D) Financial Statements. Included financial statements shall be as follows:

1. Balance sheet;

2. Statement of gain or loss from operations;

3. Statement of changes in financial position;

4. Statement of changes in capital paid up, gross paid in, and contributed surplus and unassigned funds (surplus); and

5. Unless otherwise approved by the director, notes to financial statements required by generally accepted accounting principles, including:

A. A reconciliation of differences, if any, between the audited financial report and the statement or form filed with the director;

B. A summary of ownership and relationship of the company and all affiliated corporations or companies insured by the captive; and

C. A narrative explanation of all material transactions and balances with the

company; and

(E) Actuarial Certification. The annual audit shall include an opinion as to the adequacy of the company's loss reserves and loss expense reserves. The individual who certifies as to the adequacy of reserves shall be a member in good standing of the American Academy of Actuaries and apply to the director for approval by submitting an application to the director (Form CI-4). As to any SPLRC or any company providing life insurance or annuity contracts, such certification shall include the opinion detailed in section 376.380, RSMo.

(3) Availability and Maintenance of Work Papers of the Independent Certified Public Accountant. Each company shall require the independent certified public accountant to make available for review and photocopying by the director or the director's appointed agent the work papers prepared in the conduct of the audit of the company. The company shall require that the accountant retain the audit work papers for a period of not less than five (5) years after the period reported upon. The aforementioned review by the director is an examination and all work papers obtained during the course of such examination are confidential. Such work papers may be retained by the department. "Work papers" as referred to in this section include, but are not necessarily limited to, schedules, analyses, reconciliations, abstracts, memoranda, narratives, flow charts, copies of company records, or other documents prepared or obtained by the accountant and the accountant's employees in the conduct of their examination of the company.

(4) Notification of Adverse Financial Condition. A company shall require the certified public accountant to immediately notify in writing an officer and all members of the board of directors of the company of any determination by the independent certified public accountant that the company has materially misstated its financial condition in its report to the director pursuant to section 379.1312 or 379.1403, RSMo. The company will furnish such notification to the director within five (5) working days of receipt thereof.

(5) Deposit Requirement. Whenever the director deems that the financial condition of the company warrants additional security, the director may require a company to deposit with the director in a depository chosen by the director cash or securities approved by the director or, alternatively, to furnish the director a clean irrevocable letter of credit issued



by a bank chartered by the State of Missouri or a member bank of the Federal Reserve System and approved by the director (Form CI-2). The company may receive interest or dividends from said deposit or exchange the deposits for others of equal value with the approval of the director. If such company discontinues business, the director will return such deposit only after being satisfied that all obligations of the company have been discharged.

(6) Reinsurance.

(A) Any company authorized to do business in this state may take credit for reserves on risks ceded to a reinsurer subject to the following limitations. No credit shall be allowed—

1. For reinsurance where the reinsurance contract does not result in the complete transfer of the risk or liability to the reinsurer with respect to the portion of the liability purported to be reinsured; and

2. As an asset or a deduction from liability, to any ceding insurer for reinsurance unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding insurer under the contract reinsured without diminution because of the insolvency of the ceding insurer.

(B) Reinsurance under this section is to be effected through a written agreement of reinsurance setting forth the terms, provisions and conditions governing such reinsurance.

(C) The director in his discretion may require that complete copies of all reinsurance treaties and contracts be filed and/or approved by him.

(7) Premium Tax.

(A) On or before February 1 of each year, each company shall file a premium tax return (Form CI-5) on a form provided by the director with respect to its direct premiums written and reinsurance assumed premiums written for the year ending the preceding December 31.

(B) On or before March 31 of each year, the director will certify to the director of revenue the taxes payable by each company.

(C) On or before April 30 of each year, the director of revenue will notify each company of its assessment of taxes.

(D) Payment of taxes assessed is due to the director of revenue on or before May 1.

AUTHORITY: sections 374.045, 379.1328, and 379.1421, RSMo 2016. Original rule filed Nov. 15, 2007, effective June 30, 2008. Amended: Filed May 13, 2019, effective Nov. 30, 2019.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995, 2008; 379.1328, RSMo 2007; and 379.1421, RSMo 2007.*

20 CSR 200-20.050 Management and Control

PURPOSE: The purpose of this rule is to set forth the management and control, which the director deems necessary for the regulation of captive insurance companies.

(1) Directors. Every company shall report to the director within thirty (30) days after any change in its executive officers or directors, including in its report a statement of the business and professional affiliations of any new executive officer or director. No director, officer, or employee of a company shall, except on behalf of the company, accept, or be the beneficiary of, any fee, brokerage, gift, or other emolument because of any investment, loan, deposit, purchase, sale, payment, or exchange made by or for the company but such person may receive reasonable compensation for necessary services rendered to the company in his or her usual private, professional, or business capacity. Any profit or gain received by or on behalf of any person in violation of this section inures to and is recoverable by the company.

(2) Conflict of Interest. In addition to the investment of funds in section (1) of this rule, each company chartered in this state is required to adopt a conflict of interest statement from officers, directors, and key employees. Such statement shall disclose that the individual has no outside commitments, personal or otherwise, that would divert him from his duty to further the interests of the company he represents but this does not preclude such person from being a director or officer in more than one (1) insurance company. Each officer, director, and key employee shall file such disclosure with the board of directors yearly.

AUTHORITY: sections 374.045, 379.1328, and 379.1421, RSMo 2016. Original rule filed Nov. 15, 2007, effective June 30, 2008. Amended: Filed Nov. 19, 2018, effective May 30, 2019.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995, 2008; 379.1328, RSMo 2007; and 379.1421, RSMo 2007.*

20 CSR 200-20.060 Revocation, Suspension or Rescission of Company Authority

PURPOSE: The purpose of this rule is to set forth the procedures for revoking, suspending

or cancelling the license of captive insurance companies.

(1) The director may enter an order suspending or revoking the license of a company pursuant to section 379.1316, RSMo. The proceeding will be governed by rule 20 CSR 800-1.010, et seq.

(2) In addition to the authority in section 379.1316, RSMo, the director may, subject to the provisions of this section, by order rescind the authority of the company:

(A) If the company has not commenced business according to its plan of operation within two (2) years of being licensed; or

(B) If the company ceases to carry on insurance business in or from within this state; or

(C) At the request of the company.

(3) Before the director rescinds the license of a company under section (2), the director shall give the company notice in writing of the grounds on which the director proposes to cancel the license, and shall afford the company an opportunity to make objection in writing within the period of thirty (30) days after receipt of notice. The director shall take into consideration any objection received by the director within that period and, if the director decides to cancel the license, cause the order of cancellation to be served on the company.

AUTHORITY: section 374.045, RSMo 2000 and sections 379.1328 and 379.1421, RSMo Supp. 2007. Original rule filed Nov. 15, 2007, effective June 30, 2008.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995; 379.1328, RSMo 2007; and 379.1421, RSMo 2007.*