

Welcome Remarks & Association Update



Richard Klumpp
President & CEO
Wilmington Trust
DCIA President

Association Update

- Welcome
- DCIA Marketing Update
 - Branding
 - Delaware Captive. Where Business Gets Done
 - Advertising
 - Ad Campaign
 - Trade Publications
 - Captive.com
 - Paid Search
 - Website/Logo
 - Update Look & Feel
 - Fix Links
 - Content Updates
 - Public Relations
 - Comprehensive Information Packet
 - Press Releases
 - Media Tour/Interviews
 - Content. Content. Content.



Bureau of Captive and Financial Insurance Products Delaware Captive Insurance Association

Steve Kinion

Director, Bureau of Captive and Financial Insurance Products

Delaware Insurance Department

November 13, 2012

Outline of Presentation



- Captives by the Numbers
- Implementation of New Laws for RRGs
- Proposed Bulletins
- Moving the Office and Personnel Changes at Captive Bureau
- Medical Stop Loss Debate
- Dodd-Frank
- NAIC Captive & Special Purpose Vehicle Subgroup
- Q &A



Delaware Captives By the Numbers

- Captive bureau started by Commissioner Stewart in August 2009 with 38 captives, 0 series business units, and six cells

As of November 13, 2012 there are:

- 161 licensed captives
- 221 licensed series captive insurance companies
- 11 licensed protected cells
- 12 captives and 16 series captive insurance companies in pipeline



New Laws for RRGs Effective January 1, 2013

- **Compliance with Holding Company Act**
- **Prohibition on concentration of risk in one or few policyholders**
- **Compliance with Credit for Reinsurance Model Act**
- **Compliance with Managing General Agent Act**
- **Compliance with Reinsurance Intermediary Act**



Proposed Regulations and Laws for RRGs in 2013

- Legislation to have RRGs comply with P&C actuarial opinion model law
- Proposed regulation for model audit rule

Proposed Bulletins for 2012



- Changing name of Series Business Unit “SBU” to Series Captive Insurance Company
- Bulletin to provide instructions for submitting applications up to 5:00 P.M. EST on December 31, 2012
- Instructions for requesting dividends for 2012 distribution
- Submit drafts to DCIA for comments



Captive Bureau Specifics

- Adding two additional financial analysts in 2013
- Office will move next month to Carvel State Office Building located at 820 North French Street in Wilmington
- Continue to have presence at captive conferences
- Increasing the number of outreach captive meetings – so if you need a speaker to visit with your clients and prospective clients please call



Affordable Care Act “PPACA” and Delaware Medical Stop Loss Captives

A Topic of Significant Interest

Delaware Medical Stop Loss Law

- **Minimum specific deductible is \$6,500**
- **Aggregate attachment point has no minimum**
- **Prohibition of stop loss for small groups under 15 people. 18 Del.C. 7218**



NAIC Stop Loss Model Law

- **Minimum specific deductible currently is \$20,000 under 1995 Model Law**
- **Proposed specific deductible is \$60,000**
- **Aggregate attachment point currently is \$4,000 times the number of people in the plan under 1995 Model Law**
- **Proposed aggregate attachment point currently is \$15,000 times then umber of people in the plan**
- **NAIC ERISA B Working Group recommended adopting the proposals in June 2012**



PPACA and Stop Loss

- **Employee Benefits Security Administration Request for Information in May 2012**

- **SUMMARY:** This document is a request for information regarding the use of stop loss insurance by group health plans and their plan sponsors, with a focus on the prevalence and consequences of stop loss insurance at low attachment points. Given the limited nature of data available, the Departments of Labor, Health and Human Services (HHS), and the Treasury (collectively, the Departments) invite public comments via this request for information.

- **109 comments received**



PPACA and Stop Loss

- **What's the Concern?**

It has been suggested that some small employers with healthier employees may self-insure and purchase stop loss insurance policies with relatively low attachment points to avoid being subject to these requirements while exposing themselves to little risk. This practice, if widespread, could worsen the risk pool and increase premiums in the fully insured small group market, including in the Small Business Health Options Program (SHOP) Exchanges that begin in 2014. Fed. Reg. Vol. 77 No. 84 , 25789.

Understanding the Relationship Between PPACA and Captives



- **Impact on Medical Stop Loss Captives**
 - ✓ Who knows?
 - ✓ NAIC Model Law is not law
 - ✓ Only three states adopted the 1995 stop model act
 - ✓ Must be approved by state legislatures
 - ✓ Will federal government get involved if the exchanges become like risk pools?



Delaware Medical Stop Loss Captives – The Future

- **Regardless of what occurs with the NAIC Model Act Delaware will continue licensing medical stop loss captives**
- **Delaware will closely examine the minimum attachment points to avoid first-dollar coverage**



Dodd-Frank and NAIC

- **Dodd-Frank treatment of captives as Non-Admitted Insurers and the tax consequences**
- **Redomestication of captives due to tax consequences occurring**
- **Working with Vermont Captive Insurance Association, Utah, and Hawaii**
- **Drafting comments for NAIC White Paper prepared by Captive & Special Purpose Vehicle Subgroup**

Questions and Answers

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