

**RULES  
OF  
TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE  
DIVISION OF INSURANCE**

**CHAPTER 0780-01-41  
TENNESSEE CAPTIVE INSURANCE COMPANIES**

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**0780-01-41-.01 PURPOSE AND AUTHORITY.**

The purpose of this Chapter is to set forth the financial and reporting requirements that the commissioner deems necessary for the regulation of captive insurance companies, as authorized by the Revised Tennessee Captive Insurance Act, Title 56, Chapter 13 of the Tennessee Code Annotated, (the "Act"). Reference in this Chapter to "company" shall mean captive insurance company or companies, unless otherwise specified. Terms of this Chapter employ definitions found in the Act as the context may require.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed May 10, 1978; effective June 9, 1978. Repeal and new rule filed March 16, 2005; effective May 30, 2005. Repeal and new rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

**0780-01-41-.02 ANNUAL REPORTING AND PREMIUM TAX PAYMENT REQUIREMENTS.**

- (1) The report of financial condition required by T.C.A. §§ 56-13-108, 56-13-204(12), 56-13-305 and 56-13-416(d) and shall be made by completing and submitting each of the forms and schedules prescribed by the Tennessee Captive Insurer Annual Report found at Appendix A of this rule, which is incorporated herein by reference.
- (2) The OPTins system is hereby designated as the approved method of receiving premium tax, penalty, and interest forms and payments owed by a captive insurance company.
  - (a) Premium tax forms and payments shall be filed and paid in electronic form through the OPTins system no later than the date such payment is required.
  - (b) Filings and payments made through OPTins on or before the due date shall be deemed received by the department on the date received by OPTins.
  - (c) Every filing and payment made through OPTins shall be subject to a convenience fee of up to ten dollars (\$10.00) per filing to cover the department's actual costs incurred by accepting electronic payments through OPTins. Such convenience fee shall be assessed in addition to any applicable premium tax, penalty, or interest.

(Rule 0780-01-41-.02, continued)

- (d) If a tax payment due date falls on a Saturday, Sunday or banking holiday, the electronic payment must be made so that the funds are immediately available on the first business day after the due date.
  - (e) The commissioner may waive the requirement for electronic payment through OPTins and allow filing and payment by mail on a case by case basis for good cause shown.
- (3) For a company that has received approval from the commissioner to utilize an alternative reporting date of its annual report pursuant to T.C.A. § 56-13-108(c), the full estimated premium tax due should be paid to the Department by March 15 of each year along with an estimated premium tax return.
  - (4) If, in accordance with paragraph (3) above, the paid premium tax is less than eighty percent (80%) of the premium tax due as calculated from the annual report filed at the end of the fiscal year, the commissioner may impose monetary penalties on said company in an amount up to one thousand dollars (\$1,000).

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-114, 56-13-115, 56-13-120, 56-13-121, 56-13-204, 56-13-305, and 56-13-416. **Administrative History:** Original rule filed March 16, 2005; effective May 30, 2005. Repeal and new rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.03 AUDITS.**

- (1) (a) Each captive insurance company shall be thoroughly examined at least once every three (3) years by the commissioner. The three year period may be extended up to a five (5) year period provided that the company is subject to comprehensive annual financial audits as provided for in T.C.A. § 56-13-109(a). To qualify for this extension, the comprehensive audits shall be conducted by an independent certified public accountant authorized by the commissioner. The authorized accountant shall prepare and sign an audited annual financial report in a format specified by the commissioner. This report is hereinafter referred to in this rule as the "audited annual financial report." To qualify for the extension provided for in T.C.A. § 56-13-109(a), the audited annual financial report shall be filed on or before June 30th of each year or 180 days after the end of the fiscal year. The audited annual financial report shall be considered part of the company's annual report of financial condition except with respect to the date by which it must be filed with the commissioner.
- (b) To be eligible for an extension up to a five (5) year period between thorough examinations, the captive insurance company must have filed timely audited annual financial reports covering all periods of operation from the later of the date of formation or the end date of the previous examination. For good cause shown in exceptional circumstances, the commissioner may allow the late filing of the audited annual financial report to preserve a captive insurance company's eligibility for a thorough examination extension.
- (c) A newly formed captive insurance company or a newly formed protected cell or incorporated protected cell of a captive insurance company that is in operation for less than ninety (90) days before the end of its fiscal year may elect to defer conducting a comprehensive annual audit under this Chapter so long as the first filed audited annual financial report includes audit data from the date of formation to the end of the first complete fiscal year that the captive insurance company or protected cell was in operation.

(Rule 0780-01-41-.03, continued)

- (d) A protected cell or incorporated protected cell captive insurance company may elect to omit from its audited annual financial report one or more individual cells that collected no premium and wrote no policies during the calendar or fiscal year and was under no liability or potential liability for any policies issued in prior years. This action is hereinafter referred to in this rule as an "omission election." The omission election shall be made on a form prescribed by the commissioner and signed under oath by the captive manager and at least one officer of the company and filed with the audited annual financial report. No omission election may be made in the calendar or fiscal year in which occurs the fifth anniversary of the company's formation or fifth anniversary of the final date covered by the company's last T.C.A. § 56-13-109 thorough examination. In the next year subsequent to the taking of an omission election where no omission election is made or following after a year in which no omission election may be made, the filed audited annual financial report shall include a cumulative report on the protected cell's activity during all preceding years for which an omission election was made. No omission election may be made on a protected cell or incorporated protected cell's core or general account. The commissioner, in his or her sole discretion, may disallow a protected cell or incorporated protected cell captive insurance company from taking any future omission elections on one or more cells upon notice.
  - (e) A captive insurance company that has been issued a letter of dormancy may elect to defer conducting a comprehensive annual audit under this Chapter and maintain eligibility for a five (5) year period between thorough examinations. To maintain this eligibility, the captive insurance company must file a cumulative audited financial report that includes audit data from the preceding years since the last filed audited annual financial report. Such filing shall be due with the first audited annual financial report filed subsequent to the rescission or expiration of the letter of dormancy.
- (2) Designation of Independent Certified Public Accountant.
- Companies, after becoming subject to this rule, shall within ninety days report to the commissioner in writing, the name and address of the independent certified public accountant retained to conduct the annual audit set forth in this rule. The certified public accountant that is retained to conduct the annual audit may only be appointed from the list of approved certified public accounting firms or individual certified public accountants maintained by the commissioner. The independent certified public accountant retained to conduct the annual audit shall apply, on a form adopted by the commissioner, for approval by the commissioner.
- (3) 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 commissioner as required in T.C.A. § 56-13-108. The company shall furnish such notification to the commissioner within five (5) working days of receipt thereof.
- (4) Availability and Maintenance of Working Papers of the Independent Certified Public Accountant.
- (a) Each company shall require the independent certified public accountant to make available for review by the commissioner or the commissioner'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.

(Rule 0780-01-41-.03, continued)

- (b) The aforementioned review by the commissioner shall be considered examinations and all working papers obtained during the course of such examinations shall be confidential. The company shall require that the independent certified public accountant provide photocopies or equivalent copy of any of the working papers which the Department considers relevant. Such working papers may be retained by the Department.
  - (c) "Work Papers" or "Working Papers" as referred to in this rule 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.
  - (d) The lead (or coordinating) audit partner (having primary responsibility for the audit) may not act in that capacity for more than five (5) consecutive years. The person shall be disqualified from acting in that or similar capacity for the same company or its insurance subsidiaries or affiliates for a period of five (5) consecutive years. An insurer may make application to the commissioner for relief from the above rotation requirement on the basis of unusual circumstances. This application should be made at least thirty (30) days before the end of the calendar year. The commissioner may consider the following factors in determining if the relief should be granted:
    - 1. Number of partners, expertise of the partners or the number of insurance clients in the currently registered firm;
    - 2. Premium volume of the insurer; or
    - 3. Number of jurisdictions in which the insurer transacts business.
- (5) The audited annual financial report shall consist of the following:
- (a) Opinion of Independent Certified Public Accountant.

Financial statements furnished pursuant to this rule 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 or statutory accounting principles in accordance with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual in effect for the period covered by the report. The opinion of the independent certified public accountant shall cover all years presented. The opinion shall be addressed to the company on stationery of the accountant showing the address of issuance, shall bear original manual signatures, and shall be dated.
  - (b) Report of Evaluation of Internal Controls.

Every company that has annual direct written and assumed premiums of five hundred million dollars (\$500,000,000) or more shall include an evaluation of the internal controls of the company relating 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. The review shall be conducted in accordance with generally accepted auditing standards or statutory accounting principles and the report shall be filed with the commissioner. An exemption from this evaluation may be granted on a case by case basis upon written request to the Commissioner.
  - (c) Accountant's Letter.

(Rule 0780-01-41-.03, continued)

The accountant shall furnish the company, for inclusion in the filing of the audited annual financial report, a letter stating:

1. That the accountant is independent with respect to the company and conforms to the standards of the accountant's 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 the accountant's opinions thereon will be filed in compliance with this Chapter with the Tennessee Department of Commerce and Insurance.
  4. That the accountant consents to the requirements of Rule 0780-01-41-.03(4) of this Chapter and that the accountant consents and agrees to make available for review by the commissioner, the commissioner's designee or the commissioner's appointed agent, the work papers as defined therein.
  5. That the accountant is properly licensed by an appropriate state licensing authority and that the accountant is a member in good standing in the American Institute of Certified Public Accountants.
- (d) Financial Statements as required under Rule 0780-01-41-.02, Annual Reporting Requirements.
- (e) Certification of Loss Reserves and Loss Expense Reserves.

The audited annual financial report shall include an opinion as to the reasonableness of the company's loss reserves and loss expense reserves. The individual who certifies as to the reasonableness of reserves shall apply, on a form adopted by the commissioner, for approval by the commissioner, and shall be a Fellow of the Casualty Actuarial Society, a member in good standing of the American Academy of Actuaries, or an individual who has demonstrated his or her competence in loss reserve evaluation to the commissioner. Certification shall be in such form as the commissioner deems appropriate. For protected cell captive insurance companies, this opinion shall also include a statement identifying any one or more protected cells for which the carried reserves are either inadequate (i.e. – below the minimum amount the actuary believes is reasonable) or redundant (i.e. – greater than the maximum amount the actuary believes is reasonable). For exceptional cause shown, the commissioner may waive the requirement of filing an opinion as to reasonableness of loss reserves and loss expense reserves by a company.

**Authority:** T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-109, 56-13-115, and 56-13-121; 2011 Public Acts, Chapter 468; and 2017 Public Acts, Chapter 354, § 3. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.04 DEPOSIT REQUIREMENT.**

- (1) Whenever the commissioner deems that the financial condition of the company warrants additional security, the commissioner may require a company to deposit cash or securities approved by the commissioner in addition to statutory prescribed amounts. The deposit shall

(Rule 0780-01-41-.04, continued)

be in the form of cash or cash equivalent or an irrevocable letter of credit issued by a bank acceptable to the commissioner.

- (2) The company may receive interest or dividends from said deposit; however the company may not exchange the deposits for others of equal value without the approval of the commissioner.
- (3) If such company discontinues business, the commissioner shall release any claim to such deposit only after being satisfied that all obligations of the company have been discharged.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-105, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.05 ORGANIZATIONAL EXAMINATION.**

In addition to the processing of the application, an organizational examination shall be performed before an applicant is licensed. Such examination shall 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 commissioner deems necessary.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-1-401, 56-13-101 through 56-13-418, 56-13-103, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.06 LIMITED SCOPE EXAMINATION AND INFORMAL VISITATION.**

- (1) Pursuant to T.C.A. § 56-13-109(a) the commissioner may direct a limited scope examination be conducted upon a captive insurance company. Such an exam may be ordered when questions arise about a captive insurance company's solvency, governance, operating practices, or other specific areas that the commissioner may determine.
- (2) The limited scope examination order shall identify the specific limited areas that the examination will cover. If, in the course of the examination, the examiner believes that the scope of the examination should be broadened, the examiner shall file a recommendation with the commissioner and with the captive insurance company under examination, which company shall have ten (10) days to file any response to the recommendation. The commissioner shall thereafter determine if the scope of the examination should be broadened and the additional areas that the examination should cover.
- (3) A limited scope examination under this rule does not waive or extend the period of time between thorough examinations conducted pursuant to T.C.A. § 56-13-109. A copy of any limited scope examination reports should be reviewed and included in the thorough examination of any captive insurance company. However, within ten (10) days of issuance of the limited scope examination order, the captive insurance company may file an election with the commissioner to convert the examination to a thorough examination conducted pursuant to T.C.A. § 56-13-109(a).
- (4) At the request of a captive insurance company, the commissioner may, in person or by designee, conduct an informal visitation of such captive insurance company. Such informal visitation may include, but is not limited to, a review of the books and records of the captive insurance company, review of governance, internal practices, controls, policies and procedures. A visitation may include a site visit to the captive insurance company's principal place of business, the offices of its captive manager, accountant, and/or principal or

(Rule 0780-01-41-.06, continued)

beneficial owner, or other service provider. At the conclusion of such a visitation, the commissioner or commissioner's designee shall send a report to the captive insurance company that shall include any suggestions or recommendations. This report shall be reviewed and included in the next subsequent thorough examination of the captive insurance company.

- (5) The expenses and charges of any limited scope examination and informal visitation shall be paid by the captive insurance company.

**Authority:** T.C.A. §§ 56-1-409, 56-1-413, 56-13-101 through 56-13-418, 56-13-103, 56-13-108, 56-13-109, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.07 INSURANCE MANAGERS AND INTERMEDIARIES.**

No person shall, in or from within this state, act as a managing general agent, producer, or reinsurance intermediary for captive business without the authorization of the commissioner. Application for such authorization must be on a form prescribed by the commissioner.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.08 BIOGRAPHICAL AFFIDAVITS AND COMPENSATION.**

- (1) Every company shall report to the commissioner within thirty (30) days after any change in its executive officers, managers, or directors, including in its report a biographical affidavit on any individual serving as an executive officer, manager, or director. If a manager is a corporation, trustee, partnership or limited liability company, the report shall include a biographical affidavit from such person or persons who exercise ultimate control over the manager as determined by the commissioner. For good cause shown, the commissioner may waive the requirement for a biographical affidavit under this rule.
- (2) No director, officer, manager, or employee of a company shall, except on behalf of the company, accept, or be the beneficiary of, any fee, brokerage, gift, or other compensation 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

**Authority:** T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.09 CONFLICT OF INTEREST.**

- (1) Each company chartered in this state is required to adopt a conflict of interest statement for officers, directors, managers, and key employees. Such statement shall disclose that the individual has no outside commitments, personal or otherwise, that would divert the individual from their duty to further the interests of the company they represent but this shall not preclude such person from being a director or officer in more than one insurance company.
- (2) Each officer, director, manager, and key employee shall file such disclosure with the Board of Directors yearly.

(Rule 0780-01-41-.09, continued)

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.10 REVOCATION OR SUSPENSION OF CAPTIVE LICENSE.**

The commissioner may, subject to the provisions of this rule, by order suspend or revoke the license of the company for any of the following:

- (1) At the request of the company; or
- (2) For any reason provided in T.C.A. § 56-13-110.

Before the commissioner rescinds the license of a company under (1) or (2), the commissioner shall give the company notice in writing of the grounds on which the commissioner 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 commissioner shall take into consideration any objection received by the commissioner within that period and, if the commissioner decides to cancel the license, cause the order of cancellation to be served on the company.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-110, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.11 ACQUISITION OF CONTROL OF OR MERGER WITH DOMESTIC COMPANY.**

No person other than the issuer shall make a tender offer for or a request or invitation for tenders of, or enter into any agreement to exchange securities for, seek to acquire, or acquire in the open market or otherwise, any voting security of a domestic company if, after the consummation thereof, such person would, directly or indirectly (or by conversion or by exercise of any right to acquire) be in control of such company; and no person shall enter into an agreement to merge with or otherwise to acquire control of a domestic company without the prior written approval of the commissioner. In considering any application for acquisition of control or merger with a domestic company, the commissioner shall consider all of the facts and circumstances surrounding the application as well as the criteria for establishment of a company set out in this chapter.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-107, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.12 CHANGE OF BUSINESS PLAN.**

A change in any information filed with the application that does not constitute a material change as identified in T.C.A. §§ 56-13-103(c)(2)(B) or 56-13-416 or a change requiring commissioner approval in T.C.A. § 56-13-204(14) must be filed with the commissioner within sixty (60) days but does not require prior approval.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-103, 56-13-108, 56-13-115, 56-13-121, 56-13-204, and 56-13-416. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.13 DESIGNATION OF A CAPTIVE MANAGER.**

Companies, before becoming licensed, shall report to the commissioner in writing, the name and address of the designated captive manager retained to manage the company. The captive manager shall apply,



(Rule 0780-01-41-.13, continued)

on a form adopted by the commissioner, for approval by the commissioner. Any change of designated captive manager for a captive insurance company must be approved, in advance, by the commissioner.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.14 REGULATION FOR CAPTIVE INSURANCE COMPANIES ISSUING ANNUITIES.**

- (1) This Rule 0780-01-41-.14 establishes reserve requirements, separate accounts and the form of the annual statement required of any captive insurance company that issues annuity contracts (which may have life or other benefits that constitute a subsidiary or incidental part of the entire contract).
- (2) This Rule shall apply to any captive insurance company formed or licensed under the provisions of Title 56, Chapter 13 of the Tennessee Code Annotated issuing annuity contracts (which may have life or other benefits that constitute a subsidiary or incidental part of the entire contract).
- (3) Any captive insurance company that issues contracts that provide variable benefits shall establish separate accounts. Such accounts shall be subject to the requirements of T.C.A. § 56-3-501.
- (4) A captive insurance company that issues annuity contracts shall maintain reserves that are actuarially sufficient to support the liabilities provided by the contracts.
- (5) A captive insurance company that issues annuity contracts shall submit its annual report in the form of the annual statement approved by the National Association of Insurance Commissioners for life insurers, as modified or supplemented by the commissioner.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-3-501, 56-13-101 through 56-13-418, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective May 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-41-.15 REGULATION FOR CAPTIVE INSURANCE COMPANIES REINSURING LIFE INSURANCE POLICIES.**

- (1) This Rule 0780-01-41-.15 establishes reserve requirements and the form of the annual report required of a captive insurance company that reinsures life insurance policies, including term, universal and variable life policies, and related guarantees and riders (collectively, "Life Insurance Policies").
- (2) This Rule shall apply to any captive insurance company formed or licensed under the provisions of Title 56, Chapter 13 of the Tennessee Code Annotated that reinsures Life Insurance Policies, with respect to fiscal years ending on and after December 31, 2013.
- (3) A captive insurance company described in rule 0780-01-41-.15(2) shall maintain reserves that are actuarially sufficient to support the liabilities incurred by the captive insurance company in reinsuring Life Insurance Policies.
- (4) For purposes of the annual report required by Tenn. Code Ann. § 56-13-108(b):
  - (a) A captive insurance company described in rule 0780-01-41-.15(2) that uses statutory accounting principles (i.e., the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual, including any appropriate or necessary modifications or adaptations thereto approved by the Commissioner of Commerce and

(Rule 0780-01-41-.15, continued)

Insurance) shall submit the annual report in the form of the annual statement approved by the National Association of Insurance Commissioners for life insurers, as modified or supplemented by the commissioner, unless the commissioner requires or approves a different form of annual report; and

- (b) A captive insurance company described in rule 0780-01-41-.15(2) that uses generally accepted accounting principles, including any appropriate or necessary modifications or adaptations thereto approved by the commissioner, shall submit the annual report in the form approved by the commissioner.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

#### **0780-01-94-.16 SEVERABILITY PROVISION.**

If any Rule or portion of a Rule of this Chapter or its applicability to any person or circumstance is held invalid by a court, the remainder of the Chapter or the applicability of the provision to other persons or circumstances shall not be affected. To this end, the provisions of this Chapter are declared severable.

**Authority:** 2011 Public Acts, Chapter 468, T.C.A. §§ 56-13-101 through 56-13-418, 56-13-108, 56-13-115, and 56-13-121. **Administrative History:** Original rule filed November 30, 2012; effective February 28, 2013. Repeal and new rule filed September 22, 2017; effective December 21, 2017.

**APPENDIX A  
TENNESSEE CAPTIVE INSURER ANNUAL REPORT**

As of \_\_\_\_\_ (date)  
of the Condition and Affairs of  
\_\_\_\_\_  
(Name of Captive Insurance Company)

Date of License: \_\_\_\_\_  
 Company Street Address: \_\_\_\_\_  
 Company City, State, Zip Code: \_\_\_\_\_  
 Books and Records Street Address: \_\_\_\_\_  
 Captive Manager Name: \_\_\_\_\_  
 Captive Manager Street Address: \_\_\_\_\_  
 Annual Report Contact Name: \_\_\_\_\_  
 Annual Report Contact Number: \_\_\_\_\_  
 Annual Report Contact Email: \_\_\_\_\_

**Officers:**

President: \_\_\_\_\_  
 Secretary: \_\_\_\_\_  
 Treasurer: \_\_\_\_\_  
 \_\_\_\_\_:  
 \_\_\_\_\_:  
 \_\_\_\_\_:

**Directors / Managers:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

1. List the name(s) and address(es) of the beneficial owners of the captive and corresponding percentages of ownership:

Name	Address	% Ownership

2. Type of Captive:  Pure  Association  Risk Retention Group  Protected Cell  
 Industrial Insured  Special Purpose

3. Organizational form: \_\_\_\_\_  
 If organized as a stock company, please include a description of all authorized stock classes, whether the class is preferred or common stock, and for each class, the number of shares authorized, shares outstanding, and the par value.

4. Provide the name and address of the Captive Manager.  
 \_\_\_\_\_  
 \_\_\_\_\_

Has the Captive Manager changed from the last annual filing?  Yes  No

5. Provide the individual name, firm name and firm address of the Actuary.  
 \_\_\_\_\_  
 \_\_\_\_\_

Has the Actuary changed from the last annual filing?  Yes  No

(Appendix A, continued)

6. Provide the individual name, firm name and firm address of the Certified Public Accountant.

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Has the Certified Public Accountant changed from the last annual filing?  Yes  No

7. Attach a complete copy of the company's unaudited financial statements as of prior year end that include the Balance Sheet and Income Statement.

8. Were any changes made to the charter, bylaws or articles since the last annual filing?  Yes  No

9. Did the company provide notification to and receive approval from the Captive Insurance Section for all material transactions?  Yes  No

If no, provide a brief description including the dollar amount on a separate attachment.

10. Since the last annual filing, were there any related party transactions?  Yes  No

If yes, provide a brief description including the dollar amount on a separate attachment.

11. Have all assets been valued in accordance with GAAP?  Yes  No

If other than GAAP was used, please explain:

12. Do the company's assets include any loans to its parent, affiliates, or unaffiliated companies?

Yes  No

If yes, please answer the following:

(a) Were any of these loans entered into this year?  Yes  No

If yes, what is the date of Captive Insurance Section approval? \_\_\_\_\_

(b) Amount of the loan as of the end of the year: \_\_\_\_\_

(c) Describe the terms of the loan on a separate attachment.

(d) Have all interest payments due for the year been collected?  Yes  No

If no, when are the interest payments expected? \_\_\_\_\_

(e) Attach copies of current financial statements of the company or companies to whom loans have been made.

13. Were any of the company's assets or stock pledged as collateral at any time during the year or did the captive provide any outside guarantees?  Yes  No

If yes, please provide the date of Captive Insurance Section approval and a brief description on a separate attachment.

14. Has each officer, director and key employee for the current reporting year filed a disclosure with the captive's board of directors disclosing any potential conflicts of interest as outlined in the captive's conflict of interest policy?  Yes  No

15. Have loss and loss adjustment expense (LAE) reserves been discounted?  Yes  No

If yes, what interest rate was used? \_\_\_\_\_

16. Were any dividends paid during the year?  Yes  No

If yes, provide the date of approval by the Captive Insurance Section, the date(s) paid and amounts paid.

17. Did the company hold a board of directors meeting in Tennessee during the reporting period as required by Tenn. Code Ann. § 56-13-103(b)?  Yes  No

18. Does the company participate in a reinsurance pooling arrangement?  Yes  No

If yes, identify the name of the pool and either the pool's domicile or the domiciles of the other pool participants.

(Appendix A, continued)

19. Did the company write any new lines of business this year?  Yes  No

If yes, provide the date of Captive Insurance Section approval and a listing of new lines on a separate attachment.

20. Did the company write premiums this year?  Yes  No

If not, does the company plan to write insurance in the next year?  Yes  No

If not, does the company plan on going dormant or dissolving in the next year?  Yes, Dormancy  
 Yes, Dissolving  No

21. In the past year were there any material changes in the management's understanding of the company's financial condition or any trends, events or uncertainties that have had or will likely cause the company to substantially deviate from its filed business plan. If yes, please attach an explanatory statement.  Yes  No

22. Please complete the following:

**EXHIBIT OF PREMIUMS AND LOSSES**

<b>Premium Schedule</b>				
1	2	3	4	5
Lines of Coverage	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premiums Written
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
Totals				

<b>Paid Loss Schedule</b>				
1	2	3	4	5
Lines of Coverage	Direct Business	Assumed Reinsurance	Ceded Reinsurance	Net Losses Paid
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
Totals				

(Appendix A, continued)

<b>Loss Reserve Schedule</b>				
1	2	3	4	5
Lines of Coverage	Direct Business	Assumed Reinsurance	Ceded Reinsurance	Net Loss Reserves
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
<b>Totals</b>				

**SCHEDULE OF REINSURANCE**

<b>Assumed Reinsurance as of Current Year End</b>					
1	2	3	4*	5**	6***
Federal ID Number	Name of Reinsured (include pool participants)	State or Country of Domicile	Assumed Premiums	Assumed Paid Losses	Assumed Loss Reserves
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
<b>Totals</b>					

- \* Total for Column 4 must agree to Premium Schedule
- \*\* Total for Column 5 must agree to Paid Loss Schedule
- \*\*\* Total for Column 6 must agree to Loss Reserve Schedule

<b>Ceded Reinsurance as of Current Year End</b>					
1	2	3	4*	5**	6***
Federal ID Number	Name of Reinsured (include pool participants)	State or Country of Domicile	Ceded Premiums	Ceded Paid Losses	Ceded Loss Reserves
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
<b>Totals</b>					

- \* Total for Column 4 must agree to Premium Schedule
- \*\* Total for Column 5 must agree to Paid Loss Schedule
- \*\*\* Total for Column 6 must agree to Loss Reserve Schedule

(Appendix A, continued)

**INVESTMENTS OWNED AT CURRENT YEAR END**

1	2	3	4
Description	Investment Type*	Cost	Statement Value
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
Totals			

\* Enter the corresponding numbers for the investment type as noted below:

- 1. Bonds
- 2. Stocks
- 3. Cash and Short-Term Investments
- 4. Loans and Notes Receivable
- 5. Cash Surrender Value of Life Insurance
- 6. Letters of Credit
- 7. Other

**CERTIFICATION**

The officers of this company, being duly sworn, each depose and say that they are the described officers of said insurer and attest to the following:

(1) that as of the date of this Annual Report (as noted above), the company has maintained the minimum capital and surplus requirements pursuant to Tenn. Code Ann. § 56-13-105.

(2) the attached schedules, exhibits, and explanations therein contained, annexed or referred to are a full and true statement, in all material respect of the company's financial condition and results of operations, according to the best of their information, knowledge, and belief respectively.

(3) that pursuant to Tenn. Code Ann. § 56-13-109 and Tenn. Comp. R. & Regs. 0780-01-41-.03, the company  will  will not (check one) file an independently audited financial report, including an actuarial opinion, with the Tennessee Department of Commerce and Insurance on or before June 30 for the period covered by this Annual Report, or alternative filing date of \_\_\_\_\_ as approved by the Department. NOTE: A company that does not annually file independently audited financial reports must be examined at least every three years. Tenn. Code Ann. § 56-13-109. Companies who file independently audited financial reports must be examined at least every five years.

*Original, sworn, and notarized signatures of two officers are required. Tenn. Code Ann. § 56-13-108.*

Printed Name: \_\_\_\_\_ Printed Name: \_\_\_\_\_  
 Title: \_\_\_\_\_ Title: \_\_\_\_\_

Subscribed to and sworn before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
 Notary Public

(seal)

Is this an original filing?  yes  no  
 If no,

(Appendix A, continued)

1. State the amendment #: \_\_\_\_\_
2. Date filed: \_\_\_\_\_
3. Number of pages attached: \_\_\_\_\_

**OVERSIGHT DOCUMENT CHECKLIST**

Please certify that the following documents are current as filed with the Captive Insurance Section, are new (and attached), or are not applicable at this time for: \_\_\_\_\_ *(Name of Captive Insurance Company)*

1. Executed agreement between the captive and the captive manager.  Current as filed  New  N/A
2. Executed agreement with audit firm.  Current as filed  New  N/A
3. Executed agreement with actuarial firm.  Current as filed  New  N/A
4. Sample policy form(s) used by captive.  Current as filed  New  N/A
5. Minutes and resolutions of all board meetings.  Current as filed  New  N/A
6. Executed reinsurance and/or pooling agreements.  Current as filed  New  N/A
7. Statement of Investment Policy.  Current as filed  New  N/A
8. Code of ethics and certificate of acknowledgement by owners.  Current as filed  New  N/A
9. Conflict of interest policy statement and owner's certificate of acknowledgement.  
 Current as filed  New  N/A

To the best of my knowledge, the above documents have either been filed with the Captive Insurance Section (and no changes have been made), are attached hereto, or are not applicable.

\_\_\_\_\_  
Captive Manager

\_\_\_\_\_  
Date