

AR BLR - Phase II

Captive Feasibility Study - Project Outline

B.1

Objectives:

Last Updated: 11/11/2024

(1) Project Initiation - Define the project, its goals, and assemble the project team

	Tasks:	Deliverables:	Start*	Duration*	Finish*	Status
A.	Define project goals and scope	Prior PK Reports & Presentations			Oct-24	Complete
B.	Prepare a project timeline and budget	Project Budget and Timeline (this document)	On-Going			In-Progress
C.	Set up a project kick-off meeting with stakeholders		11/13/2024	0	11/13/2024	In-Progress
D.	Assemble a project team (internal staff and external consultants)		10/22/2024	22	11/13/2024	In-Progress
E.	Identify stakeholders (captive executives, risk management, legal, and finance teams)	Project Charter identifying roles & responsibilities	11/13/2024	0	11/13/2024	In-Progress

(2) Regulatory Review - Understand the regulatory requirements for setting up a captive insurance company in Arkansas

	Tasks:	Deliverables:	Start*	Duration*	Finish*	Status
A.	Research the Arkansas Insurance Department's regulations for captive insurance	Regulatory compliance report	11/4/2024	21	11/25/2024	In-Progress
B.	Review Arkansas's laws on captive insurance companies, especially relating to property insurance	Regulatory compliance report	11/4/2024	21	11/25/2024	In-Progress
C.	Identify regulatory / compliance implications	Regulatory compliance report	11/4/2024	21	11/25/2024	In-Progress

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(3) Risk Assessment and Actuarial Analysis - Conduct a detailed risk analysis and perform actuarial calculations to determine the financial feasibility of the captive insurance company

	Tasks:	Deliverables:	Start*	Duration*	Finish*	Status
A.	Perform actuarial loss modeling and premium / rate calculations and assessments	Actuarial report with financial projections	11/6/2024	21	11/27/2024	In-Progress
B.	Project potential claims frequency and severity	Actuarial report with financial projections	11/6/2024	21	11/27/2024	In-Progress
C.	Analyze the probable maximum loss (PML) and determine appropriate reinsurance levels	Reinsurance strategy proposal	11/6/2024	21	11/27/2024	In-Progress
D.	Identify potential risks (both underwriting and operational) for the captive	Risk assessment report	12/2/2024	7	12/9/2024	Not Started
E.	Establish capital adequacy and financial projections for premiums, losses, and reserves over the next 5-10 years	Risk assessment report	12/2/2024	7	12/9/2024	Not Started

(4) Market Analysis - Assess the market pricing for commercial property insurance in Arkansas

	Tasks:	Deliverables:	Start*	Duration*	Finish*	Status
A.	Analyze the Arkansas property insurance market, focusing on existing providers and pricing	Market analysis report	11/11/2024	21	12/2/2024	In-Progress
B.	Assess trends in property risks specific to Arkansas (e.g., weather-related risks such as tornadoes or floods)	Market analysis report	11/11/2024	21	12/2/2024	In-Progress
C.	Review the performance and profitability of other property insurance providers in the state	Competitive landscape review	11/11/2024	21	12/2/2024	In-Progress

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(5) Financial Analysis - Determine the financial viability and sustainability of the captive insurance company

	Tasks:	Deliverables:	Start*	Duration*	Finish*	Status
A.	Create pro forma financial statements (income statements, balance sheets, and cash flow statements) based on actuarial findings	Financial feasibility report	12/9/2024	7	12/16/2024	Not Started
B.	Conduct break-even analysis and sensitivity analysis to test assumptions	Financial feasibility report	12/9/2024	7	12/16/2024	Not Started
C.	Estimate initial capital and surplus requirements	Financial feasibility report	12/9/2024	7	12/16/2024	Not Started
D.	Identify funding sources for the captive (e.g., buy in from the entities, state funded, etc.)	Financial feasibility report	12/9/2024	7	12/16/2024	Not Started

(6) Operational Planning - Develop the operational framework for the captive insurance company

	Tasks:	Deliverables:	Start*	Duration*	Finish*	Status
A.	Define the captive structure (e.g. single parent)	Draft of corporate structure and governance framework	12/16/2024	28	1/13/2025	Not Started
B.	Develop a governance framework, including board structure, management team, and key functions (underwriting, claims, finance)	Draft of corporate structure and governance framework	12/16/2024	28	1/13/2025	Not Started
C.	Outline business processes (underwriting, claims handling, investment management, etc.)	Operational blueprint (business processes and systems requirements)	12/16/2024	28	1/13/2025	Not Started
D.	Create an implementation plan for system requirements (if needed)	Operational blueprint (business processes and systems requirements)	12/16/2024	28	1/13/2025	Not Started
E.	Draft policies and procedures for key operational areas (compliance, risk management, and auditing)	Policies and procedures document	12/16/2024	28	1/13/2025	Not Started

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(7) Regulatory Submission Preparation - Prepare all documentation necessary for regulatory approval

	Tasks:	Deliverables:	Start*	Duration*	Finish*	Status
A.	Prepare the captive business plan, which includes objectives, financial projections, and operational details	Completed business plan	1/13/2025	14	1/27/2025	Not Started
B.	Compile all required documentation for submission to the Arkansas Insurance Department	Regulatory submission package	1/13/2024	14	1/27/2024	Not Started
C.	Coordinate with legal counsel to ensure all forms and regulatory documents are compliant	Regulatory submission package	1/13/2024	14	1/27/2024	Not Started
D.	Meet with regulators (if necessary) to address any concerns or questions prior to submission	Pre-submission regulatory meeting (if needed)	1/13/2024	14	1/27/2024	Not Started

(8) Final Review and Decision - Present findings and obtain a decision Subcommittee on whether to proceed with forming the captive

	Tasks:	Deliverables:	Start*	Duration*	Finish*	Status
A.	Review the feasibility study findings with internal stakeholders and decision-makers	Final feasibility study report	1/27/2025	4	1/31/2025	Not Started
B.	Address any final questions or concerns	Presentation of findings to key stakeholders	1/27/2024	4	1/31/2024	Not Started
C.	Prepare a decision-making framework (go/no-go decision)	Presentation of findings to key stakeholders	1/27/2024	4	1/31/2024	Not Started
D.	Make a final recommendation on whether to proceed with forming the captive	Final decision on proceeding with the captive insurance company	1/27/2024	4	1/31/2024	Not Started

Notes:

* Start and Finish dates, as well as the corresponding duration, are approximate and will likely change throughout the course of the engagement