

Captives Study

The Office of the Insurance Commissioner (OIC), in partnership with the Department of Revenue (DOR), has been requested by the Washington state Legislature and the Office of the Governor to engage in a study to understand the extent of the use of captive insurance in Washington state. To accomplish this, OIC and DOR have contracted with Milliman, Inc. to conduct a survey to collect detailed information about captive insurance.

- Milliman, Inc. is a Washington state-headquartered independent consulting firm with experience in insurance, collecting confidential information, analyzing data and writing reports.
- DOR has the authority, pursuant to RCW 82.32.070, to examine the books and records of any person engaging in potentially taxable business activities in Washington. The OIC has authority, pursuant to RCW 48.02.060, to conduct investigations to determine whether any person has violated any provision of this code.

If you have received the survey, you have been identified as a company or individual who may use captive insurance.

Based upon the legal authority identified, you need to complete the survey by the date specified or investigation and enforcement will be pursued.

Why is this study needed?

- Washington state lacks a regulatory framework for Washington-based companies that use captive insurers to purchase insurance coverage. Presently, captive insurance activity is unauthorized in Washington.
- As a result of the lack of regulation, captive insurance companies are currently acting without regulatory oversight and are not paying premium taxes to OIC. Although persons in the insurance business are generally exempt from the State Business & Occupation (B&O) tax under RCW 82.04.320, that exemption is limited to entities that have paid premium tax. If a business fails to pay premium tax in Washington, it owes B&O tax. The extent to which captive insurance companies have been voluntarily reporting and remitting B&O taxes to DOR on their Washington business activities has not been determined.
 - The information collected in this study is needed to help understand the captive insurance market in Washington. Redacted and de-identified information collected through this study will be provided in a report to the Washington Legislature to help inform, evaluate and formulate a taxation

Please complete one survey for each captive insurer, if you have multiple.

framework for captive insurance companies. The study's goal is to assist the Legislature in developing a framework that appropriately and equitably regulates captive insurers in a manner that promotes and stabilizes the Washington insurance market.

Who will have access to the details I provide in the survey?

- All detailed information provided in this survey will be treated as confidential tax information under RCW 82.32.330 by DOR and Milliman Inc., and will not be made available in un-redacted form to OIC or to the general public.

Will OIC use the information I provide in the survey to take enforcement action against my company?

You are encouraged to comply with the survey in a timely manner to avoid further investigation and enforcement.

- OIC has suspended enforcement activity and litigation related to captive insurance pending the outcome of this survey and while working with the Legislature in 2021 to develop a regulatory framework.
- Additionally, OIC will not have access to the details provided in this survey, only redacted or de-identified information. This means that OIC will not know exactly which Washington companies are using captive insurers to purchase insurance as a result of this survey.

What happens if I don't respond to the survey request?

- You are receiving the survey because there are indications that you may be using a captive insurer.
- If you do not respond to the survey further investigation and enforcement will be pursued.

Who can I contact if I have additional questions?

- For technical questions about the survey please contact Milliman by email at craig.brophy@milliman.com or by phone at 781-213-6280.
- For other questions, please contact OIC at 1-800-562-6900.