

Corporate Governance and Record Keeping

F&I Reinsurance and Product Conference
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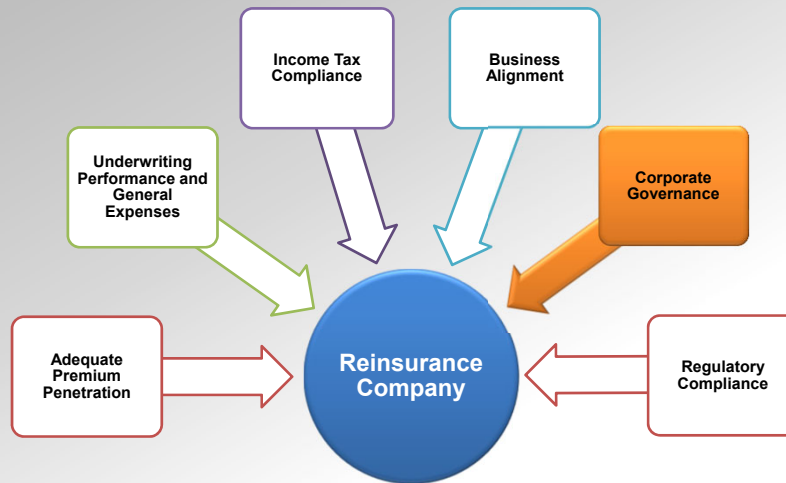
October 28, 2019

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What are the components of a successful reinsurance company?



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Corporate Governance

- A reinsurance company must first be set up as a corporate entity to house the business it will run
- Corporate governance is a system that instills policies, rules and recordkeeping standards to maintain the business entity
- Properly maintained business entities adhere to corporate governance practices to avoid financial and legal risks

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Corporate Governance



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Corporate Governance

Best Practices

- Corporate documents and reinsurance agreements are in place and signed
- Loans are properly documented, interest rates are applied and repayment terms are kept current
- Records are stored (hard-copy or electronic) in one convenient location
- Maintain records once framework is put in place

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Record Keeping and Documentation

Organizational and Operational Documents

Documents related to the basic formation, operation and tax items which are the core of the company business:

- Articles of Incorporation
- Bylaws
- Stock Registers and Certificates
- IRS Employer Identification Number Assignment Letter
- Bank Account Documents
- Domicile Licenses

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Record Keeping and Documentation

Risk Transfer Related Documents

Risks assumed and ceded must be documented through reinsurance agreements and contracts

- Feasibility Study
- Pricing and reserving methods and documentation
- Directly issued insurance policies (if any)
- Reinsurance and Risk Transfer Agreements
- Custodial/Trust Agreements
- §953(d) Election Filing with Approved Stamp from IRS for each Company Ceded to or Proof of U.S. Corporate Domicile

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Record Keeping and Documentation

Tax Records

Tax records should be maintained to both enable accurate tax returns and to support the company position if ever audited.

Examples of records may include

- Deferred Acquisition Costs Schedule
- Alternative Minimum Tax Credit Carryforward
- Capital Losses Schedules
- Net Operating Losses Schedules
- Earnings and Profits Calculations

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Record Keeping and Documentation

Other Policies and Miscellaneous

There are many other documents a company should maintain for proper governance.

- Compensation/Salaries to Officers/Directors who are also Shareholders; justify why the payment is compensation and not dividends
- Loans to Shareholders, Document Loans and the Performance of the Loans
- Analysis and support for Surplus; especially Negative Surplus
- Changes in Front Commission Levels

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William T. Wright V. Commissioner

- Offshore reinsurance company
- Not adequately capitalized
- Poorly documented, non-performing stockholder loans
- Amounts submitted in excess of premiums
- Failed to file tax returns
- IRS deemed corporation a sham

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Polling Question

What are you looking forward to most at this conference?

- A. Cocktail receptions
- B. Networking opportunities
- C. Learning the latest industry developments
- D. Meeting and talking with your service providers

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Questions



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