AON

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Innovative Protection for Unique and Evolving Risk

Aon has the expertise, market share, resources, and scale needed to manage all aspects of the State of Arkansas's captive insurance company needs and mandates.

February 27, 2025

Agenda

- Why Aon
- Captive Formation, Management, & Advisory Services
- Q&A
- Staffing Needs of a Captive

Our Understanding

Now more than ever, SOA needs a **trusted partner** who can better understand your unique risk, oversee and optimize your structured risk financing captive insurance programs, position your captive as the underwriter of choice, and offer next generation insurance solutions.

That partner is Aon.

Why Aon

How We Serve Our Clients

1 Understanding Your Risk	The coverages underwritten by your captive are closely regulated and require additional oversight and management.	With over 1,400 entities under management and the depth of the greater Aon, we have the resources to stay abreast of ever- changing regulations, industry trends and offer thought leadership relevant to your risk.
2 A Trusted Advisor	You need a partner to continually evaluate internal and external financial reporting, regulatory compliance, and to effectively communicate with the board.	We provide exemplary financial and regulatory reporting services including the proactive management of audits, actuarial reviews, cash management, regulatory filings, and presentations to senior leadership, all the while maintaining robust internal controls.
3 Developing Innovative Solutions	You value the importance of aligning with partners who proactively provide thought leadership and create holistic solutions that drive operational efficiencies.	Our Aon United approach extends to working collaboratively with your partners to evaluate innovative solutions to diversify risk and leverage your captive's balance sheet strength.

What Makes Aon Captive Management Different

Commitment

At Aon, we honor our commitments.

Across our firm, we unite to provide you with consistent, high-quality, high-value, and engaging solutions.

Experience of U.S. Operations

- Leadership with average tenure of 25+ years of captive experience
- 133 employees, 5 physical offices
- Managing 300+ insurance entities
- Serving more than 20 domiciles

Our Unique Platforms

- MS Dynamics / SICS
- Global Risk & Compliance (GRC) Captive Benchmarking

Innovation & Insights

- Over $900M Investment in IT
- Parametric cover
- Pension de-risking
- Global Risk Management Survey

Talent

- Training and development
- Diversity and inclusion
- Promote and support staff development, wellness, and growth opportunities

Aon United Approach

United philosophy and methodology around efficient delivery of client services

Dedicated Insurance & Compliance Teams

- Eight-member team of dedicated insurance professionals with 11 insurance designations
- Significant investment and focus on governance & compliance

Risk Finance Captive Consulting & Advisory

Close collaboration with our captive consulting and strategic innovations practice groups

We are employed by Aon, but we work for you.

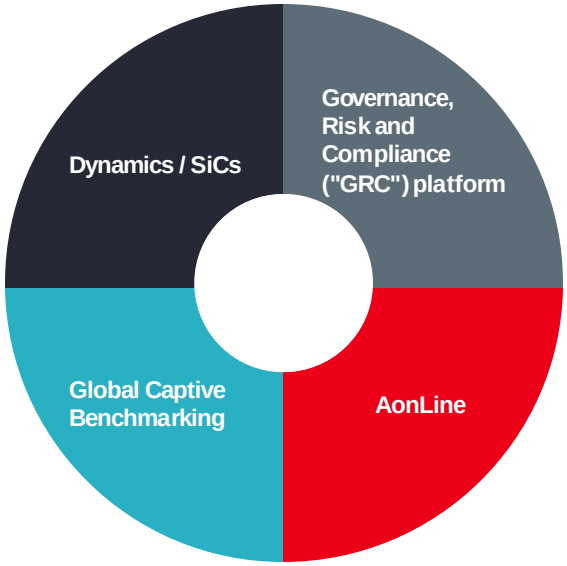
Aon's Unique Technologies and Platforms

Insurance and reinsurance accounting systems

Features	Value to Arkansas
• State-of-the-art full-service insurance and reinsurance accounting system that supports all accounting processes, both inward and outward • Drill down to granular details • Centralized database, the management of access rights	• Full range of reporting, comprising both parameter- driven standard reports and ad-hoc flexible reports to meet both statutory and client • Ability to review individual claim development/ performance • 24-hour access to management information

Global Captive Benchmarking

Features	Value to Arkansas
• Detailed information and insights on 1,100+ captives • Insights and peer information around captive utilization, limits, retentions, capital efficiency, lines of business, governance activities, etc.	• Full range of reporting, comprising both parameter- driven standard reports and ad-hoc flexible reports to meet both statutory and client • Ability to review individual claim development/ performance • 24-hour access to management information



Proprietary governance system that meets the demanding needs of captive insurers

Features	Value to Arkansas
Records and schedules GRC efforts around: • Overall Strategy and Governance • Risk Management System • Risk Register	• Keeps track of all compliance activities (known and emerging) • Ensures client service teams are aware of upcoming regulatory deadlines and ensures regulatory requirements are met

Online policy management database holding policy and servicing information

Features	Value to Arkansas
• Coverage details including deductibles, limits, conditions and exclusions • Status of outstanding account management issues and tasks • Flexibility to upload additional relevant information	• Real-time access to key policy information; ability to manage and coordinate your program from multiple locations • Ability to track key tasks and delivery against timelines • Worldwide on demand access to accounting, secretarial, underwriting, and claims records

Captive Formation, Management and Advisory Services

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Aon Captive Management and Risk Consulting Overview

Aon's Captive and Insurance Management (ACIM)

Captive Formation Services

Upon decision to form a captive, our team of professionals will lead you through the captive application process coordinating the legal formation of the business entity, gathering and collating of the necessary information to complete the captive application and liaise with the domicile regulator to ensure a timely and successful licensure upon your desired effective date.

Captive Management Services

We offer a full suite of captive management services including financial reporting, regulatory compliance, corporate governance, cash management and AP processing, and insurance underwriting tracking and reporting.

Captive Advisory and Consulting

Supporting our team of insurance and accounting professionals in implementing your captive strategy and developing innovative solutions is our Risk Finance & Captive Consulting group. In addition to completing captive feasibility studies, they are commonly engaged to provide periodic strategic reviews, developing the consulting arm of ACIM, with capabilities across risk management, insurance, reinsurance, captives, actuarial science, underwriting, tax, and accounting.

Value to Arkansas

Structured & detailed process for efficient captive formation

Tailored solutions to Arkansas critical functions

Aon United approach to provide integrated services providing full access to all of Aon resources

Captive Formation and Implementation

We have a developed and defined approach to ensure a smooth and timely formation of your captive subsidiary, guided by a formalized action plan and timeline with open communications throughout the formation and implementation processes.

Captive Formation

Discover

Inquire | **Collaborate** | **Review**

Planning

- Initial kick off call to review project plan, feasibility study
- Identification and introductions of key contacts at Arkansas
- Review and confirm key objectives in forming the captive
- Identify key deliverable needs post formation (i.e., frequency and timing of FS reporting, budgeting, forecast, etc.)
- Collaboration with Arkansas preferred partners – audit, actuarial, legal, banking, claims TPA

Develop

Timeline | **Checklist** | **Procedures**

Implementation

- Schedule regular calls to track process
- Maintain formation checklist
- Collate required documentation
- Preparation of captive application
- Coordinate corporate formation
- Respond to regulatory questions on application
- Obtain license
- Obtain organizational documents (articles, bylaws, UWC)
- Develop operations manual
- Obtain on-line authorities (cash management, regulatory, etc.), if needed

Deliver

Integration | **Reporting** | **Value**

Operational

- Planning
  - Quarterly & year-end FS close
  - Audit
  - Actuarial
  - Budgeting/ forecasting
- Board meeting planning
- Financial reporting calls
- Insurance renewal planning
- Annual stewardship
- Annual compliance review
- Captive strategy and educational discussions

Feasibility Study
Actuarial Forecasting, Structural Analysis, Report Review

Prepare Captive Application

Regulatory Review

Operational

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Aon Captive Management at-a-Glance

Aon Captive and Insurance Management's Roles

Finance

- Financial reporting
- Annual budgets
- Financial forecasts
- Statutory audit
- Cash managements
- Financial regulatory reporting
- Investment strategy and related treasury services
- Premium Tax

Compliance

- Compliance officer
- Compliance policy statement
- Compliance reporting
- Anti money laundering control
- Liaison with regulator
- Data protection control
- Financial sanctions reporting
- Legislation and regulatory updates
- Corporate governance
- Provision of residency director

Underwriting

- U/W committee
- Insurance renewal support
- U/W reporting
- Policy issuance
- R/I agreement
- Premium collection
- Claims payments
- Reinsurance recovery
- Actuarial review support

Board of Directors
Quarterly/Annual Board Meetings

Staffing Needs of a Captive

Coordinated Servicing of Arkansas Captive

Auditor

- Coordinate annual audit as required by local regulation
- Respond to parent audit related to captive operations
- Coordinate comprehensive

Actuary

- Coordinate annual engagement
- Coordinate annual reserve analysis
- Coordinate loss forecasting

Claims Management

- Coordinate timely reporting in usable format
- Reconciliation of claims data
- Tracking of policy aggregates

Legal Counsel

- Maintain corporate records
- Coordinate annual meeting documentation
- Corporate governance best practices

Domicile Regulatory

- Notification of change in Manager
- Meeting with Regulators on Compliance Status
- Business Plan Changes

Investment Manager

- Reconciliation and accounting for detailed investment transactions reported by third party providers
- Review compliance with investment policy and strategies of captive

Fronting and Partner Insurer(s) /Reinsurers

- Develop and maintain relationships with key
- insurers and reinsurers
- Ensure compliance with collateral requirements
- Regular meetings with carriers to ensure programs operating as intended
- Reinsurance reporting

Servicing Needs of a Captive

Role of Directors in Management of the Corporation

The ultimate responsibility for the business and affairs of the corporation belongs to the board of directors. The board discharges this responsibility by:

- Appointing officers who run the day-to-day operations of the corporation, propose strategies and objectives, and implement corporate plans;
- Supervising those officers;
- Making major decisions for the corporation (for example, closing or selling the company).

The Officers of the Corporation

President. General authority over the ordinary course of business of the Corporation. To preside at all meetings of the Shareholders and Board of Directors.

Vice-President. Any Vice-President, or Vice-Presidents, shall have such powers and duties as shall be assigned to them by the Board of Directors or the President.

Treasurer and Assistant Treasurers. Subject to the direction of the Directors, have: general charge of the financial concerns of the Corporation; care and custody of the funds and valuable papers of the Corporation any Assistant Treasurer shall have such powers and duties as the Directors or the President may delegate to such office.

Secretary and Assistant Secretaries. Shall keep an attested copy of the Articles of Incorporation and amendments thereto, and of these Bylaws. The Secretary shall also keep a record of the meetings of the Directors. The Secretary shall give or cause to be given such notice as may be required of all meetings of Shareholders and all meetings of the Board of Directors and shall keep the seal of the Corporation in safe custody and affix it to any instrument when such action is incident to his or her office or is authorized by the Board of Directors. Any Assistant Secretary shall have such powers and duties as the Directors or the President may delegate to such office.

The positions above are commonly held by representatives of various departments including Risk Management, Treasury, and the General Counsel's office. Oversight of the captive is a shared responsibility between the outsourced captive manager how handles the majority of not all of the interim financial reporting and captive regulatory filings and representatives noted above. A relatively straight forward captive as proposed would require only a small portion of each person's time which we estimate may aggregate to a ½ full time employee.

Q&A

Thank You

About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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