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Meet Travis Holdman



When he's not busy at his State Capitol, Indiana State Senator Travis Holdman calls on Mississippi banks as KeyState's Senior Vice President and National Sales Manager for the company's Financial Institutions Group.

KeyState Captive Management is currently endorsed by the MBA, and the MBA staff schedules meetings for Travis with interested member banks. We recently asked Travis a few questions we thought could provide a helpful overview of the services KeyState offers.

What exactly is a CAPTIVE INSURANCE COMPANY?

For bank purposes, a captive insurance company is a wholly subsidiary of the bank's holding company that operates as a bona fide licensed insurance company. Insurance premiums are paid on an annual basis by the bank to the captive insurance company for coverages not otherwise included in the bank's commercial insurance package. These would include, among other things, coverage for deductibles, gaps or exclusions in commercial coverages, additional cyber coverage, and some unique emerging risks not covered by most commercial insurance such as restoration of reputation and workplace violence.

What is the primary service that Keystate Captive Management offers banks?

KeyState operates as the approved captive manager and coordinates all aspects of the operation of the captive. We prepare the monthly financial statements, host annual meetings, process claims, act as liaison with the insurance regulator in the state where the captive insurance company chooses to be domiciled.

How did you get involved with Keystate? Tell us a bit about your background and the role you currently hold with Keystate.

I am an attorney licensed to practice in Indiana, a former community bank board chairman and bank CEO. My bank was actually a client of KeyState. After a bank merger, I decided to step away from my role as the bank CEO and Board Chair and go back to my law practice. KeyState's owners contacted me and asked me to join their firm. Shortly after, I was elected to the Indiana State Senate. I currently chair the Tax and Fiscal Policy Committee and formerly chaired the Insurance and Banking Committee for the Senate.



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- Travis

What qualifications must a bank meet to participate under the KeyState plan?

There are several requirements that a bank must meet to make the formation of a captive insurance company practical for the program. Both "C" Corporations and "S" Corporations can qualify. The "sweet spot" is for banks in the \$1 billion to \$15 billion asset size range.

How long does the whole process usually take for a bank working with you?

The process is usually a series of conversations with bank leadership and/or board members. Once the bank makes the decision to move forward with an executed engagement letter the process can typically be completed within 60 days.

If a bank decides to start a captive, do any of their current insurance programs have to change?

Typically, a bank's commercial coverages will remain unchanged, the bank retains its relationship with its current insurance broker and KeyState can work directly with the insurance broker to gather the information needed which reduces the burden on the bank staff. However, over time, there might be some slight adjustments to such things as deductibles which helps lower the cost of the bank's commercial premiums.

How long is a bank LOCKED INTO the captive? Is it easy to get out of if they change their mind down the road?

The captive insurance program operates on one-year insurance contracts. If a bank should wish to exit the program, they need only wait until the end of their contract year to leave the program. The captive insurance company can either go dormant for a period of time or be dissolved with a requirement that outstanding claims are paid. In the case of a dissolution, the accumulated assets would flow back to the bank's holding company.

What is a common outcome for a bank that participates in this program? I know you don't have a crystal ball-but what is a typical outcome as the program has been set up?

Typically, a bank will submit a number of claims with their own captive. The payment of claims is taken from the premiums which they pay on an annual basis. A bank would have had an ordinary expense to pay for what their commercial policies would not cover. The balance of the unused premium is tax-free premium income to the captive.

The Covid19 situation has drastically changed goals for banks right now...and for businesses in general. Is a captive a good idea for banks in our Covid19 world?

Nearly all commercial property policies exclude coverage for a pandemic. The captive has comprehensive business interruption coverage that is providing its banks with needed relief, covering expenses such as:

- Expense related to the purchase or lease of computers and equipment for employees to work from home
- Expense related to deep clean branches or facilities that have had exposure to COVID-19
- Costs related to installing plexiglass barriers for tellers in bank branches



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...worth your time.

Wanna learn more?

Contact Travis at tholdman@key-state.com
or by phone at 260.227.0265.

Visit www.key-state.com/captive-management to read more.

This Q & A was created by the MBA. For information on MBA's endorsement of Keystate Captive Management or any other MBA endorsed programs, contact Brooke McCoy, MBA Marketing Manager, at bmccoy@msbankers.com, or by phone at 601-948-6366.