

# INSURANCE START UP CHECK LIST

New insurance ventures in the P&C industry are innovating to address changing market needs and emerging risks. These ventures, including managing general agencies, fronting carriers, and specialty writers, are led by next-generation industry leaders. However, some aspects, such as managing critical parallel paths for launching start-ups, remain unchanged. This checklist highlights the numerous tasks and teamwork required for entities seeking regulatory licensing as an insurance carrier, illustrating the complexity of successfully launching a licensed insurance enterprise.

## 1

### CAPITAL RAISE / FINANCIAL MANAGEMENT

- ✓ **Financial Projections:** Five-year projections covering premium and balance sheet leverage, RBC, rating concerns, growth and loss targets, HR, reinsurance modeling, and investments.
- ✓ **Pre-Launch Budget:** Show investors the expected cash burn rate until positive cash flow is achieved.
- ✓ **Capital Sources/Types/Timelines:** Detail financial instruments, terms, and expected returns to investors.
- ✓ **Investor Relations Plan:** Outline communication frequency and format.
- ✓ **Investor Compatibility:** Ensure business model and returns align with investor risk and return expectations.
- ✓ **Documentation:** Provide shareholder agreements, NDAs, Accredited Investor Affidavits, and formation documents (Articles of Incorporation, tax IDs, corporation type).
- ✓ **Rating Organization:** Seek an accredited, independent financial strength rating, providing all necessary documents.



## 2

### REGULATORY APPROVAL PROCESS

- ✓ **Application and Fee:** Submit application and application fee.
- ✓ **Pro Forma Statements:** Include UCAA Pro Forma statements with Risk-Based Capital estimates.
- ✓ **Plan of Operation:** Include all statute-listed requirements defined by every state (most follow NAIC/UCAA formats).
  - ✓ **Products:** Detail the products to be sold.
  - ✓ **Leadership:** Include full biographical affidavits, background checks, and fingerprinting for the Board of Directors and Executive Management Team.
  - ✓ **Governance Documents:** Submit Articles of Incorporation, By-laws, NDAs, conflict of interest policies, expense management policies, internal controls, and Certificate of Status.
  - ✓ **Records Location:** Specify the location of books and records and service of process.
  - ✓ **Board Committees:** Outline composition and responsibilities (e.g., audit, compensation, investment, risk, ESG).
  - ✓ **Staffing Plans:** Provide detailed staffing plans.
  - ✓ **Claims Governance:** Include SIU/fraud unit plan.
  - ✓ **Disaster Recovery Plan:** Submit disaster recovery and contingency plans.
  - ✓ **Vendor Agreements:** Provide all major vendor agreements and terms.
  - ✓ **Affiliations:** List affiliations with other insurance companies, if any.
- ✓ **State Deposit:** Make required State Deposit(s) in Trust.
- ✓ **Fidelity Bond:** Obtain a Fidelity Bond.
- ✓ **Audit Firm:** Select audit firm for STAT and GAAP.
- ✓ **Actuarial Firm:** Select actuarial firm for rate and loss reserve certifications.
- ✓ **Investment Advisory Firm:** Choose Investment Advisory Firm and Custodian, and set investment policy with the Investment Committee.
- ✓ **Regulatory Approvals:** Negotiate and finalize regulatory approvals, Consent Orders, Certificates of Authority, and Rate and Form Filing approvals.



# 3

## OPERATIONAL PREPAREDNESS / TECHNOLOGY CHOICES

- ✓ **Policy Administration Platform:** Decide whether to buy, lease, subscribe, or build your own platform.
- ✓ **Insurtech and Third-Party Solutions:** Plan for using third-party technology in policy underwriting, selection, and claims management.
- ✓ **Customer Interaction:** Determine interaction method (independent agents or direct to insureds) and design the User Interface experience.
- ✓ **Claims Infrastructure:** Establish claims process and protocols to select Third-Party Administrators, Field Adjusting resources, Claims Administration Platform, and internal claims professionals.
- ✓ **Claims Plan:** Develop a comprehensive claims plan, including a catastrophe management model.
- ✓ **Claimant Experience:** Design a claimant experience focusing on transparency, speed, and settlement efficiency.
- ✓ **Insurance Products:** Define and file detailed insurance product offerings with unique features for marketing; design and price products, and test with agents.
- ✓ **Forms and Policies:** Select bureau forms or manuscript policies.
- ✓ **Geographic Assessment:** Evaluate geographic possibilities with appropriate granularity.
- ✓ **Business Rules and Underwriting Guidelines:** Develop robust business rules and underwriting guidelines.
- ✓ **Reinsurance Broker:** Select a reinsurance broker to develop an exposure profile and model risks for profitability and reinsurance, especially for property insurance.
- ✓ **Reporting and Data Analytics:** Create a comprehensive reporting and data analytics plan, including business intelligence, accounting, stat reporting, dashboards, and advanced analytics (AI/ML).
- ✓ **Workflow Processes:** Develop efficient underwriting and claims workflow processes, balancing human and technological resources.
- ✓ **Plan of Operation:** Include all statute-listed requirements defined by every state (most follow NAIC/UCAA formats).
- ✓ **Hiring:** Hire core executive and professional positions, conduct thorough background checks, and complete contracts and NDAs/non-competes as necessary.



# 4

## BUSINESS MODEL

- ✓ **Business Plan:** Prepare a comprehensive Business Plan or Confidential Information Memorandum covering all aspects of your new business.
- ✓ **Distribution Channels:** Design your distribution channels, whether direct, embedded, agent/broker, or wholesaler.
- ✓ **Outreach and Licensing:** Develop your outreach, licensing, and onboarding plans.
- ✓ **Producer Needs:** Determine the number and location of producers, how they will enhance your exposure footprint, their compensation, and the rollout strategy.
- ✓ **Industry Associations:** Identify and plan to join and regularly attend relevant industry associations.
- ✓ **Initial Communication and Marketing:** Plan initial and follow-up communications, marketing, and advertising, especially if not using agent distribution.
- ✓ **Customer Service Support:** Define how you will support agents and customers and how your system will interact with agents.
- ✓ **Beta Testing:** Visit and invite feedback from select "beta" agents, incorporating feedback into system and product design.
- ✓ **Cultural Values:** Be intentional about your cultural values, including the mission, employee policies and procedures (e.g., work-from-home rules), benefits, education perks, and employee communications.



# 5 COMPETITIVE ENVIRONMENT

- ✓ **Target Market Size:** Determine the size of your target market.
- ✓ **Market Participants:** Identify the principal market participants and analyze their performance in terms of volume, claims, and profitability. Determine how you can be among the profitable winners.
- ✓ **Competitive Analysis:** Compare competitors' policy counts, premium levels, average premiums, and policy features to identify where you intend to fit.
- ✓ **Reinsurance Insight:** Understand the structure and pricing of competitors' reinsurance programs.
- ✓ **Market Gaps and Niches:** Identify gaps, niches, and underserved areas in the market.
- ✓ **Product Testing:** Test your product coverages, features, and pricing against the competition in every territory you plan to enter.
- ✓ **Industry Trends:** Analyze trends in policy and claims activities, social and legal inflation, resource availability (labor, materials, employees), agency acceptance or resistance, and political and regulatory environments.



## KEY CONSIDERATIONS FOR LAUNCHING A PROPERTY-CASUALTY INSURANCE COMPANY

The goal of this check list is to highlight the numerous unique elements involved in starting a licensed Property-Casualty insurance company, emphasizing the detailed attention required for regulatory approvals, securing an acceptable rating, and gaining investor confidence. While not exhaustive, this check list provides a comprehensive overview of the essential tasks for entrepreneurs planning a successful insurance company launch.



**WATERSTREET**  
C O M P A N Y

WaterStreet Company is a group of property & casualty insurance industry experts based in Kalispell, Montana. Founded in 2000 by Gregg Barrett, we're transforming and optimizing operations for P&C carriers, MGA's, insurtechs, and startups through cutting edge technology and a remarkable customer experience. We offer a cloud-based P&C insurance administration platform fully managed on Microsoft Azure cloud services and infrastructure, along with a suite of insurance back office services to help our clients grow and scale their business optimally with this one-stop-shop approach. We have worked with a range of Carriers and MGA's of all different sizes and have been able to sustain growth to meet or exceed their business needs for over 20 years.