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Vermont Expects Growth of Licensed Captives to Continue in 2014

MONTPELIER, Vt. - After crossing the 1,000 licensed captives mark in 2013, Vermont captive regulators expect growth to continue in 2014, while new state legislation is pending that could ease the return of any captives that might wish to leave temporarily.

Vermont, the nation's leading domicile, has 1,013 captives licensed in the state with 588 active insurance companies. The state licensed its 1,000th captive insurer in October (Best's News Service, Oct. 16, 2013). Twenty-nine new captive insurers were licensed in Vermont during 2013, which is roughly the state average since it became a domicile in 1981.

Of the 29 new captives, eight were from the health care area, four were from construction and three were from transportation. "The continued formation of hospitals and doctors' groups setting up captives in Vermont has been a very positive trend that we expect to continue," Dan Towle, Vermont's Director of Financial Services in a written statement.

David Provost, deputy commissioner captive insurance at the state Department of Financial Regulation, told Best's News Service that Vermont officials expect captive growth to continue. "We just try to go for quality," Provost said. "We want to see good companies that are going to last, that are doing this for the right risk management reasons."

While some new domiciles are hoping for redomestications by companies with in-state ties, history says they could have difficulty prying captives from Vermont. Provost said Vermont has had about twice as many redomestications coming into the state as leaving it. "They're from all over the place and they go all over the place," he said.

New captives legislation could reach the floor of the Vermont House as soon as next week, Provost said. The legislation, H 563, is currently being moved through House committees.

It features a new "dormant status" option that would allow prior captives looking to restart operations the chance to write business upon state approval. Premium tax payments are waived during dormancy. "This is addressed to those companies that, for whatever reason, captives don't make sense anymore," Provost said. "Rather than having them restart, we let them go dormant for when they choose to start up again."

Companies can seek dormancy status via an application approved by the insurance commissioner. Restarting would be a matter of petitioning to surrender the certificate and resuming business. Provost said part of the benefit for the dormant captive would be avoiding incorporation costs and legal fees when restarting.

Captives lost in Vermont are usually the result of mergers and acquisition activity, or a change in plan at the parent level, Provost said. Twenty-seven captives dissolved in 2013, with only three redomesticating, Provost said. But the bill's beneficiaries would be those companies whose management has opted not to have captives at present, with an eye toward future use. "Dormancy would allow them to shelve the captive at minimal cost, rather than dissolve it entirely," he said.

The new health care captives include Spectrum Medical Group, Usable Corp.; United Health Services; Excela Health; Catholic Medical Partners; PA & NY Hospital Members; and Cassatt RRG Holding Co. Other 2013 captives included

Amcol International Corp., Burns & Scalo, Tully Construction Co., UBS Real Estate Securities, Covenant Transportation, and Freidkin Cos.

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