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## Setting the standard for an industry

Integrity, innovation and a team approach define the style of Vermont's Len Crouse

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Published Date: February 19, 2007

MONTPELIER, Vt.—In the captive insurance world, Len Crouse and Vermont are synonymous.

As deputy commissioner of captive insurance in the Vermont Department of Banking, Insurance, Securities and Health Care Administration, Mr. Crouse is an important overseer of the captive industry in the state that is No. 1 in the number of U.S.-domiciled captives.

Mr. Crouse also is an international spokesman for the responsible regulation of captive insurance.

While Vermont was not the first state to allow companies to form captives, it was the first captive domicile to actively encourage such formations, beginning in 1981.

In the past quarter century, Vermont issued 791 captive licenses, including an all-time high of 77 in 2003. Few have failed and no one lost money.

Along the way, the state's economy and stature in the insurance industry has benefited greatly.

Since 1981, the captive industry has paid \$228 million in premium taxes and \$12 million in license and examiners fees to Vermont, Mr. Crouse said. It also has brought more than \$1.2 billion in asset management to Vermont's financial institutions and spurred development of more than 1,400 full- and part-time jobs.

"Len sets a very high standard every day with hard work, a passion for working with the client and knowledge of the industry that's second to none," said Dan Towle, director of financial services for Vermont's Department of Economic Development.

Len is "an experienced and innovative regulator with an uncommon ability to focus on strategic issues and opportunities," said Nicholas Parillo, president of the Molly Anna Captive Insurance Co. and Canton, Mass.-based vp-global insurance for Royal Ahold N.V., the supermarket and foodservice giant. "Len's integrity and firm-but-fair demeanor have earned him the highest respect from both legislators and captive owners," he said.

good listener

"Len is always willing to listen to ideas and explore the ideas to eliminate those that make no sense and allow those ideas to go forward that help further the captive industry," said Michael Lusk, corporate vp-insurance and global risk management for agricultural product processor Archer Daniels Midland Co. in Decatur, Ill.

Three key elements of Vermont's successful program are specialized regulators, a solid infrastructure of management and service companies as well as the state's small size, which allows for easy access to elected and appointed officials, observers said.

Mr. Crouse, 64, summarizes it more simply: "We've been around and we have a good history."

Companies that have established Vermont captives give greater personal credit to Mr. Crouse in creating a favorable—yet responsible—regulatory climate and infrastructure that allows them to better control their self-insurance programs.

Len "succeeds in establishing both clear boundaries and reliable opportunities for effectively using a captive, and is capable of guiding captive owners to successful compliance while maintaining the security and integrity of the Vermont system," said Tim East, director of risk management for entertainment and multimedia giant Walt Disney Co. in Burbank, Calif.

"Fair, firm, knowledgeable and responsive" describe the way Mr. Crouse regulates, said Molly Lambert, president of the Vermont Captive Insurance Assn. in Burlington, Vt. "He has built a regulatory infrastructure that will maintain the strength of captive insurance in Vermont for decades to come."

Leonard David Crouse grew up in Lynn, Mass., though he was born on Prince Edward Island in Canada. He has two younger sisters.

After living in Southern California in the 1960s, he returned to Massachusetts and in 1971 took a job as an examiner with the state's insurance department—his first insurance industry post. He worked there for nearly 20 years, rising to chief examiner of the property/casualty division. He holds a designation as a certified financial examiner.

Mr. Crouse left that post to join the Vermont department in May 1990 as director of captive insurance

Mr. Crouse's activist regulatory approach is designed to identify potential problem areas early and address them. For example, a captive must receive regulatory approval before it can change its plan of operation, he said.

quality programs

In addition, he considers risk retention groups—which are organized as captives in Vermont—to be "a volatile tool" that needs to be reviewed quarterly. "We don't like entrepreneurial RRGs," some of which are controlled by managers rather than the members, Mr. Crouse said. "We are looking for quality and good, strong programs."

Of the 791 captive licenses issued since 1981, today Vermont has 567 active captives. Seventy-nine percent are pure captives, 14% are risk retention groups, 4% are industrial insureds and 3% are association captives.

The difference between the number of captives licensed and those still operating is the result of various factors, including mergers and acquisitions, Mr. Crouse said. In addition, he said a very small number of captives faced financial problems including a few that resulted in company rehabilitations and liquidations—although all claims were paid in full.

Most of those problems occurred "B.C.—Before Crouse," he said.

Pride in teamwork

Vermont has "the best regulatory staff in the nation, bar none," Mr. Crouse said.

"I take great pride in building the staff," he said. Most of the 28 staff members are examiners who are required to be certified in their field or working to obtain certification, he said.

Mr. Crouse emphasizes the contribution from the other two members of the captive unit's team—Derick White, director of captive insurance, and Pete Raymond, director of financial examinations. Both have worked with Mr. Crouse for 15 years. The most important lesson Mr. White said he learned is "always give credit where it is due. You build loyalty and good ideas will keep coming."

Mr. Raymond said he learned how to balance being a good financial regulator while promoting Vermont's captive insurance industry.

The opportunities that Vermont's alternative risk programs offer captive owners are "phenomenal," because "there are so many lines," Mr. Crouse said enthusiastically. The captive unit's small size allows it to provide "a quick response to the needs of industry," he said.

He and the members of the Vermont regulatory team share their knowledge with others through active participation on various industry panels, including subgroups of the National Assn. of Insurance Commissioners. Those groups are currently discussing more uniform financial and corporate governance standards, as the U.S. Government Accountability Office recommended in 2005.

"I feel there has to be some uniformity with risk retention groups," Mr. Crouse said.

Indications of a generally softer market nationwide are not expected to have much impact on the Vermont's captive unit.

"Market fluctuations don't affect pure captives as much as risk retention groups," he said. In addition, captives continue to offer significant benefits including better control of losses as well as access to reinsurers, he said.

Once an avid skier, Mr. Crouse now golfs often to maintain his 10-stroke handicap.

His sports loyalties lie with the Red Sox and the Patriots. In college contests, though, he roots for Louisiana State University, which one of his two daughters attended. He has one grandson.

His also is an avid reader of nonfiction books, especially history.