Business Insurance

Vermont bill would allow incorporated protected cell captives

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MONTPELIER, Vt.—New captive legislation introduced in Vermont would allow the formation of incorporated protected cell captives in the state.

The bill, H. 438, is a response to requests from the captive industry to allow the structure in Vermont, according to David F. Provost, deputy commissioner in the Captive Insurance Division of the Vermont Department of Banking, Insurance, Securities and Health Care Administration.

“Basically this was something that the industry requested,” Mr. Provost said. “They wanted to see the option to have incorporated protected cells.”

While saying the incorporated cell option would not weaken the rights or protections offered by the traditional protected cell structure, Mr. Provost said that with the incorporated cell approach “you have the strength of corporate law and it's been tested vs. a contractually protected cell.”

“From a regulatory standpoint, it makes no difference to me,” the deputy commissioner said.

The incorporated cell option will “expand and help open the door for smaller companies” interested in that approach, said Daniel D. Towle, director of financial services in the Vermont Department of Economic Development.

Other changes to the captive law include making permanent a first-year premium tax credit new Vermont captives have enjoyed for the past 18 months, Mr. Provost said. The bill also addresses perceived restrictions on potential sponsors of cell captive companies by replacing a list of approved sponsors with a provision that sponsors will be approved at the discretion of Vermont's insurance commissioner.

“I think our enhancements to our captive law are an annual tradition,” said Mr. Towle.

Vermont has licensed two new captives so far this year and has seven applications in the works, according to Mr. Towle.