

Vermont Celebrates 1,000th Captive Insurance Company

By Wilson Ring / Associated Press
October 10, 2013



Department of Financial Regulation Commissioner Susan Donegan signs the 1000th license for captive insurance as Gov. Peter Shumlin, left, looks on Thursday in Montpelier. Shumlin and other state officials are celebrating the founding of Vermont's 1,000th captive insurance company, which are wholly owned subsidiaries of large corporations that want to insure themselves against property loss, casualty and liability. Before Vermont law was changed in the early 1980s to allow them, most captive insurance companies had to incorporate outside the country. / Toby Talbot/AP

MONTPELIER — Vermont's top financial regulator signed the license Thursday for the 1,000th captive insurance company to call the state home since it set out to attract these businesses more than three decades ago.

At a Statehouse ceremony, Department of Financial Regulation Commissioner Susan Donegan signed the license for Cassatt Insurance Group. The company is made up of nine independent, nonprofit hospitals in southeastern Pennsylvania and provides medical liability insurance for 1,200 doctors.

"The message around the world, and it's truly the world, is that Vermont is the place to be," Donegan said.

Captive insurance companies are wholly owned subsidiaries of large corporations that want to insure themselves against property loss, casualty and liability. Before Vermont law was changed in 1981 to allow them to operate, most captive insurance companies had to incorporate outside the United States.

"What this celebration represents is good, high-paying jobs in Vermont that are clean, green and extraordinarily important to Vermont's economy," Gov. Peter Shumlin said at the event.

Since Vermont began hosting captive insurance companies, the industry has generated almost \$350 million in direct taxes and fees to the state. The boards of directors of the companies are also required to hold at least one meeting a year in Vermont, generating additional revenue for the state's tourism industry.

Now the industry employs about 1,400 people, primarily in management, accounting, law, banking and investments. A 2003 study of the industry found it paid salaries 70 percent higher than the Vermont average and generated an estimated \$100 million economic spinoff.

Since Vermont passed its first laws governing captive insurance, many states have followed suit, said Cassatt President Eric Dethlefs.

"Vermont's understanding of the captive insurance industry, its receptiveness to sensible innovation and the professionalism of the regulatory leadership here make it the domicile of choice for Cassatt," Dethlefs said.

Vermont's captive insurance industry got its start around 1980 when a New York insurance broker told the state's then-Development Secretary Al Moulton that large corporations were trying to create subsidiaries through which they could insure themselves against property loss, casualty and liability.

At the time, the subsidiaries had to incorporate outside the country, such as in Bermuda, because few states had corporate laws that permitted what the companies

wanted to do. In 1981, the Legislature passed the laws needed to make create the industry in the state.

Vermont is now home to more captive insurance companies than any other state and it's the third largest in the world.