

## Vermont's Updated Captive Law to Allow 'Dormant' Status for Inactive Captives

Vermont's Gov. Peter Shumlin signed new legislation updating Vermont's captive law, amending the reciprocal insurer section and creating a new "dormant" status for captives.

Officials said the new dormant status establishes an efficient mechanism and an option for captives that have ceased insurance operations to cost-effectively retain their licenses in case they decide to resume operations in the future. The legislation, H.563, ("An act Relating to Captive Insurance Laws and Accreditation Standards") was signed by Gov. Shumlin on Monday and takes effect immediately.

"I'm proud to sign this bill in response to the industry's desire to have more options for their captives," said Gov. Shumlin. "I commend the legislature in continuing our long tradition of making sure our captive regulations are the industry gold standard."

This legislation updates several components in Vermont's captive law to keep Vermont at the forefront of domiciles, said David Provost, deputy commissioner of the state's captive division.

"The updates to our reciprocal law will make it more attractive than ever for educational institutions, health care providers and other not-for-profit organizations to domicile in Vermont," Provost added.

"We're delighted that once again the governor and legislature have joined together to respond to the rapidly changing environment for captives," said Dan Towle, Vermont's director of financial services.

Under the new law, a pure captive insurance company domiciled in Vermont may apply to the insurance commissioner for a certificate of dormancy if it meets certain criteria.

A captive applying for the dormancy status must have ceased transacting the insurance business, including the issuance of insurance policies, and there should be no remaining liabilities associated with insurance business transactions or policies issued prior to the filing of its dormancy application.

The certificate of dormancy would need to be renewed every five years and would be forfeited if not renewed. A dormant captive must maintain unimpaired, paid-in capital and surplus of at least \$25,000. It must also submit to the insurance commissioner, prior to March 15 of each year, a report of its financial condition, verified by oath of two of its executive officers.

A dormant captive seeking to become active again would be required to apply to the insurance commissioner for approval to surrender its certificate of dormancy and resume conducting the insurance business.