

Eleven redomestication and seven healthcare orgs drive new captive insurance formations.

January 11, 2016

Vermont Business Magazine Vermont licensed 33 new captive insurance companies in 2015, according to data released by the Vermont Department of Financial Regulation. The new captives were made up of 12 pure captives, 7 Risk Retention Groups (RRGs), 7 sponsored captives, 4 special purpose financial insurers, 2 industrial insured captives, and 1 association captive. There were 11 "redomestications," which is when an existing captive moves from another captive domicile to Vermont. That is the largest number ever to occur in a single year in Vermont. The redomestications came from the following jurisdictions: South Carolina (3), Arizona (3), Bermuda (2), Cayman Islands, Nevada, and Kentucky.

"2015 was another great year for captive insurance in Vermont," said Vermont Governor Peter Shumlin ([link is external](#)). "The record number of captives redomesticating to Vermont reinforces our 'Gold Standard' reputation."

Growth in 2015 was up significantly from 2014 when 16 companies were licensed. Growth, he said, is impressive especially when considering the prolonged soft market and added competition by other US states.

"Companies that have an established captive insurance company and have operated them for a number of years are often among the most knowledgeable and sophisticated when it comes to doing proper due-diligence on domicile selection," said Dan Towle, Vermont's Director of Financial Services ([link is external](#)). "Vermont has always provided a consistent regulatory environment that is firm, fair, efficient and responsive. It is encouraging that a record number of captives have reinforced that this year by redomesticating."

"The quality of Vermont's 2015 licensees continues to be outstanding," said Dave Provost, Vermont's Deputy Commissioner of Captive Insurance ([link is external](#)). "Vermont's focus will always be licensing quality companies and regulating them in an appropriate manner commensurate with their risk."

Seven new RRGs were licensed in Vermont, bringing the active total to 89. Vermont continues to hold a dominant market share with over 60% of all RRGs premium volume being written by Vermont companies. Six of the 11 redomestications to Vermont were by Risk Retention Groups. "We employ our own examiners which keeps exam costs reasonable for captives and Risk Retention Groups," says Provost. "The expertise of our staff when it comes to analysis and examinations is a significant part of what makes Vermont so attractive."

New captives were licensed in insurance, healthcare, construction, real estate, professional services, education, transportation, agriculture, retail, and other. The strong diversity of licenses were highlighted with 7 in the healthcare sector. "The continued formation of hospitals and doctors' groups setting up captives in Vermont has been a very positive trend that we expect to continue," said Towle. "Hospitals maintain a high interest in forming their captive on-shore and in Vermont."

The newly licensed captives in healthcare include Emergency Medicine Specialist; SIHO Holdings, Inc.; Physician Insurance, a Mutual Company; Shields Health Care Group, Inc.; Multi-County Physicians Insurance Association; Long-Term Care Facilities; and Doctors and Surgeons National Corporation.

Other notable captives in the class of 2015 include PricewaterhouseCoopers LLP; Syracuse University; Cummins, Inc.; Marubeni Corporation; Willis Management (Vermont), Ltd.; National Life Insurance Company; Wilbur-Ellis Company; Zurich Insurance Group; and 17 Universities/Colleges.

2015's new licensees bring Vermont's overall total licenses to 1062 with 588 active captive insurance companies. An active pipeline of prospective captive insurance companies is already underway for 2016, with one new license already recorded in 2016 and three more applications currently in process.

Captive insurance is a regulated form of self insurance that has been around since the 1960's, and has been a part of the Vermont insurance industry since 1981, when Vermont passed the Special Insurer Act. Captive insurance companies are formed by companies or groups of companies as a form of alternative insurance to better manage their own risk. Captives are typically used for corporate lines of insurance such as property, general liability, products liability, or professional liability. Growth sectors of the captive insurance industry include professional medical malpractice coverage for doctors and hospitals and the continued trend of small and mid-sized companies forming captive insurance companies.