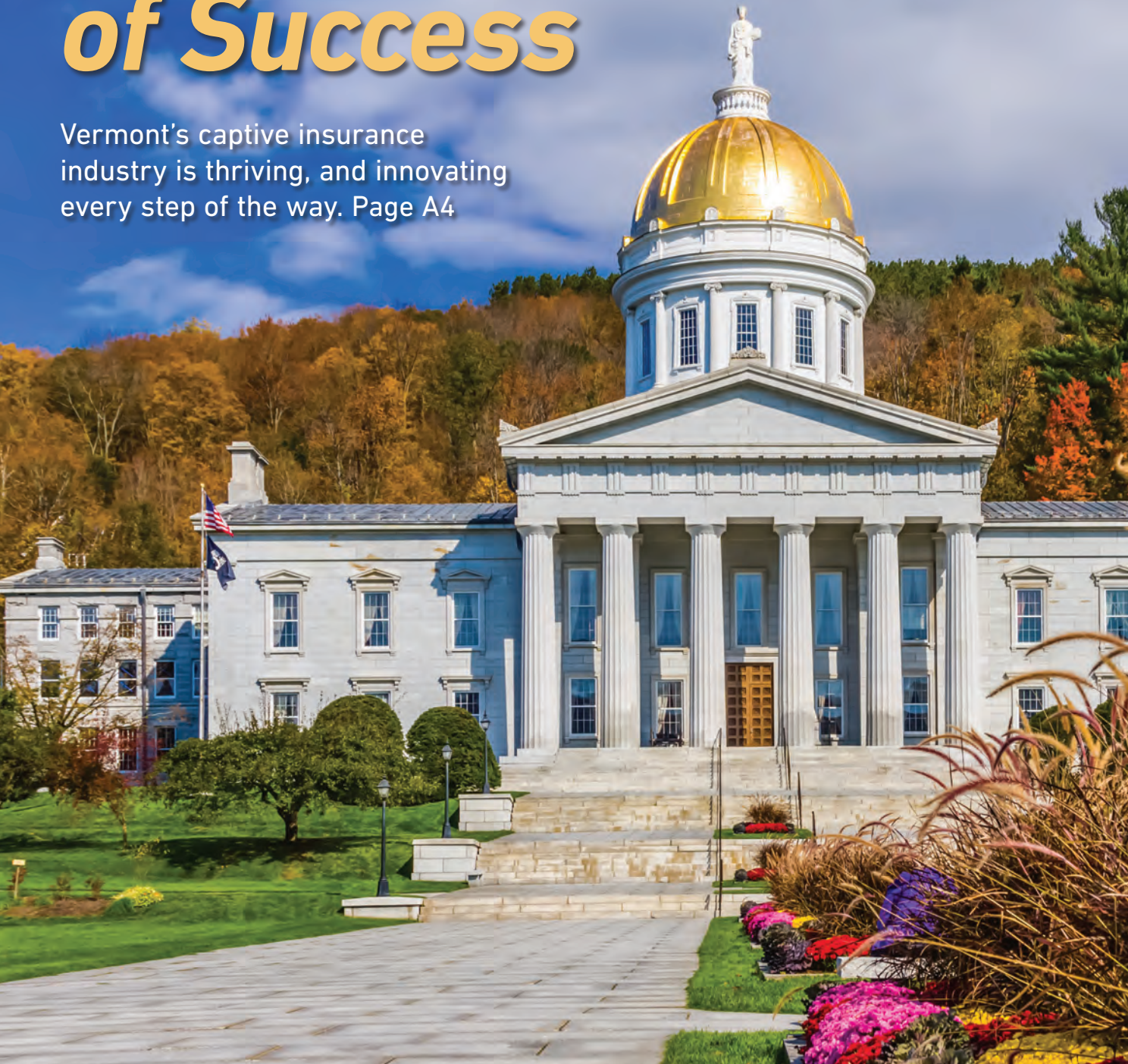


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Four Decades of Success

Vermont's captive insurance industry is thriving, and innovating every step of the way. Page A4





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APRIL 2021
VOL. 32 NO. 3
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By Alex Wright



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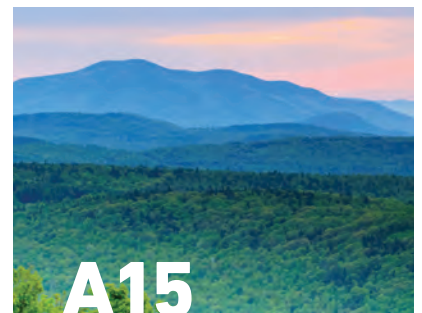
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Four Decades of Success

Vermont's captive insurance industry has come a long way since 1981.

By Alex Wright



Vermont marks 40 years in the captive insurance industry.

The state of Vermont has reached a significant milestone in its development.

This year marks 40 years since its legislature passed the Special Insurer Act of 1981, enabling businesses to form captive insurance companies in the state.

The first captive, First Charter Insurance Company, was formed by tire manufacturer B.F. Goodrich Company in September that year and the rest, as they say, is history.

As the leading U.S. captive domicile and the third largest domicile in the world, Vermont has almost 600 active captives, including more than 300 cells, with \$25.4 billion in gross written premium and \$212 billion in assets under management. It also has eight different captive types, ranging from single parents, risk retention groups and sponsored captives to association, branch and agency captives. Most recently, Vermont became the first state to license affiliated reinsurance companies

(ARCs), allowing companies to reduce the tax they incur under the Base Erosion Anti Abuse Tax.

The motivating force behind Vermont establishing itself as a captive domicile was the insurance industry's need for a viable onshore alternative. Richard Snelling, the governor of Vermont at the time, along with other leaders, looked to Switzerland, a small European country that had built a successful financial services industry, and decided to adopt a similar model. That same year, the state legislature wrote the Special Insurer Act into law.

"Captive insurance in Vermont was initially touted as a way to create jobs, tax revenue and additional tourism revenue," said David Provost, deputy commissioner, captive insurance at the State of Vermont. "Thankfully, we got into the business early enough to create a niche for ourselves. Now we are a world leader in captive insurance."

THE PERFECT STORM

Vermont really took off as a

captive domicile in 1986 with the perfect storm of a hard market, tax reform and the Risk Retention Act. Thanks to the collaborative efforts of lawmakers, regulators, service providers and the captive industry to grow the business, the state has put itself firmly on the map.

"Consistency has been our focus over the last 40 years," said Sandy Bigglestone, director of captive insurance at the State of Vermont. "We have remained flexible in the face of ever-changing market needs while continuing to attract quality business and talent and maintain our robust regulatory framework and gold standard at the same time."

The key to all this has been Vermont continually seeking to evolve and improve itself as a domicile. "We are continually striving for consistency of excellence," said Provost. "That means listening to the industry and working with them to ensure that they can achieve the best outcomes."

Among Vermont's biggest achievements, said Bigglestone, has

been establishing itself as a truly global player. Behind this drive has been the state's reputation as a center of excellence, she said.

"Our infrastructure has really been the cornerstone upon which we have built this reputation," said Bigglestone. "That is down to the specialist captive management teams of lawyers, actuaries, auditors, bankers, investment managers and other service providers that make up our community here, as well as the trade industry body, the Vermont Captive Insurance Association (VCIA), the legislature and regulators."

Indeed, the formation of the VCIA itself, the world's largest captive insurance association, along with the International Center for Captive Insurance Education, has helped to pave the way for the state to build on its early successes. Another pivotal factor, he said, has been Vermont's accreditation with the National Association of Insurance Commissioners.

"They have all been key drivers in keeping the industry at the forefront," said Provost. "This is borne out by the fact that every year we go to the legislature and work with the VCIA to modify and improve upon our captive laws to ensure that we remain a market leader."

Vermont's annual captive legislation and unparalleled level of government backing have helped to set it apart from rival jurisdictions.

"That enables us to take a far more proactive approach to improving ourselves as a domicile," said Brittany Nevins, captive insurance economic development director at the State of Vermont. "It also allows us to remain on the cutting edge without compromising the quality and standard of regulatory supervision."

BIG MILESTONES

A significant milestone in Vermont's 40-year history was the

enactment in May 1999 of a new law enabling the formation of protected cell captives — a rental structure that separates an insured's assets and liabilities from other participants. Since then, uptake has soared, with more than 300 protected cells now registered in the state.

A decade later, Vermont introduced legislation allowing special purpose financial insurance companies — a vehicle used to enable risk securitization transactions to fund its obligations under a reinsurance contract with a ceding insurer — to be established.

It licensed its first one, Northwind Reinsurance Company, in October 2007.

A law enabling the formation of agency captives — a reinsurance company controlled by an insurance agency or brokerage firm — was then passed in 2017. A year later, in May 2018, Vermont licensed ARCs, with Mapfre Re Vermont Corporation, the first one to be established.

"Throughout Vermont's evolution, we have consistently been developing laws for the creation of new captive structures and continually refining them so that they remain relevant to the industry," said Nevins. "That can only be done by listening to and meeting the industry's needs to fill these gaps in the market."

However, to get to that stage, every new concept has first to undergo rigorous scrutiny by the regulators. Only then can it be presented to the legislature.

"Because we don't want to do anything that would jeopardize our gold standard, we always adopt a cautious approach," said Bigglestone. "That said, we remain open-minded and receptive to new ideas that will benefit the industry, as in the case of ARCs and special purpose financial insurance companies, to name a few."

Despite the captive industry creating more than 400 direct, high

paying jobs in Vermont, the state has always suffered from a talent shortage. Previously, that stemmed from the industry's early growth, which has accelerated in recent years.

"The constant challenge for us has been the struggle for talent," said Provost. "In order to keep moving forward, we need to find those skilled people to work in government, and the captive management teams and service providers."

Part of the solution is raising awareness of the benefits of working in the thriving captive insurance space. Those who join the industry tend to stay. "One of the biggest factors behind Vermont's success has been the longevity of its people," said Provost.

Recruitment and marketing will remain the key priorities for Vermont moving forward. That includes targeting key markets in Europe and Latin America.

"A great example of reaching out to international markets is a recent webinar we held with delegates from Mexico," said Nevins. "In the post-pandemic era, we need to continue focusing on these areas in promoting Vermont as a go-to captive domicile."

Another challenge that Vermont has managed to turn into a positive has been the COVID-19 pandemic. It struck just when industry and the regulators were in the midst of working through the annual captive insurance bill.

"We just adapted and did everything virtually, giving

SUMMARY

- **BF Goodrich was** the owner of the state's first captive.
- **Vermont captives generated** \$25.4 billion in gross written premium in the most recent financial reporting period.
- **Vermont's captives infrastructure** is a key selling point.

testimonies by video link,” said Provost. “In the same way, we held preliminary meetings with new business prospects and even developed our own electronic license to replace the paper one.”

COLLABORATIVE BENEFITS

Richard Smith, president of the VCIA, said Vermont’s success as a captive domicile comes down to two key factors: government support for the industry and captive insurance’s importance as an economic driver. That is backed up by having a strong regulator, he said.

“That level of support has been consistent across the board, from the governor and state legislature through to the regulator,” said Smith. “Additionally Vermont is a relatively small state, so captive insurance as an industry is hugely significant, both in terms of tax revenue and



“In the post-pandemic era, we need to continue focusing on these areas in promoting Vermont as a go-to captive domicile.”

— **Brittany Nevins**, captive insurance economic development director, State of Vermont

employment.”

Many states have eyed Vermont’s success and tried to emulate it with their own captive insurance laws. But Vermont has remained the leader thanks to collaboration between the different parties.

“The saying goes that they literally photocopied Vermont’s captive laws and just added their state name at the top,” Smith said. “There were stories of punctuation

errors in Vermont’s original law that they failed to pick up suddenly appearing across 35-plus state laws.”

The VCIA was established in 1985. Working in partnership with regulators and policymakers, it lobbies on behalf of its almost 500 members at both state and federal levels.

“An example of this is, every year the state’s Department of Financial Regulation and the VCIA work together to modify Vermont’s captive

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statutes for legislature review and approval,” said Smith. “We need to ensure that the changes make sense, are in the right language and will benefit both the state and industry.”

Looking ahead, Smith believes that Vermont’s future success hinges on its flexibility and innovation. An example of this, he said, is the creation of a new dormant status for captives, which allows owners who have stopped using the captive to retain their license in case they decide to resume it again in the future without having to pay taxes while it remains unused.

“Vermont needs to be on top of these kinds of changes and be ready to make them when required, whether statutory or regulatory,” said Smith.

A NATURAL FIT

Andrew Baillie, program director,

global insurance at The AES Corporation, a global power and utility firm, which has two captives in Vermont, said the company chose the state as its domicile because of its service support and infrastructure.

“Having all that in place was a big positive for us,” said Baillie. “We have always found that when you talk with the regulators about matters, such as business plan changes, they are very well informed and knowledgeable in the level of scrutiny and advice they give you.”

AES’s first captive, established in Vermont in 2003, predominantly writes property and business interruption coverage as well as terrorism and cyber for an asset base in excess of \$50 million. Its second captive, first registered in 1987, was acquired when it bought another U.S. utility 10 years ago, and its focus is on property, casualty and financial

lines.

Vermont was a natural fit for AES, which is based in Arlington, Virginia because its close and in the same time zone, making it convenient for meetings with service providers and regulators. Another key advantage is the quick turnaround time, he said.

“We find that they always give us valuable feedback in a timely manner,” said Baillie. “That’s what you want from your regulator — one that gives you strong and clear direction.”

Vermont’s formula has clearly worked in terms of realizing those early ambitions over last 40 years. How it continues to evolve, however, will be fascinating to watch over the next 40. **&**

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Construction and Real Estate Seeking Captives

The construction and real estate sectors are showing an increasing interest in captives.

By Jonathan McGoran



Continual hardening of property insurance markets is one factor driving the trend.

As the insurance marketplace continues to harden, it should come as no surprise that more companies are looking to captives as an answer to rising rates and shrinking capacity. Of note is that many of the new captives domiciled in Vermont last year were in real estate or construction.

“We licensed 38 new captives last year. That’s our best year in a decade,” said Dave Provost, Vermont’s deputy commissioner of captive insurance. “Twelve of those were in construction and real estate. Almost a third of all the new captives last year were construction and real estate.”

THE DRAW OF A CAPTIVE

According to Pete Kranz, executive managing director, captive practice leader, Beecher Carlson, this makes a certain amount of sense: “When you think about where the hardening market all started, it was in the real estate world,” said Kranz. “We had three years of

catastrophes with windstorms and wildfires. In year one, with those events, carriers have redundant reserve releases to help bolster their balance sheet and possibly inject capital into the markets. In year two, they release fewer reserves and inject less capital. Year three, very little reserve release, very little capital being injected into the insurance industry. So what happens is it compels rate increases. ... The first thing that we really saw starting to spike up was property cover. Well, real estate companies are the most heavily invested in property. So that’s what started it.”

Melinda Young, vice president of risk management at the Alberici Group, a construction company, which redomiciled its captive to Vermont 13 years ago, agreed. “The standard markets are certainly getting hard ... so I’m not surprised to hear that more construction companies are considering captive participation,” said Young.

“You have reduced capacity, increases in prices, coverage terms

becoming much stricter. That really opens up the opportunity for captive involvement, particularly in the construction industry. Just getting insurance in the standard market has always been a challenge for the construction industry.”

Flexibility is another factor driving real estate and construction to captives.

“There are not that many carriers that are willing to write construction, and those that are may have restrictions in certain states,” said Young. “The captive industry allows more flexibility. For example, we may go into a state that we may not be able

SUMMARY

- **Real estate and** construction are increasingly looking to captives for insurance solutions.
- **This pattern was** established well before the pandemic.
- **Captive pros predict** interest will continue this year and into 2022.

to get insurance in a standard market.”

An added attraction for some companies is the ability to use their captive to provide insurance to tenants.

“They’re providing a way for their tenants to get quick and easy coverage for their tenants’ liability and tenants’ property,” said Provost. “They provide a check-the-box service. ‘We want you to have insurance. We want you to prove you have insurance. You can go across the street to your local agent and buy it, or you can check a box right here on your rental application, and we’ll take care of it for you.’ So that’s another way that a company can use captives in the real estate business.”

Provost also cites terrorism coverage.

“Especially for big skyscrapers

in New York. You’re looking for a billion dollars’ worth of coverage there, and they can be high targets for terrorists, so it’s very expensive and difficult to insure those. Captive insurance is frequently used for that type of terrorism coverage.”

IS COVID PART OF THE EQUATION?

There doesn’t seem to be much indication of a direct relationship between the COVID pandemic and the uptick in interest in real estate and construction captive formation, though it has spurred interest in captives among other sectors.

“Three of the 13 we’ve licensed so far this year have been related to long-term care,” said Provost. “COVID hit the long-term care industry particularly hard, so I expect

that trend will continue for a bit.”

Kranz also cites the drop in the stock market earlier in the pandemic and subsequent decrease in investment earnings as directly contributing to the upward pressures on insurance pricing that have caused many companies across all sectors to take a fresh look at captives.

A HARDENING MARKET, A LASTING IMPACT

One major reason for the sudden surge in real estate and construction captives is that the market has hardened enough to compensate for pre-existing barriers to captive formation inherent in those sectors.

“The obstacle that was there before on the real estate side, their



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limits are usually a lot higher than professional liability and Directors and Officers', which means that it would take a lot more capital to support that kind of captive. And the market was soft for the longest time; the incentive just simply wasn't there to form captives," said Christina Kindstedt of Advantage Insurance, an independent firm that forms and manages captives in the real estate and construction industries.

"Now the market has been hardening. Premium hikes and large deductibles became harder to swallow than the capital contributions. Large deductibles in particular create uncertainty when companies plan cash flow."

Having overcome those obstacles, real estate and construction captives are likely to be in it for the long haul.

"They're capital-heavy, and they want quality work, so for them to



"Vermont's a place where you can get everything you need for your captive."

— **Dave Provost**, deputy commissioner of captive insurance, Vermont

form a captive, it's not something that they form this year and then when the market softens, they will get out of business," said Kindstedt. "They're doing this for the long-term, they are making a commitment, and a part of the commitment is to find a domicile where they can tap into an established network of seasoned professionals and where the regulators are willing and able to help them find creative and sustainable solutions. Vermont

fits that bill."

WHY CONSTRUCTION AND REAL ESTATE CHOOSE VERMONT

Direct placement taxes are another consideration for some. "It could be because we don't necessarily have direct placement tax issues... that's why it's been a bit heavier in Vermont," said Kranz.

But perhaps the main reason companies in real estate and

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construction have been looking to Vermont as a domicile is the state's overall reputation.

"Everyone has great things to say about the captive industry in Vermont," said Young. "There's such great support there. I expect that's what's driving people to go to Vermont."

"We are a professional domicile with a deep infrastructure and full staff," said Provost. "Vermont's a place where you can get everything you need for your captive. And for some companies, especially if you're providing a certificate of insurance, it's good to know where that is coming from. Reinsurers like working with Vermont captives. They know that captives are regulated well. So all those factors help, but especially if you're reinsuring a billion dollars' worth of property, you want your reinsurers to

be comfortable that your captive is in a well-regulated domicile."

"The trend in the insurance industry is going to continue to drive captive usage," said Young. "Projections are that the market will continue to harden through 2021 and possibly into 2022. We'll see how that works out, but I think it provides opportunities for the captive industry to expand, for sure."


Kranz sees even deeper and longer lasting repercussions.

"Essentially, what the insurance marketplace is doing is pushing us forward into the future of risk financing," he said. "So we're going to continue to see increased utilization of captives on more of an integrated or holistic basis. It's not going to be limited to one or two lines of dealing with the pricing pressures of that. It's going to be flipping the risk equation on its ear

and completely redoing it, really looking at how risk is financed and saying, 'Why am I buying it line by line? Why don't I use a captive, for example, consolidate my risk and transfer it in a bundled integrated package to insurance or re-insurance marketplaces.' "

Provost agreed. "Having a hard market like this reminds everybody that hard markets are out there, that there are cycles and having a captive helps insulate you from those cycles to a pretty good degree. Having your own captive really lets you adapt to that hard market by changing your retentions and your coverage levels and changing how much you keep and how much you reinsure. If it's already in place, then you're set to go." &

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Diversity and Inclusion Efforts



Women and Black, Indigenous and People of Color (BIPOC) owned businesses are growing. Can the captive insurance sector better meet their needs?

NFP Management Corp. has taken great strides to enhance its diversity and inclusion initiatives, showing that such efforts in captives are a necessary step forward. **By Autumn Demberger**

In a white male dominated industry, it can be hard for women and minority professionals to find footing in insurance.

Data collected by S&P Global Market Intelligence shows the percentage of nonwhite employees in the insurance workforce only reached 21.4% in 2019, an increase from 19.8% the year prior. The percentage of nonwhite insurance workers was 15.3% in 2010.

Women fill just under 22% of insurance executive and officer roles.

Diversity and inclusion efforts are on the rise, however, and many institutions are taking larger strides than ever before to open their talent pool and bring on workers with unique, distinct backgrounds and ideas.

“We see that lack of diversity

in our industry and know that we have to do our part to change it,” said Tracy Stopford, SVP, managing director and co-lead of RISC at NFP. “Diversity brings in new perspectives that make us better for our colleagues, clients and communities.”

NFP Management (Vermont) Corp. is a state-approved captive management company that provides services to captives licensed in Vermont through its Risk & Insurance Strategy Collective (RISC). NFP, through RISC, has made a concerted effort to drive diversity and inclusion throughout the industry. This effort is a prime example of how the insurance industry can not only devote time to D&I initiatives but also find success in doing so.

THE RISC D&I STORY

In 2018, NFP, a captive management company in Vermont, formed a D&I advisory board to engage a mix of people from all business lines and levels to help shape its D&I program from within. Part of the board’s efforts have resulted in several internal groups designed to bolster women and minority insurance professionals, including the Women’s Resource Group, Black Professionals Resource Group, LGBTQ Resource Group and Family Resource Group.

These groups aim to serve members of different communities to provide a space to raise concerns, find career growth opportunities and foster an allyship throughout the company they serve.

NFP wanted to keep its D&I internal momentum going; when it launched its captive and alternative risk branch — the RISC team — leadership made it a point to place D&I at the forefront.

NFP selected Stopford and Kara Tencellent, also SVP, managing director and co-lead of RISC, as the leaders of its global captive practice in October 2020. According to the company, Stopford and Tencellent are driven to integrate D&I into their work, because they both understand and see the value in having different perspectives in helping clients identify solutions that

SUMMARY

- **Women and minority** insurance pros struggle to find footing in a white male dominated industry.
- **Companies like NFP** are finding ways to change that narrative.
- **As NFP’s efforts** show, it starts with internal efforts that drive external change.

align with their unique needs.

“D&I isn’t just an initiative. It’s critical to changing the landscape of the country we live in today,” Tencellent said. “A diversity of ideas and insights fuels a better understanding of what employees and clients want and need to be more successful.”

That’s why D&I has to be more than a buzzword or a “quota to fill” for the hiring department; diversity brings in new perspectives informed by experience. The captive industry in Vermont, for example, opens insurance professionals to hundreds of unique jobs. In order to fill those openings, however, takes more than a “work available” sign in the front window.

As Brittany Nevins, captive insurance economic development

director for the State of Vermont, said, “We want these jobs to be accessible to people from diverse backgrounds. Diverse perspectives are foundational to the future of the industry.”

OPENING THE CAPTIVES DOOR FOR ALL BUSINESSES

As RISC has grown under Stopford and Tencellent’s guidance, so too has its mission to provide captive services to businesses with diverse leadership.

According to the 2019 Annual Business Survey released by the U.S. Census Bureau, approximately 18.3% (1 million) of all U.S. businesses were minority-owned and about 19.9% (1.1 million) of all businesses were owned by women in 2018. That number continues to

grow today.

“RISC works with our vendors and partners to help bring a diverse perspective to clients, as well as help them along their own D&I journey,” Stopford explained. These efforts include RISC fostering a way for women- and minority-owned businesses to form captives — a vital tool in the insurance and risk management toolbox for any company.

“As a company that has recently expanded upon its services to the captive industry, I was excited to hear about the company’s innovative and intentional effort to reach companies that have not been able to easily access the captive insurance market, particularly women and minority owned businesses,” said Nevins.

“This work is foundational to their company’s approach,” she



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added, “and will make a meaningful impact not just in Vermont but on the broader industry.”

RISC has been collaborating with brokers and clients to expand awareness of insurance solutions among women and minority business owners.

“Captive solutions can help enhance competitiveness and help a business thrive regardless of size,” said Tencellent. To continue to get more women- and minority-owned businesses that opportunity, RISC has been working alongside state and local governments and insurance carriers to identify and address the legislative and regulatory hurdles in the traditional insurance market that present challenges to these business owners.

“The challenges can be significant for women and minority business executives because of the liability

they assume and their cost of insurance,” said Stopford, “both of which can impede growth.”

WHEN PARTNERS SHARE IN YOUR VALUES

The partnership between RISC and Vermont captives has enhanced efforts to bring insurance solutions to women and minority business owners.

“We have a Vermont domiciled captive cell facility that will continue to be used as part of our strategic risk management solution for women and minority business clients,” Tencellent and Stopford said.

Education on alternative risk financing strategies has assisted these efforts. “We’ve found that these business owners don’t always have the financial resources available to set up a pure captive facility,” explained Tencellent.

But Vermont’s willingness to work with RISC and provide a strong and sound regulatory framework helps drive their clients to success.

“For the last 40 years since the captive insurance industry was created in Vermont, we have always embraced change and have intentionally been innovative to improve the industry,” said Nevins. “Celebrating and actively including diverse perspectives in the captive industry is a continuation of Vermont’s Gold Standard.”

“D&I has no finish line,” added Stopford. “Perhaps the most important part of our story is that no matter how much progress [we make], we still have room to learn and grow.” &

AUTUMN DEMBERGER is the content strategist with *Risk & Insurance*. She can be reached at heisler@theinstitutes.org.

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A Green Mountain of Captive Innovation



Vermont has long been the home for captives in the U.S. Its private infrastructure is key to its 40-year-long success.

The captive insurance sector within Vermont has experienced tremendous growth thanks in part to its collaborative regulation, extensive infrastructure and overarching commitment to working together. **By Gregory DL Morris**

Forty years ago, Vermont enacted the Special Insurer Act of 1981. It was among the first states, and arguably the most successful, given the growth and size of the captive sector in the Green Mountain State today, to authorize captive insurance companies. Notably the state has also grown a considerable infrastructure of financial services, captive managers, attorneys, investment managers, actuaries and accountants with experience and expertise working with captive insurance.

The 1981 law stated that captive parents do not have to prove that insurance is not available in traditional markets, as is the case in other domestic domiciles. It also stated that rate and form regulatory

approval were also not required. Later that year, the state licensed its first captive, First Charter Insurance Co., formed by tire manufacturer B.F. Goodrich, to reinsure property risks. First Charter is still active today.

ONGOING, CONSISTENT GROWTH

Like a good tire, the captive concept gained traction quickly. By the end of 1982, Vermont had seen the first company transfer risk from an existing captive to its new Vermont captive, also its first industrial insured captive, as well as its first association, National Telecom Corp., which remains active in Vermont today.

The nascent segment finished 1982 with \$5 million in total assets. By the end of 1983, assets had grown by an order of magnitude to \$50

million, helped considerably by Alcoa Inc., the first Fortune 100 company to establish a Vermont captive.

By the end of 2020 Vermont had licensed a total of 1,197 captives, including 38 new ones that year. Of that cumulative total half, 589, still had current licenses, 564 active and 25 dormant. The sector had \$212 billion assets under management, and \$25.4 billion gross written premium.

“Our firm was in Vermont when the enabling legislation was enacted 40 years ago,” said Jesse D. Crary, a shareholder with law firm Primmer Piper Eggleston & Cramer.

“One of our founders, John Primmer, was the attorney who helped form the first captive in the state,” Crary continued. “From there the team grew, and now we work with captives that have domiciles all over the U.S. and also some offshore. As a practice, we are a regional firm, but for captives, we are national. I am not aware of any other firm that has as much expertise in captives.”

The success that the state has had in captives is certainly due in part to the longevity and just as much to the nurturing. “We were in very early; I think the second state to authorize captive insurance. But just being

SUMMARY

- **Vermont’s captive insurance** marketplace is increasingly robust.
- **The state’s small** size has allowed captives to grow, thanks in part to extensive networking and access to regulators.
- **Diligent and experienced** regulators add to Vermont’s collaborative environment.

among the first is not enough. It has taken long-term commitment. There are other states that were also in early, and they are not large domiciles.”

“The accessibility to regulators and close relationships among industry partners make Vermont’s infrastructure special,” said Heidi Rabtoy, assistant chief examiner at the Vermont Department of Financial Regulation in Burlington. That accessibility “allows captives’ opportunities to be realized and challenges to be discussed and resolved in a timely manner. Also, given our relatively small size, relationships are formed through daily interactions and further solidified through education and networking.”

As an assistant chief examiner, Rabtoy works with other members of the regulatory oversight team on examinations and analysis to ensure solvency of Vermont captives and adherence to department regulations

and industry best practices. “Through the exam process we oversee a variety of captives with unique business purposes and learn the details of their operations,” she said. “We build relationships with management and service providers, and perform procedures to identify and address areas of concern or best practice recommendations.

“Our regulatory model has been designed to detect concerns early and collaborate with department leadership and the company to ensure proper remediation takes place. Early detection and collaboration are part of our success as regulators in Vermont.”

Crary echoed that sentiment: “Vermont is a small state. Everyone knows everyone else, and reputation is everything. There is nowhere to hide. No attorney would compromise the whole sector to

benefit one client. In that way the sector is self-policing.”

PARTNERS IN PROGRESS

Every January there is a captive legislative day in Montpelier, organized by the VCIA. “The purpose is housekeeping bills. Some are major initiatives, but most years it’s just tweaking. The important thing is that the bills are driven by the needs of the sector. That is what shocks people when they come here for the first time. People from other states are flabbergasted that there can be a partnership among legislators, regulators, the regulated companies and their service sectors,” Crary said.

Crary is quick to add that does not mean legislators and regulators are just facilitators. Quite to the contrary: They are diligent about their responsibilities of oversight and



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control. “The objective is balance. And continuity. We’ve had just three commissioners of insurance in 40 years. The regulatory team has experience. They don’t have to spin their wheels on things or chase shadows.”

There have been similar tweaks to the investment requirements, noted Richard J. Litchfield, senior vice president, partner, and fixed-income portfolio manager for Maple Capital. “Mandates were made less prescriptive and went back to more of the ‘prudent person’ rule: ‘Tell us how you plan to invest the assets and we will tell you if there is a problem.’ It is a refreshingly open-minded approach. Forty years ago, investments were mostly limited to government bonds and investment-grade corporate debt. Other states are still very limited.”

“The same concept informs

other aspects of captive structure in Vermont. There is a healthy degree of regulatory flexibility,” said Crary, “which gives innovation room. Captives can create sound, prudent approaches that might not be attractive to the commercial market. There are numerous examples of captives feeding innovation to support business growth.”

It is not uncommon at all levels of government for leaders in business and finance to move into administrative or regulatory positions. There is also flow in the other direction. For example, Ian D. Davis, now captive insurance relationship manager at People’s United Bank, joined the institution after serving as director of financial services for the state Department of Economic Development.

Given the size of the captive sector in Vermont, the bank could be

said to specialize in financial services to those entities. “Over the years, the bank has evolved and grown along with the domicile to support the diverse needs of captive owners,” Davis said. For the bank, that growth has extended to other states and countries.

Several sources noted that Vermont has a high captives retention rate. Davis credits the history, the regulatory environment, and the infrastructure for that aggregation.

“Transparency, accessibility and collaboration have been hallmarks of Vermont’s regulatory approach since 1981. We can have open conversations with clients and state regulators to arrive at a consensus solution.” &

GREGORY DL MORRIS can be reached at riskletters@theinstitutes.org.

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NEW CAPTIVES IN 2020

Company Name	Date Licensed	Type	Manager
ALTERNATIVE RISK TRANSFER INSURANCE COMPANY, INC.	1/2/20	Sponsored	Risk Services
MAIDEN REINSURANCE LTD.	1/2/20	ARC	Risk Services
ATTENUATOR INSURANCE COMPANY, INC.	1/2/20	Pure	Aon
LIGHTHOUSE BAY INSURANCE COMPANY	1/2/20	Pure	Strategic Risk Solutions
FEDERATED UNDERWRITING COMPANY	2/6/20	Pure	Marsh
3HBXP LLC	3/1/20	Pure	Marsh
SENECA REINSURANCE COMPANY, LLC	3/30/20	Sponsored	Amethyst
SIL CAP, LLC	4/8/20	Pure	Beecher Carlson
CERTUS INSURANCE INC.	5/19/20	Pure	Aon
COVESTRO INTERNATIONAL RE, INC.	6/5/20	Pure	Marsh
USC CAPTIVE INSURANCE COMPANY	6/11/20	Sponsored	Aon
LL INSURANCE VT INC.	6/12/20	Pure	Marsh
MERCY HOUSING SERVICES, INC.	6/29/20	Pure	Risk Partners
TWT INSURANCE COMPANY	6/22/20	Pure	Marsh
TRANSAMERICA PACIFIC RE, INC.	6/25/20	Sponsored	Willis
GRYPHON MUTUAL INSURANCE COMPANY	6/29/20	Pure	Aon
FIRST TOWER PARTNERS LLC	7/1/20	Pure	Willis
BAR ASSURANCE AND REINSURANCE LIMITED	7/14/20	Industrial Insured	Aon
FEIL CAPTIVE CORPORATION	7/15/20	Pure	Aon
PEGASUS INSURANCE LLC	7/23/20	Agency	Amethyst
WESTCONGRESS REINSURANCE COMPANY LTD.	7/27/20	Pure	Downs Rachlin Martin
CARPENTER INSURANCE LLC	7/29/20	Pure	Aon
VOYAGER GLOBAL MOBILITY INSURANCE COMPANY, LLC	7/30/20	Pure	NFP P & C
CLINICIAN ASSURANCE INC., A RISK RETENTION GROUP	8/26/20	RRG	Strategic Risk Solutions
ARJ INSURANCE, CORP.	8/28/20	Pure	Strategic Risk Solutions
1880 REINSURANCE COMPANY	9/24/20	SPFI	Marsh
CIRCA SPONSORED CAPTIVE INSURANCE COMPANY	9/29/20	Sponsored	Strategic Risk Solutions
GREIF INSURANCE CO., LLC	10/14/20	Pure	Aon
CRISP, LLC	10/14/20	Pure	AIG
BERKSHIRE GENERAL INSURANCE LIMITED	10/27/20	Pure	Advantage Ins
SD INSURANCE LLC	10/29/20	Pure	Aon
MMI GLOBAL INSURANCE COMPANY	11/13/20	Pure	Aon
BUCKLE COMMERCIAL INSURANCE LLC	11/17/20	Sponsored	Aon
ASAC SPONSORED CAPTIVE INSURANCE COMPANY	11/30/20	Sponsored	Apetrop USA, Inc.
ASSICURAZIONE COMPANY, LLC	11/30/20	Pure	Artex Risk Solutions
PEACE CHURCH SPONSORED CAPTIVE, LLC	12/1/20	Sponsored	Strategic Risk Solutions
C.A.C. INSURANCE CO., INC.	12/3/20	Pure	Caitlin Morgan
COOK CAPTIVE INSURANCE INC.	12/11/20	Pure	Hylant Global

LICENSED IN CURRENT YEAR (as of 12/31/20)

By Industry

Construction	7
Manufacturing	7
Insurance	6
Real Estate	5
Retail	3
Professional Service	2
Transportation	2
Banking	1
Education	1
Financing, Lending, Leasing	1
Health Care	1
Religious Institutions	1
Technology	1
Other	1
TOTAL 2020 LICENSES.....	38



NUMBER OF CAPTIVES BY

AGRICULTURE	5
BANKING	17
COMMUNICATIONS	7
CONSTRUCTION	40
EDUCATION	21
ENERGY	21
ENTERTAINMENT	6
FINANCING, LENDING, LEASING	6
HEALTH CARE	103
HOTELS	3
INSURANCE	74
MANUFACTURING	101

VERMONT CAPTIVE INSURANCE COMPANIES LICENSE SUMMARY

Parent Co.

Industry

AMYNTA GROUP, THE	Other
MAIDEN HOLDINGS NORTH AMERICA, LTD.	Insurance
KATTEN MUCHIN ROSENMAN LLP	Profess Service
ARGILLITE HOLDING COMPANY	Construction
STATE STREET CORPORATION	Banking
BOSTON PROPERTIES, INC.	Construction
MIDWEST HOLDINGS, INC.	Insurance
SIXT RENT A CAR, LLC	Retail
EPIROC AB	Manufacturing
COVESTRO AG	Manufacturing
UNIVERSITY OF SOUTHERN CALIFORNIA	Education
LENDLEASE AMERICAS HOLDINGS INC.	Construction
MERCY HOUSING SERVICES, INC.	Real Estate
INTERPUBLIC GROUP OF COMPANIES, INC.	Real Estate
TRANSAMERICA PREMIER LIFE INS CO	Insurance
BLACKSTONE GROUP INC., THE	Real Estate
WELLTOWER TRS HOLDCO LLC	Real Estate
NEW YORK CITY MEMBER LAW FIRMS	Insurance
FEIL PROPERTIES LLC	Real Estate
AFFILIATES OF WOOD GUTMANN & BOGART	Retail
WESTCONGRESS	Construction
CARPENTER CO.	Manufacturing
VOYAGER GLOBAL MOBILITY, LLC AND SUBS	Transportation
U.S. ACUTE CARE SOLUTIONS, INC.	Healthcare
TOTAL TRANSPORTATION CORP. & SUBSIDIARIES	Transportation
SECURIAN FINANCIAL GROUP, INC.	Insurance
CONSTRUCTION INS & RISK CAPTIVE OF AMERICA	Construction
GREIF, INC.	Manufacturing
COHNREZNICK LLP	Profess Service
RA INTERNATIONAL FZCO	Construction
SAPUTO ULC (NOVA SCOTIA)	Manufacturing
CFHC HOLDINGS, LLC	Manufacturing
BUCKLE CORP.	Financing
DARAG NORTH AMERICA HOLDING COMPANY	Insurance
DECICCO AND SONS, LLC	Retail
RESOURCE PARTNERS, INC.	Religious Institutions
C.A.C. INDUSTRIES INC.	Construction
COOK SHARED SERVICES INCORPORATED	Manufacturing

INDUSTRY

As of 12/31/2020

MEDIA	0
NONPROFIT OR MUNICIPALITY	14
OTHER	15
PROFESSIONAL SERVICE	29
REAL ESTATE	31
RELIGIOUS INSTITUTIONS	22
RETAIL	28
SECURITIES	9
TECHNOLOGY	6
TRANSPORTATION	28
WASTE MANAGEMENT	3
TOTAL ACTIVE CAPTIVES	589

STATUS: ACTIVE 12-31-20 12-31-19 2020

Affiliated Reinsurance Co.	2	1	1
Agency	1	0	1
Association	12	14	-2
Branch	3	3	0
Industrial Insured	21	21	0
Pure	357	351	6
RRG	87	87	0
Special Purpose Financial Insurer	38	44	-6
Sponsored	43	37	6
Licensed Cells	0	1	-1
TOTAL ACTIVE.....	564	559	5

STATUS: DORMANT 12-31-20 12-31-19 2020

Affiliated Reinsurance Co.	0	0	0
Agency	0	0	0
Association	0	0	0
Branch	2	2	0
Industrial Insured	0	0	0
Pure	20	21	-1
RRG	0	0	0
Special Purpose Financial Insurer	1	1	0
Sponsored	2	2	0
TOTAL DORMANT.....	25	26	-1
TOTAL ACTIVE and Dormant..	589	585	4

STATUS: DISSOLVED 12-31-20 12-31-19 2020

Affiliated Reinsurance Co.	0	0	0
Agency	0	0	0
Association	22	21	1
Branch	4	4	0
Industrial Insured	27	27	0
Pure	434	412	22
RRG	72	71	1
Special Purpose Financial Insurer	26	18	8
Sponsored	23	21	2
TOTAL DISSOLVED.....	608	574	34
TOTAL LICENSES ISSUED	1197	1159	

LICENSED IN CURRENT YEAR (as of 12/31/20)

By type of Captive

Affiliated Reinsurance Co.	1
Agency	1
Association	0
Branch	0
Industrial Insured	1
Pure	25
RRG	1
Special Purpose Financial Insurer	2
Sponsored	7
TOTAL 2020 LICENSES	38

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