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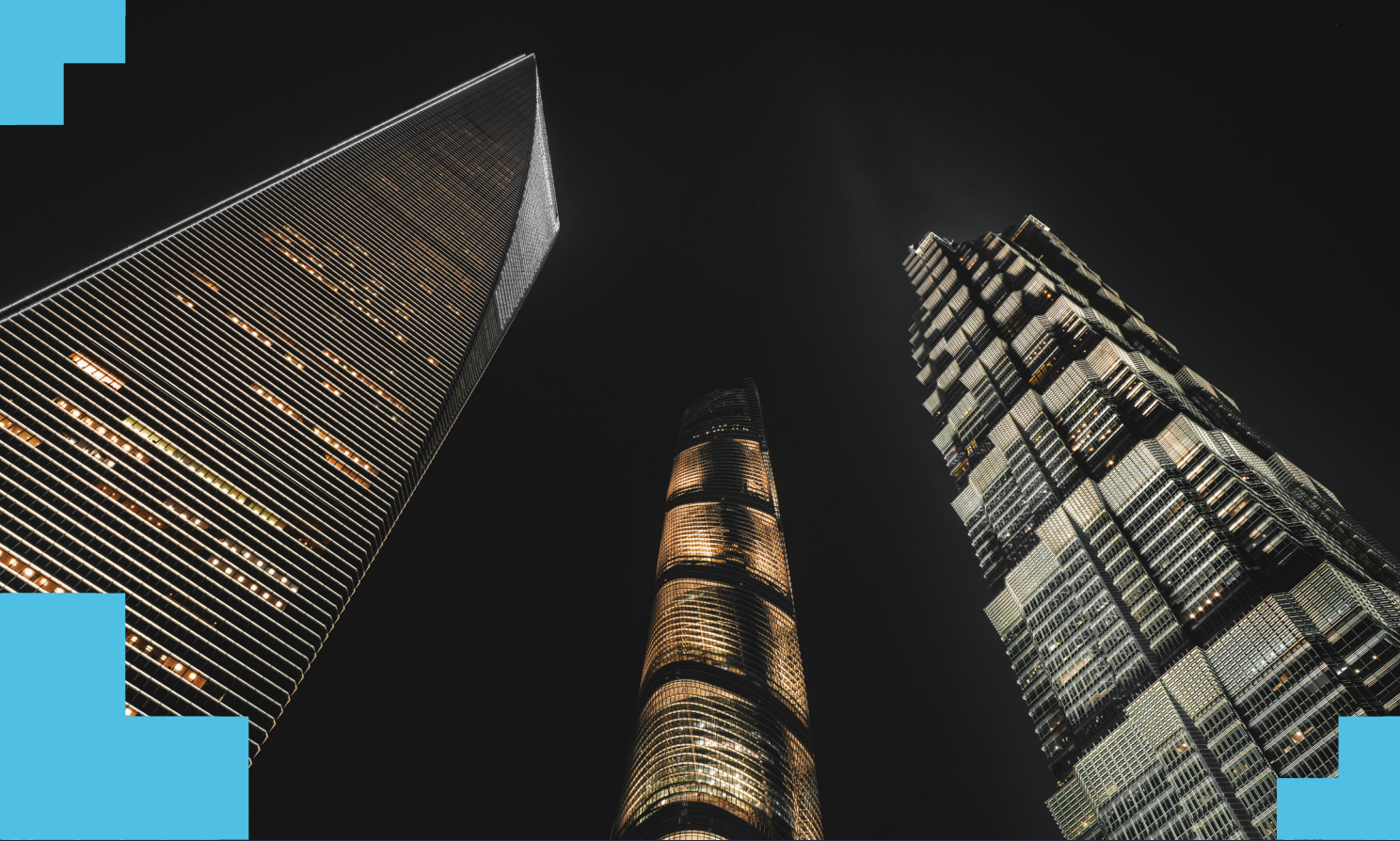


Melissa Hollingsworth,
chief deputy officer of risk
management, LAUSD

Scholastic Success

The Los Angeles Unified
School District houses its
captive in Vermont.

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Cover photo by Kyle Ellis



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LAUSD: A Success Story in Public Entity Captive Formation

The Los Angeles Unified School District domiciled its captive in Vermont last summer. Now, one year later, the team looks back at what it will take for other large public entities to follow in its successful footsteps.

By Autumn Demberger

The decision to form a captive can feel daunting — for one, it requires a new set of insurance and risk management understanding. But the payoff, the ability to better manage risk while reducing costs, can be more than worth the effort.

Public entities are a special kind of institution in that they are governed, primarily, by the public. Every dollar spent is reviewed; every decision made is subject to scrutiny. The Los Angeles Unified School District (LAUSD) team knew that when it decided to form a captive, its members had to be certain they were crossing every T and dotting every I.

“We have a big program,” said Melissa Hollingsworth, chief deputy officer of risk management at LAUSD.

She isn’t exaggerating: LAUSD is the largest school district in the state of California and the second largest school district in the country. Servicing grades K-12, LAUSD stretches across 710 square miles and educates more than 500,000 students each year.

Forming a captive meant looking at the district’s risk appetite, its financial strength to back a captive,

and what it would mean to take this large public entity into this new stage of risk management.

“We have to be good fiscal stewards of taxpayer dollars,” Hollingsworth said. “At the end of the day, it’s about the kids. Being able to strategically be stewards of those taxpayer dollars allows us to reinvest back into the kids.”

The team knew a captive could do that — save dollars and cents that would go back into the programs and education of the students in their care: “We knew operationally standing up a captive with the amount that we were paying in premiums and claims just made sense,” said Hollingsworth.

LAUSD got to work.

PUBLIC ENTITIES ARE PRIMED FOR CAPTIVES

It’s no secret today’s risks are becoming increasingly challenging. Climate change, cybersecurity, talent shortages, infrastructure, geopolitical tension, increasing litigation, compliance and regulatory changes — the public sector is not immune.

“Large public entities [like LAUSD] have large risk exposures, not unlike a commercial enterprise,”

said Jason Palmer, director, Willis Towers Watson, Global Captive Practice. “Both want to do the best with their dollars for their insurance spend.”

Taking on certain risks through a captive becomes an increasingly appealing option.

According to Jim DeVoe-Talluto, assistant director of captive insurance, Department of Financial Regulation-Captive Insurance Division, State of Vermont, more public entities, like LAUSD, are looking at captives as a risk management alternative.

“We are seeing, increasingly, jurisdictions such as school districts, municipalities and counties saying that they are large enough and have enough risk and commercial exposure — and their deductibles are high enough — that developing a captive program is not only feasible but also within scope,” he said.

They are looking at captives as a way to formalize their risk structure and have access to the reinsurance market.

“All of these factors are playing into creating a robust market for captives for these types of entities,” DeVoe-Talluto said.



LAUSD is the second largest school district in the nation, and its captive finds a home in Vermont.

For some perspective, looking at Vermont's 2025 applications to date, 12% have come from

SUMMARY

- **LAUSD launched its** captive in July 2024.
- **With property, workers' comp** and GL already housed in the captive, the district is looking to expand covers in its sophomore year.
- **Other public entities** looking to form a captive can find a path forward with LAUSD's example.

public entities, the first time in the last five years that this sector has represented more than 10% of captive applications.

"We are also receiving inquiries across a broader range of public entity types," DeVoe-Talluto shared.

"While public universities have typically been well represented historically, we are now seeing interest from municipal and county governments, K-12 districts, and regional public entities as well, such as transportation authorities and solid waste districts."

LAUSD, as mentioned, is a very large entity. It had the

infrastructure, built-in governance, and accountability to its constituents and taxpayers to launch its captive in June 2024.

Now, a year later, the captive houses the district's workers' compensation, general liability and parts of its property program, with the intention to expand.

"I'm looking to add cyber and OCIP, with eventual plans that we'll put our health and benefits in," Hollingsworth shared.

The captive has also showed promising results moving forward, having saved LAUSD hundreds of millions in premium costs in just a single year.

NURTURING A CAPTIVE

LAUSD's decision to create a captive started a decade ago, but recent events, including California's prominent wildfire season and the ever-increasing nuclear verdict landscape, drove the need home for investing in risk transfer alternatives.

"There are risks the district faces on a daily basis, and then there are these much larger challenges, especially wildfires and nuclear verdicts related to SAM [sexual abuse and molestation] coverage," Hollingsworth said.

Just this year, 14 destructive wildfires affected the Los Angeles metropolitan area, resulting in an estimated \$250 to \$275 billion economic loss. Property damage, business interruption, and human safety were the key concerns in its aftermath.

"When we were trying to see which lines would be most feasible to put into the captive, property was one that worried me, particularly when the wildfires hit," Hollingsworth said. But the way the captive had been set up, and the way

it has since been managed, provided LAUSD with the tools it needed to manage through trying events.

WTW's Palmer has been with the captive since its feasibility study all the way to its formation, now serving on its day-to-day captive management team for the program. He said what initially drove interest



"At the end of the day, it's about the kids. Being able to strategically be stewards of those taxpayer dollars allows us to reinvest back into the kids."

— **Melissa Hollingsworth**, chief deputy officer of risk management, LAUSD

was the district looking for a way to round out the insurance program. He's since seen the effort behind LAUSD's decisions around forming this captive and launching it.

"The district wanted it so that everybody was comfortable with the liabilities that needed to be established, with the funding of those liabilities, with investing the

the expense of the kids," he said.

"Putting proper governance and structure around the use of public funds is benefiting everybody."

The efforts have proved well placed. Part of it comes down to working with Vermont captive professionals, who help maintain the captive and keep it current with regulations.

"Our team of regulators is evaluating each captive in our jurisdiction," DeVoe-Talluto said. "We're looking at the actuarial projections to understand that each risk is properly valued. Each asset is obtaining an audit. There's a second set of eyes there to understand that the liabilities and the assets are segregated specifically for the risk."

For a public entity beholden to taxpayers, this is another layer of assurance. The LAUSD captive is not just a structure in place; it's a part of a regulatory system of checks and balances, ensuring it's acting properly as an insurance company while giving the LAUSD community the risk assurance needed.

THE WHO'S WHO IN CAPTIVE TEAM BUILDING

No captive can thrive without the right people cheerleading its

Weathering the Storm

In January 2025, 14 destructive wildfires affected the Los Angeles metropolitan area, resulting in an estimated \$250 to \$275 billion economic loss. The Los Angeles Unified School District also felt the heat, losing both the Palisades and Marquez elementary schools in the blaze and losing 30% of Palisades Charter High School

- A **\$9 billion bond** approved by voters in November 2024 will go toward rebuilding schools in California following the wildfires
- Of that, **\$725 million** has been allocated for LAUSD's Palisades and Marquez elementary schools
- The district's superintendent Alberto Carvalho predicts students will return to these schools as early as **2028**, according to reports from *The Guardian*
- In total, LAUSD has set aside **\$2.2 billion** to rebuild burnt campuses and fortify the properties for future resilience, the *LA Times* reported

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“What the district didn’t want ... was, all of a sudden, a series of losses wouldn’t be funded, and then they would have to search for that funding elsewhere—and at the expense of the kids.”

— Jason Palmer, director, WTW

efforts. Case in point, Palmer said the LAUSD captive has continued to grow under Hollingsworth’s steadfast dedication.

“I began my risk management career as a captive owner in the private sector and have since made the pivot to public entity captives over the last decade and a half because they’ve gained a tremendous amount of traction,” Hollingsworth shared.

“I came into the LAUSD

[captive] program a few months into it already being established. My job is to help mitigate the risks that the district faces on a daily basis,” she added.

According to Palmer, however, Hollingsworth’s entrance into the program was more than a job accepted; it’s what LAUSD needed to push its captive forward.

“It came down to having a cheerleader on the team, someone who could push its concept forward

with various stakeholders within the district,” Palmer said. “When I was first interviewed for the engagement, there was a lot of discussion about the feasibility studies, over and over again. But there was always a level of, how do we get this done?”

As a broker and captive manager, Palmer could only provide external assistance. LAUSD needed that internal push from someone who understood captives and celebrated their cost savings and risk management capabilities.

“That was Melissa,” he said.

DeVoe-Talluto concurred. As someone who oversees many captive programs, one thing remains true for all: “It’s very important to have a captive champion. Someone who has the skill and passion to present the argument in a meaningful way to key constituents.”

Having captive experts managing



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the program is also key when building out the team. Palmer came in with LAUSD during its initial feasibility study, reviewing the financial side of things as well as offering comments on how to bring the program to life.

After that, finding a licensing home for the LAUSD captive became paramount.

A CAPTIVE HAVEN IN VERMONT

Vermont is the leading U.S. domicile for captive insurance companies, with 30 new licensed captives as of June 2025, and growing. It has been a top global domicile for decades, with a strong regulatory environment and a well of knowledge and expertise within the state.

When it came time for the LAUSD to decide where to house its captive, Vermont just made sense.

"The district wanted to go to a

location that was well known in the captive industry," said Palmer. "They wanted to be in a pair of safe hands."

DeVoe-Talluto has been with the division for 20 years. He's seen the vast growth within the state, as well as quality of captives applying and licensing there. For LAUSD, DeVoe-Talluto said he saw the district had the capital to succeed as a captive. The final push was in bringing on the inhouse, year-round captive expertise from Hollingsworth.

"When something's new, and you're trying to learn the ropes, and you are heavily relying on service providers without any internal expertise, it can be a real challenge for your case," he said. "But when someone in the organization has the captive knowledge, it can get it over the finish line."

LAUSD is excited for the next phase of its captive, as well, with a

July 1 renewal quickly approaching. The goal will be utilizing the captive and leverage it as the district moves into its sophomore year.

"The evaluation of other lines of business and how the captive can be expanded to cover those lines of business to provide even more value to the program will be on deck next," Palmer said.

"Not only has the program provided its initial value, but it's also continuing to provide value going into the next renewal," Hollingsworth said. "With an organization of our size, and our responsibility to the public, we're committed to continuing this journey, all in an effort to give it back to the kids." &

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2025 marks 40 years in the existence of the Vermont Captive Insurance Association.

The VCIA at Forty

The Vermont Captive Insurance Association reflects on some of the organization's biggest accomplishments and looks to the future.

By Alex Wright

The Vermont Captive Insurance Association (VCIA) was formed on June 24, 1985.

Since then, it has played a key advocacy role in representing and driving forward the legislative and regulatory interests of Vermont's captive industry.

Forty years later and the VCIA

is going stronger than ever, with bold new plans to broaden its relationship with the federal and state governments, working closely together on key initiatives that will impact the industry, and to raise greater awareness of its work among members.

Coming four years after the Special Insurer Act of 1981 was

passed, the VCIA was established to help enable required captive legislation and ensure that its regulation remains effective.

Kevin Mead, CEO of the VCIA, said that every year its legislative committee goes out to all its members and asks them what they want in terms of changes to the current state legislation and regulations governing captives. Then it looks at the changes that the Vermont Department of Financial Regulation is considering and agrees on a draft captive bill.

"It's one of the hallmarks of how we work together," said Sandy Bigglestone, deputy commissioner of Vermont Department of

Financial Regulation's captive insurance division. "We don't necessarily need to come to the table and agree upon absolutely everything, but we can always find some common ground. We're having conversations on an ongoing basis and are constantly coming up with ideas on improvements that we can discuss and consider for the next session of the legislature that could lead to valuable policy changes.

"Also, having that strong relationship between industry and government has enabled us to go to the legislature and implement new positions in our budgets in order to have the resources and funding needed to carry out the good work we have been doing. In that respect,



"Captive owners and service providers alike recognize that being in Vermont for the annual conference is truly where the captive world comes to meet."

— **Brittany Nevins**, captive insurance economic development director, Vermont Department of Economic Development

as the world's third largest captive domicile. Two years later, it formed the International Center for Captive Insurance Education.

ADVOCACY WORK

In 2010, following the enactment of the Non-Admitted and Reinsurance Reform Act as part

industry every year.

The VCIA has been active on multiple fronts in recent years. It held its first post COVID-19 annual Hill Day at the Capitol Building in Washington, D.C. on March 18, where a delegation met with staffers to discuss captive insurance and any upcoming federal legislation and regulations that may impact the industry in Vermont, and tried to forge relationships with them.

"There are many pieces of federal legislation and regulation that impact Vermont's captive industry: for example, the Terrorism Risk Insurance Act and the Safer Banking Act," said Mead. "So, it was important that we were able to speak

with them and keep these issues top of mind."

The VCIA also does advocacy work with the National Association of Insurance Commissioners and the National Council of Insurance Legislators.

Another key initiative that the VCIA helped establish was the Vermont Captive Insurance Emerging Leaders in March 2023, which was originally chaired by Brittany Nevins, captive insurance economic development director at the Vermont Department of Economic Development. The group educates and helps bring younger generations into the state's captive industry either as interns or new hires. This year alone, the Department of Financial Regulation



"We need to create greater excitement around what we're doing to make sure that we're fostering the best possible environment for captives to thrive in."

— **Kevin Mead**, CEO, VCIA

the VCIA has been there alongside us in terms of testifying to the legislature in support of our needs."

Among its key achievements: In 2002, the VCIA was instrumental in helping to establish Vermont

of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which prevents states other than the home state of a U.S. insurance company from imposing regulations or taxes on the sale of non-admitted insurance, the VCIA successfully argued the case that it wasn't intended for captives and, therefore, it should be excluded.

In 2023, the VCIA, the Vermont Department of Financial Regulation and the Department of Economic Development led a trade mission to Mexico City to drum up interest among Latin American countries forming captives in Vermont. Today, the VCIA hosts America's largest captive insurance conference, which also provides significant revenue for the state's hospitality and tourism

SUMMARY

- **Forty years later**, the VCIA is going stronger than ever.
- **The VCIA has** aided Vermont in becoming the world's third largest captive domicile, among other achievements.
- **Captive owners domiciled** in Vermont are excited for the future and the many exciting opportunities to come.



“We don’t necessarily need to come to the table and agree upon absolutely everything, but we can always find some common ground.”

— **Sandy Bigglestone**, Deputy Commissioner,
Captive Insurance Division, Vermont Department of
Financial Regulation

attracted double the number of summer internships — 72 — as a result of the drive.

“The VCIA is an essential component to Vermont’s captive insurance industry,” said Nevins. “The quality of education provided, the networking, the advocacy and the emerging leaders initiative are all vital for the continued success of the industry in Vermont.

“Captive owners and service

providers alike recognize that being in Vermont for the annual conference is truly where the captive world comes to meet. The association’s efforts to provide input into updating Vermont’s laws every year has meant that every year Vermont is improving and the importance of that cannot be understated.”

She added: “It’s become clear as Vermont has become the top global

domicile that we need to play a more active role in building talent locally to fill future captive insurance jobs and that we all need to work together to achieve this goal. Already we are seeing tremendous success with students applying for internships, attending the conference and starting a new job in the industry in greater numbers. This is just the beginning of the benefits we’ll see from this initiative for years to come.”

One of Vermont’s key benefits is that because it’s a small state, the legislature is always keen to hear from captive owners about their businesses.

One such owner is Gail Newman, vice president of risk management at Bright Horizons, who is also a VCIA board chair and member. She testified about her captive, which domiciled in Vermont eight years ago, in front of both the senate finance committee and the house of

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commerce committee.

Newman said her company was initially attracted to Vermont because it shared the same values and way of working. The same goes for the fellow VCIA members, she said, many of whom have similar risks and insurance needs.

“There’s a great camaraderie between members, regardless if they have been there for 40 years or have just started their captive,” said Newman. “It’s also a great

resource, not just from a legislative and regulatory standpoint, but also from just being able to reach out and speak to other members within the network who can help and support you.

“As a risk manager, it gives me peace of mind that we are doing the right thing and have a team of people and infrastructure to support me. And there are a host of other captive owners here for who that is the same.”

Moving forward, Mead said that the message from members is clear: They want the VCIA to be more vocal about all the hard work it’s doing for Vermont’s captive industry behind the scenes to maintain their success, which often goes unnoticed. By raising its profile in that way, he said that it will only stand to benefit both the members and the VCIA.

“For us to do that, we need to create greater excitement around what we’re doing to make sure that we’re fostering the best possible environment for captives to thrive in,” said Mead. “So you’re going to be seeing a lot more from us in the coming weeks and months in that respect.” &

ALEX WRIGHT is a UK-based business journalist, who previously was deputy business editor at The Royal Gazette in Bermuda. He can be reached at riskletters@theinstitutes.org.



“There’s a great camaraderie between members, regardless if they have been there for 40 years or have just started their captive.”

— **Gail Newman**, vice president of risk management, Bright Horizons, and VCIA board chair

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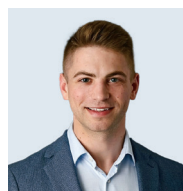
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EXPERIENCE. THE DIFFERENCE.

Vermont's New Wave of Talent

As the hub of captive insurance in the U.S., Vermont abounds with career opportunities.

By Elisa Ludwig

Captive insurance is **surging** — experts project that the market will top \$250 billion by 2028 — and the boom is generating cost savings, spurring innovation and creating jobs. Nowhere is this more true than in Vermont, largely regarded as the nation's hub of captive insurance — and now the frontier of a strong job market.

Vermont has been licensing and regulating captive insurance companies since 1981. While not the first state in the U.S. to domicile captives, it became an early leader. In 2024 alone, Vermont welcomed 41 new companies, making 683 total licensed captives in the state.

“Vermont recognized the importance of this industry on our economy and its potential to generate jobs and tax revenue,” said Brittany Nevins, captive insurance economic development director for the state's Department of Economic Development. “The result is that we have devoted a great deal of resources into building an infrastructure in Vermont to support the industry, with captive managers, investment bankers, attorneys and other professionals all located here.”

The department employs 32 regulators exclusively devoted to captive insurance — the largest of



A leader in captive insurance, Vermont is an attractive place for risk and insurance professionals to jumpstart or upgrade their careers.

any regulatory department in the world. With the Vermont Captive Insurance Association (VCIA) headquartered in the state and actively working to modernize state and federal statutes to reflect the needs of the evolving industry, Vermont has developed a reputation as a regulatory pioneer, willing to proactively pivot as needed to drive the industry forward.

HELP WANTED

In recent years, the steady growth of captive insurers has created a demand for a larger workforce. In 2022, the state's Department of Economic Development partnered with VCIA to launch the Vermont Captive Insurance Emerging Leaders (VCIEL), an initiative to help educate young professionals about the field and its potential career paths

in the nation's top domicile.

At the Department of Financial Regulation, recruitment is ongoing for new hires — particularly those with accounting, management, legal or actuarial expertise.

Many recently-hired regulators

SUMMARY

- **With plenty of** opportunities, Vermont is a great place for young insurance professionals to get started.
- **Like all insurance** jobs, however, high school and college students will require better understanding about a career in captives.
- **Every day in** captives is challenging and new, according to seasoned professionals.

come from the industry side, Nevins said, whether that's captive insurance specifically or the insurance field in general, bringing their expertise from the private sector to government work.

"There is a need for personnel in the front office who run licensing and respond to inquiries and requests from insurers, and then we have a dedicated part of the team in the field examination office for the ongoing examination and analysis that's required under the National Insurance Association," said Dylan Moss, insurance examiner-in-charge of the Department of Financial Regulation, Vermont.

THE NEXT GENERATION IN CAPTIVE INSURANCE

Native Vermonter Richard Wells



"To keep building our talent pipeline, it will be important to expand public awareness about the opportunity."

— **Dylan Moss**, insurance examiner-in-charge, Department of Financial Regulation, Vermont

was first educated about the captive industry while studying accounting at Champlain College. A captive manager came to speak to his class, and the talk resonated with him: He saw a career field that could open a world of opportunity, all from within the state limits.

"Upon graduation, I knew I wanted to stay local, but I also wanted the chance to build a dynamic

career," he said. "Straight out of college, I joined a captive manager and worked there for 16 years."

Wells was hired by the Department of Financial Regulation about two years ago. He has enjoyed the more predictable rhythms of the public sector job and more time at home with his family.

At the same time, the job is challenging, requiring critical



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thinking on a daily basis as well as regular professional training to keep him up to speed on industry trends.

In the time he has been with the department, he has been steadily promoted from examiner to examiner-in-charge to assistant chief examiner.

For her part, financial examiner Catherine Reimer came to the department about 18 months ago from a 25-year career in corporate America.

"After I finished my degree in actuarial science, I worked in risk management, and then for the last many years, I served in the investment management division of an insurance company," she said.

"When my child graduated from high school, I took some time off to consider my next steps, and I ended up moving from Atlanta, Georgia to Vermont."

While in Vermont, Reimer

learned more about the captive side of the industry. When the examiner job opportunity presented itself, she was intrigued — especially about the chance to push herself and learn new things on a regular basis at this stage in her career.

"In a way I am going back to the early part of my career while I use my risk management background," Reimer said.

"At the same time, I am looking at companies and figuring out how to add value as a regulator. The fact that the work is different every day is very enticing to me. There's a very positive relationship between the companies and regulators, and that makes the work environment productive."

There's an added benefit, Reimer added, to being situated in the nerve center of the industry and going to the VCA conference each year and expanding her network of

professionals in the field.

MAKING AN INDUSTRY-WIDE IMPACT

At the Department of Financial Regulation, examiners are not just holding companies accountable to regulation but also collaboratively working with them to build a sustainable industry that serves all stakeholders — there's a real sense of contributing to a growing field and leaving a positive mark.

"What we do is unique in that it's less focused on financial results year to year and more focused on a holistic picture of emerging or prospective risks for the entire company as related to operational or strategic oversight," Moss said.

The risk-based approach, he said, allows the team to be more focused and streamlined, identifying risks unique and specific to each company, and tailoring regulation accordingly. The goal is to make the process more efficient for everyone.



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“The industry is naturally growing, new captives are consistently forming, and we’re solving problems in ways that benefit people every day.”

— **Brittany Nevins**, captive insurance economic development director, Department of Economic Development, Vermont

PRIMING THE PIPELINE

Yet even as opportunities steadily grow in Vermont, it remains challenging to fill all of the available job openings.

One major reason is a general lack of awareness about the insurance industry and the captive slice of that in particular.

“I don’t think anyone necessarily plans to work in insurance as a college student,”

Moss said.

He recommended that high school or college students pursue internships to learn more about the field firsthand: “Not only are there many fairly well-paying jobs with good companies here but these are jobs where you can stay in a small town in Vermont, while having access to high-level corporate leaders around the world.”

Like his colleagues, Wells has

a vested interest in keeping the industry booming in his home state and continuing the cycle for future generations.

“We will do everything we can to remain the gold standard,” Wells said.

And truly, with year-over-year growth for the past five years, the growth of captive formation in Vermont shows no sign of slowing down.

“The industry is naturally growing, new captives are consistently forming, and we’re solving problems in ways that benefit people every day,” Nevins said.

“It’s very simple. If we want to continue on this path the workforce needs to keep pace.” &

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A Home for Captives for International Companies

Four international companies launched captives in Vermont in 2024.

By Michael Bradford

When IHG Hotels & Resorts considers insurance coverage for its hotel-related risks across the world, it looks first to its Vermont-based captive.

Once a risk is in the captive, there's little chance that it will ever be funded anywhere else. The firm always considers how an exposure might be covered in its Vermont insurer rather than in traditional markets. "We have very much a captive-first philosophy," said Marc Bentley, IHG's UK-based head of global risk finance.

"We do assess the market," he continued, but it would be unusual for a predictable risk to be funded outside the captive. "There's not a lot of benefit in dipping in and out of the market when you've got an expected level of loss," he said. For more volatile exposures, "we would consider the market for potential solutions. But I can't think of any time we've gone back into the market once we have a captive solution."

That's an approach that works well for IHG, according to Mat Robinson, senior managing director,



Vermont has been the home for IHG Hotels & Resorts' single-parent captive since 2007.

captive operations leader at Brown & Brown RS Insurance Services in Colchester, Vermont, which has managed the single-parent captive since 2007. "Their willingness to consider how to make the captive work best for them is one of the things that makes them a great partner and provides the biggest benefit for IHG as a whole," he said.

TAKING ROOT IN VERMONT

IHG's Vermont captive was formed in 1990, as Holiday Inn Worldwide Insurance Co., to write coverage for Holiday Inn Corp.'s chain of hotels. The hotel chain was owned by IHG's parent company, Bass PLC, which was renamed Six Continents PLC in 2000. Three years later Six Continents spun off its hotel operations into

InterContinental Hotels Group, which assumed control of the captive that is now called the SCH Insurance Co.

As the captive has evolved, its owners never considered moving it from Vermont. When it was formed

SUMMARY

- **Five new captives** were formed in Vermont by international companies based on 2024 data.
- **International companies appreciate** that Vermont captives have no restrictions for insuring risks abroad.
- **On the whole**, more than 80 Vermont captives are owned by companies outside the U.S.

35 years ago, a key consideration was the ability to write U.S. workers' comp exposures, Bentley said. In Vermont, there were no restrictions on writing non-U.S. business. That still holds true, and with those advantages as well as a competent and responsive regulatory structure, it makes sense to remain in the domicile, he explained.

Until 2016, IHG was operating two captives besides SCH — one in Bermuda and another in Gibraltar. It was determined that the Bermuda captive, which was in runoff, and the Gibraltar captive that was writing non-U.S. risks, were not necessary. A feasibility study showed no good reason to operate three captives and the decision was made to handle all of the business in the Vermont insurer, Bentley explained.

"We never looked at any other state as an alternative," Bentley said. "It was more a question of which option was best for us — whether it was domestic or international." With a significant amount of IHG's business in the U.S. and no restrictions on insuring risks abroad, the existing Vermont captive was the clear choice, he said.

SCH is one of more than 80 Vermont captives that are owned by parent companies based outside the U.S., according to Amber Walsh, captive insurance examiner with the Vermont Department of Financial Regulation. "And that is spread across 23 countries," she said.

IHG has done a good job using the captive to take on risks the company is comfortable putting there. "And we do see other captives with international roots structured and operating in a similar way," Walsh said.

SERVING THE BRANDS

SCH has grown from its early days in Vermont to an insurer that now writes around \$55 million in

premiums on 19 lines of business, on both a reinsurance and direct basis.

Only around a dozen of more than 6,600 properties under the IHG umbrella are owned/leased by the company. Around 1,200 of the properties are owned by third parties and managed by IHG, and the remainder are franchise hotels.

"We're obviously a hotel company," Bentley said, "but we're actually more of a brand and technology company, to be honest." A big part of the business, for example, is to provide hotel reservation and marketing systems to the brands, he added.

The captive's business is made up of "everything you would expect us to be writing," he said, providing coverage for property/casualty, workers' comp and other traditional exposures. SCH covers directors and officers liability and cyber risks, which can be difficult to obtain in the traditional market.

"We never looked at any other state as an alternative. It was more a question of which option was best for us — whether it was domestic or international."

— **Marc Bentley**, head of global risk finance, IHG Hotels & Resorts

"We also write what you would consider non-traditional things that are very specific to IHG's business model," Bentley said. "For example, we have coverage for risks related to default of loans provided to third-party hotel owners. Those are things that are specific to us but still insurable."

As a large portion of the captive's business is written for hotels that are managed by IHG, a fronting arrangement is necessary for much of the coverage, Bentley said. In other cases, for risks specific to

IHG, insurance is provided on a direct basis by SCH.

SPREADING THE RISK

Bentley noted the captive's diversified portfolio as a key strength that has proved its worth time and again. If an individual line of business suffers significant losses, he explained, the captive can soften the impact because it spreads its risk across multiple lines and has stop-loss protection in place.

"We write business in the captive on a long-term strategy," Bentley said. "We have nearly 20 lines of insurance that we write over a long period of time. That's all part and parcel of having a diversified portfolio ... We have the diversification of time as well as diversification of risk."

SCH's portfolio includes the not-so-simple business of funding benefits for around 35,000 IHG colleagues outside the U.S.

"Hugely complicated," is how

Bentley describes structuring benefit programs for employees in more than a hundred territories. But cost savings and control of programs that provide employees with meaningful benefits make it worth the work, he said.

"It's not a simple process," Robinson agreed. "It's not a one-size-fits all approach by any stretch," he said, but a structuring of benefit plans on a country-by-country basis.

While the captive is able to fund international employee benefit offerings, IHG is seeking an

exemption from the Department of Labor that will allow SCH to do the same for its U.S. employees. The captive does provide medical stop-loss insurance in the U.S.

Self-funding on a groupwide basis creates significant savings, even with administrative costs, Bentley said. "And it actually provides a greater level of benefits to our employees," he added.

It creates flexibility that allows IHG to design programs that

protect IHG's income.

"There obviously is a risk to IHG if an event did occur" at a hotel that the company manages for a third-party owner, Bentley said. "So, we're looking at parametric triggers" that could be used to trip coverage that would protect against loss of revenue from a catastrophe, he noted.

Revenue-per-available-room might be such a trigger, Bentley said. If that amount fell to a certain

"It feels like there's no end in sight," Walsh said. "We are incredibly busy with our licensing activity ... If things stay at this pace, we would be on track to have one of our highest years. We can't predict the future, of course, but I just don't see an end with these applications. We're constantly having new-business meetings."

Five captives writing real estate risks were formed last year and another three were on the books as of mid-May of this year. Construction and health care sectors are also driving demand for captive formations in Vermont. Companies in energy, finance, manufacturing, professional services, retail and transportation sectors are among those creating captives.

Many of the new formations are by middle-market companies, which appear to have become more captive-savvy in recent years, according to Walsh. She recalled that many of the conversations with such companies at an industry conference earlier this year were less educational than in the past and focused more on how to utilize the insurers.

Five new captives were formed in Vermont by international companies based in France, the UK and Mexico last year.

REGULATORY APPROACH STANDS OUT

Walsh said Vermont regulators' long experience in overseeing captive formations and operations makes a difference for owners that need to establish a captive. "We've been in the game for a long time and because of that experience we've had the ability to build up a strong team with deep knowledge, along with the flexibility to adapt and learn new things," she said. "For international companies, that can make a big difference when you're trying to navigate regulations and set up something that's a little bit out of the box."



The SCH Insurance Company is one of more than 80 Vermont captives owned by parent companies based outside of the U.S.

closely fit employees' needs while providing cost savings to IHG, Robinson pointed out, which are significant reasons for taking on the task of self-funding benefits.

EXPLORING NEW COVERAGE

While IHG doesn't protect hotel properties owned by third parties as company assets, it is concerned about a loss of revenue that could be incurred if disaster struck. That's especially true of properties located in windstorm- and earthquake-prone areas.

Coverage from the traditional market for loss of revenue caused by catastrophic events is either unavailable or very expensive, he said. And that could mean an opportunity for SCH to structure protection on a parametric basis to

level, coverage could make up the shortfall.

"It's a risk that IHG and all companies that have royalty and management fee streams as revenue face, but there's a way that we can write that into the captive and we are considering our options," Bentley said.

NO END IN SIGHT

Vermont's captive numbers grew by 41 in 2024, marking it among the 10 best growth years since the state enacted legislation 44 years ago allowing the creation of captives regulated by the state. That compares with 38 formed in 2023. Another 27 were created through mid-May of this year, signaling what appears to be another banner year for formations.

One of Vermont's biggest draws, Walsh said, is its responsive and reasonable regulatory approach. "We're not here to throw up roadblocks. We want to work with companies to figure out what makes sense for them while still maintaining a solid framework of regulatory oversight. This can be helpful for companies with international parents who may not be as familiar with the U.S. regulatory environment," he said.

He also pointed to the domicile's well-established support system of captive managers, legal experts and other service providers who understand the needs of international companies as among Vermont's strengths.

Robinson agreed that Vermont's regulatory approach to forming and managing captives is "top notch. They are the gold standard ... They

work with the captive managers and various service providers to help design a program that fits within the captive legislation and provides the biggest benefit to our clients."

The domicile's practice of using in-house examiners rather than outsourcing that work sets Vermont apart from other locations. "They have a large number of examiners; keeping them in-house and being able to properly train them allows them to better control examination costs, which can add up quickly," Robinson said

Walsh said keeping examinations in-house costs about half the amount that contract examiners charge. The department performs around a hundred examinations per year, and the process has been honed to make it as "efficient and painless as possible" while focusing on areas that need attention, she

pointed out.

"I find them fantastic," Bentley said of Vermont regulators. "They take a lot of time understanding our business model and it's not an easy, straightforward business ... We're about as complicated as you can get and they have been hugely engaged."

The often-repeated saying, "If you've seen one captive, you've only seen one captive," is accurate, Bentley said, and Vermont regulators recognize that truism. "They don't try and apply the same principles across the board. We've had nothing but positive experiences with them and long may that continue. We're firmly of the position that we're in the right place." &

MICHAEL BRADFORD is a freelancer based in Georgia. He can be reached at riskletters@theinstitutes.org.



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NEW VERMONT CAPTIVES IN 2024

Captive Name	License Date	Captive Manager
LCT INSURANCE COMPANY	1/1/24	Marsh Management Services Inc.
NEW INITIATIVES, INC.	1/1/24	Artex Risk Solutions, Inc.
SUNSET HILLS ASSURANCE, LLC	1/1/24	NFP Management (Vermont) Corp.
KRAFT GREEN MOUNTAIN LLC	1/1/24	AIG Insurance Mgmt Services, Inc.
AKAM INSURANCE LLC	1/1/24	Marsh Management Services Inc.
22 RISK GROUP, INC.	1/1/24	Risk Management Advisors LLC
ALTERNATIVE RISK MANAGEMENT SERVICES, LLC	1/1/24	Aon Insurance Managers (USA) Inc.
ALEE INSURANCE COMPANY, LLC	1/1/24	Advantage Insurance Mgmt (USA) LLC
ICONIC ART INSURANCE, LLC	1/1/24	Artex Risk Solutions, Inc.
UNITY RISK SOLUTIONS, LLC	2/2/24	Aon Insurance Managers (USA) Inc.
GP INSURANCE COMPANY, INC.	2/2/24	Aon Insurance Managers (USA) Inc.
ABBVIE INDEMNITY COMPANY LLC	2/26/24	Marsh Management Services Inc.
HAT TRICK ASSURANCE, INC.	3/7/24	Marsh Management Services Inc.
IRE CORE INSURANCE SERVICES LLC	3/7/24	Aon Insurance Managers (USA) Inc.
RESOLVE INSURANCE, INC.	3/26/24	Aon Insurance Managers (USA) Inc.
SCOUT RISK GROUP	4/9/24	Aon Insurance Managers (USA) Inc.
MELIORA RISK SOLUTIONS, LLC	4/12/24	Aon Insurance Managers (USA) Inc.
BATTEN KILL CAPITAL HOLDINGS LLC	4/15/24	Brown & Brown RS Insurance Serv, LLC
ARC SIM INSURANCE, LLC	4/19/24	KeyState Captive Management, LLC
ARTEX AXCELL PCC (VERMONT), INC.	4/19/24	Artex Risk Solutions, Inc.
ENERGY REINSURANCE CORP.	4/30/24	Strategic Risk Solutions (Vermont), Ltd.
STEEL PARTNERS INSURANCE INC.	5/3/24	Marsh Management Services Inc.
RISK UNDERWRITERS GROUP, LLC, A RISK RETENTION GROUP	5/3/24	Strategic Risk Solutions (Vermont), Ltd.
RAM RE, LLC	5/13/24	Artex Risk Solutions, Inc.
FORVIS LIABILITY INSURANCE PROTECTION, LLC	5/16/24	AIG Insurance Mgmt Services, Inc.
COLLEGIATE CORE INSURANCE, LLC	5/24/24	NFP Management (Vermont) Corp.
BROOK INSURANCE COMPANY, LLC	6/1/24	KeyState Captive Management, LLC
GBG RISK, LLC	6/25/24	AIG Insurance Mgm Services, Inc.
LOS ANGELES UNIFIED SCHOOL DISTRICT INSURANCE COMPANY, LLC	6/27/24	Willis Towers Watson Mgmt (Vt), Ltd.
RAYGOLD INSURANCE LLC	7/18/24	Aon Insurance Managers (USA) Inc.
BELLA GROUP, LLC	7/18/24	Hylant Global Captive Solutions
LRE CAPTIVE, LLC	8/29/24	Aon Insurance Managers (USA) Inc.
FOXGUARD RE LLC	9/6/24	Aon Insurance Managers (USA) Inc.
GMS RISK MANAGEMENT, INC.	9/30/24	Caitlin Morgan Captive Mgmt, LLC
AMPHOREIS AGONOS, LLC	10/7/24	Brown & Brown RS Insurance Serv, LLC
E+E RISK SOLUTIONS LLC	10/29/24	KeyState Captive Management, LLC
SHIFT TO BLUE OCEAN, INC.	11/14/24	Strategic Risk Solutions (Vermont), Ltd.
GREENIERE, INC.	11/14/24	Marsh Management Services Inc.
CLAM SHELL VERMONT, INC.	12/6/24	Marsh Management Services Inc.
AEL RE VERMONT III, INC.	12/18/24	Marsh Management Services Inc.
CR SPONSORED CAPTIVE LIMITED	12/24/24	Strategic Risk Solutions (Vermont), Ltd.

NUMBER OF CAPTIVES BY INDUSTRY

As of 12/31/2024

AGRICULTURE	13
BANKING	14
COMMUNICATIONS	8
CONSTRUCTION	45
EDUCATION	26
ENERGY	26
ENTERTAINMENT	8
FINANCING, LENDING, LEASING	9
HEALTHCARE	113
HOTELS	3
INSURANCE	87
MANUFACTURING	106
MEDIA	2
NONPROFIT OR MUNICIPALITY	19
OTHER	23
PROFESSIONAL SERVICE	34
REAL ESTATE	46
RELIGIOUS INSTITUTIONS	22
RETAIL	28
SECURITIES	11
TECHNOLOGY	8
TRANSPORTATION	28
WASTE MANAGEMENT	4
TOTAL CURRENTLY LICENSED	683

LICENSED IN CURRENT YEAR (as of 12/31/24)

By Industry

AGRICULTURE	1
CONSTRUCTION	4
EDUCATION	2
ENERGY	3
ENTERTAINMENT	1
FINANCING, LENDING, LEASING	2
HEALTHCARE	4
INSURANCE	4
MANUFACTURING	1
NONPROFIT OR MUNICIPALITY	2
OTHER	5
PROFESSIONAL SERVICE	3
REAL ESTATE	5
RETAIL	1
SECURITIES	2
TECHNOLOGY	1
TOTAL 2024 LICENSES	41

VERMONT CAPTIVE INSURANCE COMPANIES LICENSE SUMMARY

STATUS: ACTIVE	12-31-24	12-31-23	2024
Affiliated Reinsurance Co.	2	2	0
Agency	4	4	0
Association	15	15	0
Branch	2	2	0
Industrial Insured	18	19	(1)
Pure	424	405	19
RRG	83	85	(2)
Special Purpose Financial Insurer	37	38	(1)
Sponsored	69	62	7
TOTAL ACTIVE.....	654	632	22

STATUS: DORMANT	12-31-24	12-31-23	2024
Affiliated Reinsurance Co.	0	0	0
Agency	0	0	0
Association	0	0	0
Branch	2	2	0
Industrial Insured	0	0	0
Pure	18	20	(2)
RRG	2	0	2
Special Purpose Financial Insurer	4	3	1
Sponsored	3	2	1
TOTAL DORMANT.....	29	27	2
TOTAL CURRENTLY LICENSED	683	659	24

STATUS: DISSOLVED	12-31-24	12-31-23	2024
Affiliated Reinsurance Co.	0	0	0
Agency	1	1	0
Association	22	22	0
Branch	4	4	0
Industrial Insured	30	29	1
Pure	483	469	14
RRG	76	75	1
Special Purpose Financial Insurer	31	30	1
Sponsored	27	27	0
TOTAL DISSOLVED.....	674	662	17
Receiverships.....	5	5	0
Total Dissolve/Receiverships	679	662	17
TOTAL LICENSES ISSUED	1362	1321	41

LICENSED IN CURRENT YEAR (as of 12/31/24)

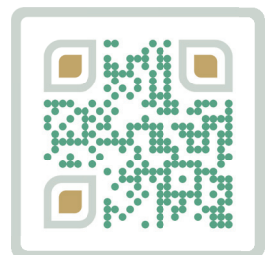
By Type of Captive

Affiliated Reinsurance Co.	0
Agency	0
Association	0
Branch	0
Industrial Insured	0
Pure	30
RRG	1
Special Purpose Financial Insurer	1
Sponsored	9
TOTAL 2024 LICENSES	41

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