

Captive insurance industry is a significant contributor to Vermont economy

Vermont is celebrating its 30th anniversary as a captive insurance centre in 2011. In this time the centre has grown to become the largest US captive domicile and the third largest captive insurance centre in the world. Much of this success can be attributed to the support that the industry receives from the State of Vermont with the Vermont legislature actively exploring and adopting necessary changes to captive insurance law to respond to the needs of the industry writes PETER J. MCDUGALL

In 2011, the State of Vermont is celebrating the 30th anniversary of the enactment of the state's captive insurance legislation. Since Vermont's captive insurance industry launched in 1981, Vermont has become the premier United States captive insurance domicile and the third largest captive domicile in the world having issued over 900 captive insurance licenses. Eighteen of the Dow 30 and forty-two Fortune 100 companies have captive insurance companies domiciled in Vermont.

Much of Vermont's success as a captive domicile is attributable to the support the industry receives from the State of Vermont and its elected officials. Unlike many other domiciles, where the captive insurance industry may be considered an afterthought, due to the small size of the state of Vermont (population of 625,741 according to the 2010 U. S. Census Bureau) the captive industry provides a

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noticeable and significant positive impact on the Vermont economy.

Aside from the premium taxes paid to the state of Vermont by captive insurance companies, it is estimated that approximately 1,400 Vermonters have jobs that can be attributed to the captive insurance industry.

These jobs are typically held by professionals in the accounting, actuarial, captive management, or legal industries with an average pay considerably greater than the average salary earned by Vermonters.

Additionally, Vermont domiciled captive insurance companies are required to hold one board of directors meeting physically in Vermont each calendar year. Many directors traveling to

Vermont to attend a meeting spend two or more days in the state, sometimes accompanied by family members; to enjoy all Vermont has to offer and contributing further to the local economy.

Vermont's 1981 'Special Insurer Act' established the framework for Vermont's captive insurance industry. The Vermont legislature actively explores and adopts necessary changes to Vermont's captive insurance law to evolve with the changing times and respond to the needs of the captive industry.

This year, the Vermont legislature made permanent a \$7,500 tax credit against premium taxes paid by newly formed captives during the first year of their existence which had been in place as a temporary measure for the past 18 months.

Additionally, in response to requests from the captive insurance industry, the law regarding sponsored (protected cell) captive insurers was broadened to allow separately incorporated (or separate Limited Liability Companies) as protected cells.

The commitment to supporting the captive industry in Vermont crosses party lines and is passed on from administration to administration. Current Vermont Governor Peter Shumlin assumed office on January 6, 2011 following his electoral victory over Republican Brian Dubie on November 2, 2010. Governor Shumlin, who is a Democrat, takes over for Republican Jim Douglas, who chose not to seek reelection after serving four consecutive terms in office.

As has been the case in Vermont for the past 30 years, and despite changing from



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a Republican administration to one lead by a Democrat, the administration's support of support of Vermont's captive industry is unwavering.

The captive insurance division of the Vermont Department of Banking, Insurance, Securities, and Health Care Administration regulates Vermont's captive insurance companies. The captive division is often referred to as the 'gold standard' of captive insurance regulation providing firm yet fair regulation with a level of experience and expertise that is unmatched.

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The captive division is lead by David Provost as Deputy Commissioner, Sandy Bigglestone as Director of Captive Insurance and Dan Petterson as the Director of Financial Examinations. Vermont licensed 33 new captive insurance companies in 2010. Of the 33 captives licensed in 2010, 19 were pure captives, 9 were special interest financial captives, 4 were risk retention groups and 1 was an industrial insured captive.

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Notwithstanding taking a moment to look back in celebration of the accomplishments of the past 30 years as a captive domicile, the Vermont captive insurance industry continues to look forward to ensure that Vermont remains a premier captive domicile and a leader in the captive insurance industry for years to come.

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