

Vermont Captive Insurance Gross Written Premium Nears \$30B

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Vermont licensed 16 new captives in 2014 and the state's captive insurance gross written premium is nearing \$30 billion, according to data released today by the Vermont Captive Insurance Division.

The new captives were made up of 10 pure captives, two sponsored, two special purpose financial insurers, one association and one Risk Retention Group. Two new captives were re-domesticated from Bermuda and Delaware.

The Vermont Captive Insurance Division said growth in 2014 was down from previous years attributed primarily to the prolonged soft market and added competition by other U.S. states. (Looking at the number of new captives licensed in Vermont over the past few years, Vermont licensed 29 new captives in 2013, 32 in 2012, 41 in 2011 and 33 in 2010.)

But despite fewer formations, gross written premium continued to grow with a projected \$29.8 billion, up from \$27.5 billion in 2013 which was already the most of any captive insurance domicile, according to the announcement.

"2014 was another good year for captives in Vermont," said Vermont Gov. Peter Shumlin. "We welcome all of the new captives to the gold standard of domiciles."

"The quality of Vermont's 2014 licensees continues to be outstanding," said Dave Provost, Vermont's deputy commissioner of captive insurance. "Vermont's primary focus is licensing quality companies regardless of market conditions. Much of the activity across other jurisdictions is driven by small 831b companies which is not a core market for Vermont," said Provost.

New captives were licensed in healthcare, insurance, financing, manufacturing, real estate, technology, religious institutions and mining.

The Vermont Captive Insurance Division said the strong diversity of licenses were highlighted with three in healthcare. "The continued formation of hospitals and doctor's groups setting up captives in Vermont has been a very positive trend that we expect to continue," said Dan Towle, Vermont's director of financial services. "Hospitals maintain a high interest in forming their captive on-shore and in Vermont."

The newly licensed captives in healthcare include Drexel University, Physicians Insurance a Mutual Company, and Emergency Physicians Medical Group PC & AF. Other notable captives in the class of 2014 include Union Carbide Corporation, AON Risk Services Companies Inc., Sazerac, Swiss Re Life & Health America Holding Co., and MasterCard International Inc.

2014's new licensees bring Vermont overall total licenses to 1,029 (including 48 of the Fortune 100 and 18 of the companies that make up the Dow 30) with 581 active captive insurance companies. An active pipeline of prospective captive insurance companies is already underway for 2015, according to the announcement.

Captive insurance is a regulated form of self insurance that has been around since the 1960's, and has been a part of the Vermont insurance industry since 1981, when Vermont passed the Special Insurer Act.

Captives are typically used for corporate lines of insurance such as property, general liability, products liability, or professional liability. Growth sectors of the captive insurance industry include professional medical malpractice coverage for doctors and hospitals and the continued trend of small and mid-sized companies forming captive insurance companies.

Source: Vermont Captive Insurance Division, State of Vermont