

Meet Vermont's MVTT

Most Valuable Tag Team

Here's a closer look at the extremely capable hands that Vermont's captives have been in since the departure of Derick White and Len Crouse.

Most VCIA conference attendees have heard all about Vermont's new captive head honcho, David Provost. But what about his two right hands? Last month Risk & Insurance® Associate Editor Erin Gazica spoke with Peter Raymond and Sandra Bigglestone about what it's like running everything behind the scenes in the Captive Insurance > Division of the Vermont Department of Banking, Insurance, Securities and Health Care Administration.

Peter Raymond: I've been in captive insurance about 20 years and I've been with the department 17 and a half in a number of different capacities. I started years ago as a principal examiner. We don't even call them that anymore, so I'm showing my age. I rose to chief examiner, director of financial examinations, and now director of captives.

Sandra Bigglestone: I've been here 11 years and I started out as an examiner and sort of followed in Pete's footsteps after a while. From examiner I went to examiner in charge and I ran some examinations out in the field. I moved from that a couple years after into assistant chief examiner and worked under Pete, and became chief examiner when Pete went up to director of financial exams. Of course, with all the changeover in the upper level management, I had the opportunity to move into Pete's role as director of financial exams most recently.

Raymond: Derick (White) officially left at the end of January and it all happened around then. Every time I moved, Sandy moved.

Bigglestone: I keep trying to catch up to Pete.

Raymond: She follows me everywhere.

Bigglestone: I aspire to be as qualified as he is.

Gazica: Describe all the work that the examinations staff does behind the scenes of the captive insurance division.

Bigglestone: They're charged with examining all of our captives that are active and currently licensed. Our statute says that captives licensed here will be examined every three to five years. We take that very seriously. Our exam teams consist usually of an examiner in charge who is running the job and facilitating what the examiners will need to do their work. The examiner in charge will also do a detailed review of the examiners' work and wrap it up and hand it on for a higher level review.

Out in the field there's usually two examiners on a typical examination, one doing a compliance section and that consists of looking at a company's business plan, making sure that complies with what they've told us and gotten approval for—lines of coverage, reinsurance, reinsurers.

They will write the exam report that goes to the commissioner. They will read through board of directors minutes, shareholders minutes, and the financial examiner is really performing an audit. They will have trial balance accounts and will set materiality and test various accounts, try all premiums and losses through actuarial analysis, so it's really a financial audit on that side of things.

Raymond: We get the CPAs' work papers on every job which helps facilitate the job and make it a little cheaper do. We don't use just the CPAs' work papers, we'll use confirmations that they sent out. But we're pretty much redoing a lot of the work ourselves, trying to do an independent audit.

Bigglestone: Our staff is probably at the highest it's ever been. We currently have five examiners in charge, above that we have three assistant chief examiners, and for exam staff we have one EIC under recruitment and two examiner positions under recruitment, and that leaves us with 12 examiners.

Raymond: There is 28 total in the department and the majority of that is the exam staff. And the exam staff also does financial surveillance on risk retention groups, which is what the NAIC requires us to do. It's a quarterly financial analysis, they also perform that duty.

Bigglestone: A lot of traditional departments have separate staff or they have analysts and examiners. We're sort of double duty here. We've got the credentials and qualifications that we expect in our exam staff, they're also qualified to be analysts.

Gazica: Are there any current issues or projects that you're working on right now?

Raymond: We have a lot of issues going on with the NAIC at the moment. I sit on the Risk Retention Group Task Force representing Vermont, and we're dealing with all the accreditation standards that risk retention groups need to follow. That's an ongoing project and I've been doing for about three years now.

There's also another recent NAIC issue that came up where they are starting to look at all captives, not just risk retention groups, and they're trying to decide if other types of captives meet the multistate guidelines and therefore should fall under the NAIC accreditation standards. That's a recent issue that came up and it's scaring most captive domiciles because we spend a lot of time on risk retention groups dealing with the NAIC and if we had to do that with another hundred captives or something it would just be a lot of work and we don't really feel that it's necessary.

We don't feel our other captives are operating multi-state like a risk retention group does. It's at a committee level at the moment. It became an issue because a state called the accreditation team and asked a question about other types of captives, so they are trying to respond to a question that was asked, and in doing that they've sort of created a fire.

More NAIC stuff—there's a medical malpractice closed claim reporting model law. What they want is all insurance companies that write medical malpractice to report their claims to essential data center, I think the intention is the NAIC will collect all this data. In the model they talk about captives and risk retention groups having to do this too.

So we have about 80 medical/healthcare type captives here, so if all of them have to start reporting their closed claim data to the NAIC, it's going to upset most of them because it's highly confidential data and they don't want to release this information. I guess confidentiality is probably the key part.

Gazica: During your long tenures here, how has the division and the captive landscape in Vermont changed?

Raymond: We've gotten a lot bigger. But after 27 years we feel we've seen just about everything, although, new ideas walk in the door all the time. We're still about quality programs here, we're not about numbers, not about how many captives did you license last year.

The question should be how many quality captives did you license last year. We're still all about quality and not about the volume. We're still the same—I'd say Sandy regulates the same way I regulated as director of examinations and I'd like to think I regulate the same way Derick regulated and the same way Len regulated.

Biggestone: Consistency is what we strive for. A lot of the same things, but just like Pete emphasized, quality is the key. Quality in our staff, quality in how we regulate, quality in the captives that are regulated here.

Raymond: We're not all about licensing captives, we're also about regulating captives and we want to be fair and flexible but still regulate.

Biggestone: On the examination side we are always looking to determine how we can be more efficient, but we also have a reputation to uphold. We have very qualified staff, we know what we're doing, we go in and we go out. For the most part, I think the captives being examined are very pleased with our process. I can't really say there's consistency in that regard in other domiciles.

Raymond: Some trends we're going through at the moment--medical malpractice captives continue to be a big trend for us. We have about 85 programs and they write about \$1 billion in premiums, so that continues to be a growing trend for us, a big business. Also these new special purpose financial captives, we changed our legislation to allow them last year, and we have 13 of them now, most of them doing life business. Last year they wrote \$3.8 billion in premium, so that's gotten to be a big piece of our business also. And TRIA continues to be a growing thing too.

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