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Domicile Regulators Get Final Say on Funding Risks Through Captives

By Jerry Geisel

BOCA RATON, Fla. — Captive insurance regulators say statutes set the rules on risks that can and can't be funded by captives.

“What counts is our statute. Our statute defines what you can and can't do,” said Dave Provost, Vermont's deputy commissioner of captive insurance.

Speaking Wednesday at a 2016 World Captive Forum session in Boca Raton, Florida, Mr. Provost also said departmental regulators carefully scrutinize and check out information in captive filings.

In one case, a captive manager did not provide required background information about himself. “Things were left out, we inquired and got the information we needed” from the manager, Mr. Provost said.

In other situations, state regulators say they tap technology to check out captive managers. “When I see a name I don't know, I 'Google' it. It is amazing what you can find out” online, said Steve Kinion, Delaware's captive insurance director.

Regulators also say they are careful not to get directly involved in domicile marketing efforts. “We are very careful to separate marketing efforts from regulatory efforts. We don't want a conflict,” said Shelby Weldon, director of licensing and authorizations at the Bermuda Monetary Authority.

Regulators say they work to stay abreast of financial developments of captive parents. For example, Vermont's Mr. Provost said when Enron Corp. had huge financial problems, state regulators seized the one-time energy giant's Vermont-domiciled captive.

“We ran off the business,” and things went smoothly, Mr. Provost recalled.