

For more information, please contact:

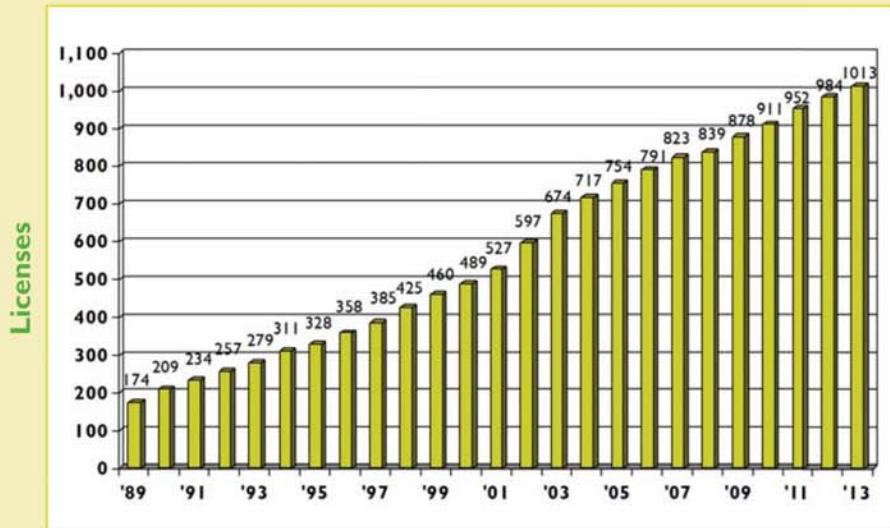
Richard Smith, President
Vermont Captive Insurance Association
Tel: 802.658.8242 smith@vcia.com

David Provost, Deputy Commissioner,
Captive Division, Vermont Department of
Financial Regulation
Tel: 802.828.3304 david.provost@state.vt.us

Sandy Bigglestone, Director, Captive Division,
Vermont Department of Financial Regulation
Tel: 802.828.3304 sandy.bigglestone@state.vt.us

Dan Towle, Director, Financial Services,
Vermont Agency of Commerce &
Community Development
Tel: 802.828.5232 dan.towle@state.vt.us

Number of Captive Licenses Issued in Vermont:



180 Battery Street, Suite 200, Burlington, Vermont 05401

www.vcia.com

Vermont is the leader in the United States Captive Insurance Industry.

42 of the Fortune 100 and 19 of the Dow 30 have captive insurance companies domiciled in Vermont. Over 40 states now have laws allowing the formation of captive insurance companies. With nearly 600 of the world's 5000+ active captives, Vermont ranks as the world's third largest domicile in number of licensed captives.

Why Vermont?

- Superior infrastructure
- Responsive legislation
- Experienced & knowledgeable regulatory team
- Consistent regulatory environment
- Cooperation among the Governor, legislators, regulators, the VCIA and industry participants
- Largest captive insurance association in the world

Here's what industry experts say about Vermont:

- Vermont's state government is well educated about the industry and accommodating of its needs
- The state's infrastructure for captive insurance is among the most sophisticated and mature networks in the world
- Service providers form a support network that is unequalled
- Vermont has low incorporation, administration and management costs
- Vermont's total package is incomparable when it comes to serving captives
- The best regulation, the most developed infrastructure, and the highest degree of flexibility and innovation are available to those wishing to locate in an onshore domicile

Why form a captive?

- Control cost
- Encourage management to reduce or eliminate losses by implementing effective loss control programs and cooperating with claims administration
- Retain investment income
- Provide evidence of insurance
- Provide access to reinsurers



Captive versus traditional insurance regulation:

Commercial insurance companies sell insurance to the general public and are licensed in all states in which they do business. By contrast, captive insurance companies insure only their owners, who have the ability to manage and retain their own risk. The degree of regulatory oversight required for captives is different than that which is required for commercial insurers. The captive is licensed in only one state, and operates under the captive insurance law of that domicile.

Glossary of captive terms:

Captive Insurance: is a highly specialized form of self insurance. To insure a variety of risks, companies or groups of companies establish their own licensed, regulated insurance companies. There are currently over 5,000 active captives worldwide. As of this printing, Vermont has licensed 1013 captives.

Vermont's captive owners represent a wide range of industries including multi-national corporations, associations, banks, municipalities, transportation and airline companies, power producers, public housing authorities, higher education institutions, telecommunications suppliers, shipping companies, insurance companies and manufacturers.

Single-owner Captive: also referred to as "pure captive", insures only the risks of the owner or the owner's subsidiary operations.

Group Captive: is owned by multiple, non-related organizations and is designed to insure the risks of these different entities.

Association Captive: is owned by members of a common industry or trade association in order to share the risks of that industry among its members.

Risk Retention Group (RRG): is an entity created under the federal Liability Risk Retention Act, and licensed in any one state to write liability insurance; is regulated as a captive insurance company; and may operate nationwide, provided it properly registers with each state in which it proposes to solicit or write insurance.

Reciprocal: an unincorporated entity that allows its subscribers to share risks. A reciprocal format has significant advantages for a group composed of both for profit and not for profit subscribers.

Special Purpose Financial Insurance Company (SPFI): is subject to the provisions of Subchapter 4, Section 141. A SPFI is most often established for the purpose of securitizing life insurance transactions.

Sponsored Captive: is one that uses the capital provided by an insurer or reinsurer while providing fronted insurance coverage to discrete and usually unrelated entities. The sponsored captive may be a licensed insurer, an authorized reinsurer, a fronted Vermont captive insurer, a financial institution (including financial holding companies) or a Vermont licensed broker-dealer (securities firm).

Branch Captive: is a unit of an existing offshore (alien) captive, licensed in Vermont to write the same risks as permitted by other captive insurance companies for its owners and affiliates onshore. The branch is regulated as a pure captive, is taxed only on the branch writings and is required to use an onshore trust for the protection of US policyholders and ceding insurers.

Reinsurance: "Insuring the insurer." A form of insurance whereby one insurer indemnifies another insurer for losses.

Front Company: is an insurer that issues a policy and reinsures all or a substantial part of the risk of another insurer.

Ceding Company: is the insurance company that is reinsured.

Economic Impact:

In 2013, the Vermont captive industry is estimated to have generated nearly \$24 million of premium tax benefits and related fees for the State of Vermont. At last count, more than 1400 direct and indirect jobs (full and part-time), were created by the captive industry in Vermont.

Captive Premium Taxes Collected:

