

— 40 years
of captive
insurance
success. —



PRESENTATION TO VERMONT LEGISLATURE
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Much thanks to our sponsors



Presenters

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What we will cover

- 40 years as the Gold Standard
- What is a captive and why Vermont?
- How we regulate
- Benefits to Vermont
- VCIA
- Hear from a captive owner
- Type questions in Q&A pod throughout



What we will cover

- 40 years of success and innovation
- 2020 a banner year for Vermont captives
- Gold Standard
 - Regulators
 - State legislators and leadership
 - Vermont Captive Insurance Association and members

What is a captive?



- A limited purpose insurance company
- Licensed and regulated in a single domicile
- Formed to insure or reinsure the risk of the captive owner(s)
- Controlled by its owner(s)

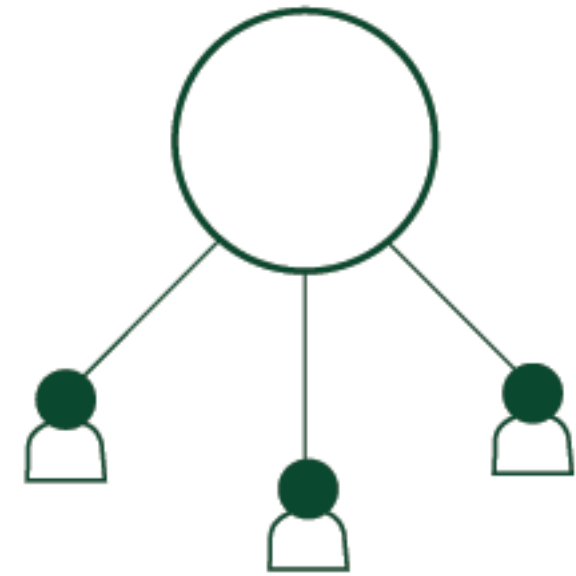
Similarities to traditional, commercial insurance companies

- Licensed as an insurance company
- Sets insurance premium rates for the risks it chooses to underwrite
- Writes policies for the risks it insures
- Collects premiums and pays out claims made against those policies

Captive vs. Traditional Insurance

	Captive	Traditional
WHERE ARE THEY LICENSED?	Licensed in state of domicile.	Licensed in all states whether domiciled or writing.
WHO DO THEY INSURE?	Parent, affiliated, or controlled risks	Public
REGULATORY AUTHORITY?	Focused on a business plan and solvency. Only certain types follow NAIC accreditation.	Follow NAIC accreditation
DO THEY HAVE EMPLOYEES?	Maybe, but likely service providers	Yes

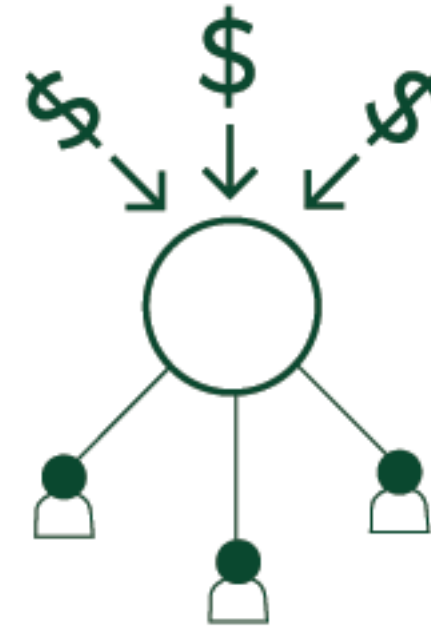
Types of captives



**Single Parent
("Pure") Captive**



**Group Captive
Risk Retention
Group**



**Sponsored
Cell Company**

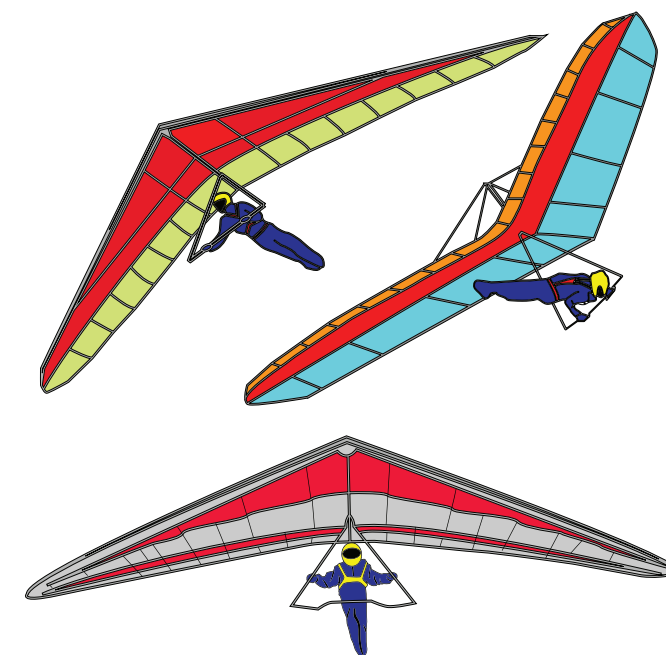


**Special Purpose
Financial Insurer
(SPFI)**



**Affiliated
Reinsurance
Company (ARC)**

Who uses captives?





— Why
form a
captive? —

Why form a captive?

Control

- Coverage
- Availability
- Claims handling
- Risk monitoring

Financing

- Ultimate cost
- Embedded profit
- Cash flow
- Tax implications

Market

- Insulation
- Access to reinsurance

Infrastructure

- Regulators
- Industry association
- Parent/board/risk manager
- Captive management
- Actuarial services
- Audit services
- Third party administrators
 - underwriting & claims
- Banking and investment management
- Legal services
- Commercial insurers and/or reinsurers

Benefits to Vermont

— Rough Numbers:

- Over **\$550 million in taxes & fees collected since 1981**
- Over **\$25 million in taxes & fees collected every year since 2008**
- More than **400 direct, high-paying jobs** for Vermonters
- Increased tourism spend from board meetings & annual conference
- Improved visibility and reputation in the business world



Vermont
leading
the way

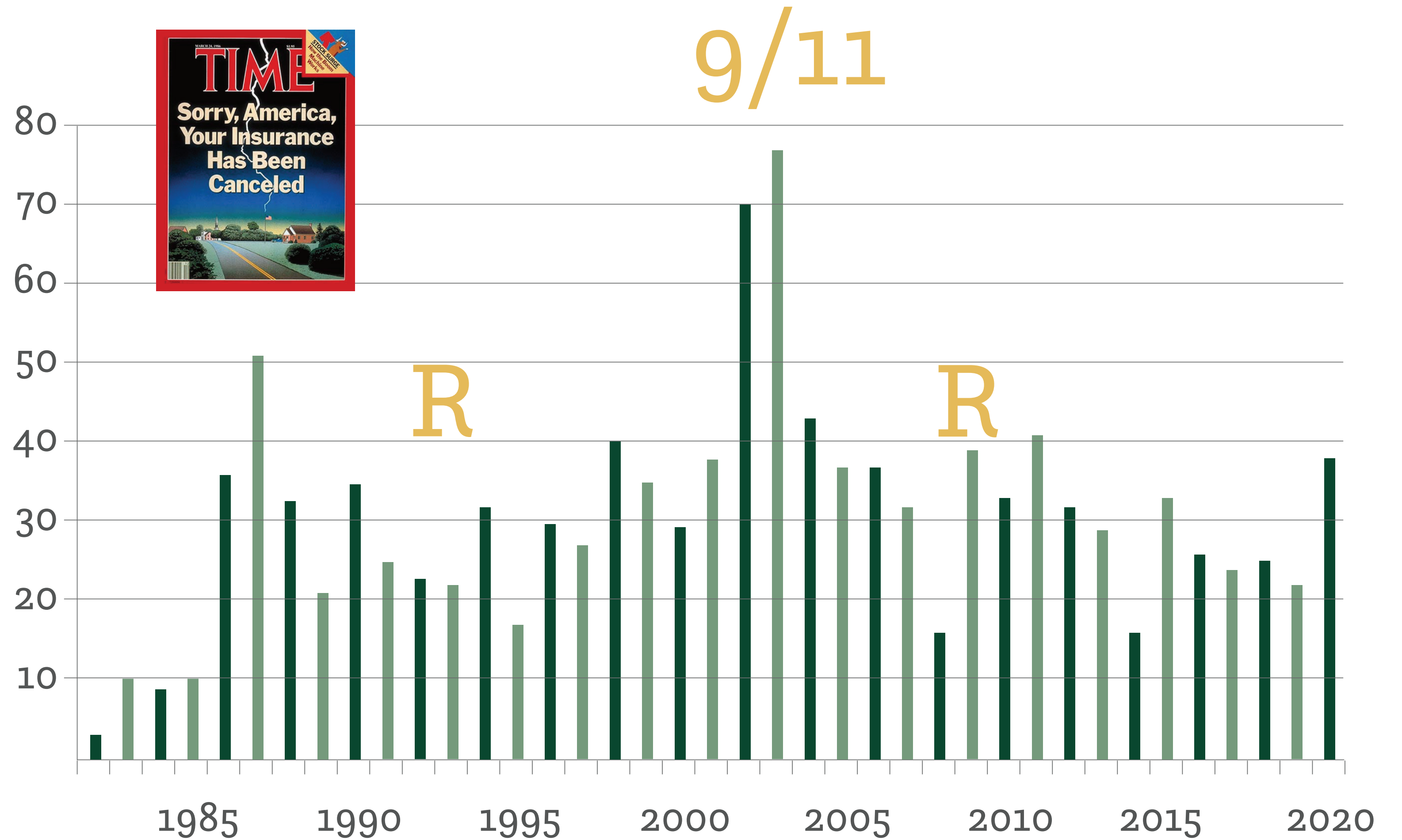


Vermont

The leading U.S. domicile

- Over \$20 billion in gross written premium in 2019
- Over \$200 billion in assets at year-end 2019
- Forty-year history in captives
- 1,201 captives licensed as of January 6, 2021
- 43 of the Fortune 100
- 18 of the Dow Jones 30
- More than 100 healthcare related captives
- Leading domicile for Risk Retention Groups
- Expertise, infrastructure, innovation = the “Gold Standard”

VT captive licenses issued by year



9/11

R

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Challenges

- Low interest & federal income tax rates
- Self-procurement taxes
- Competition & copy-cats
- Reputational risks
- Other state taxes, activities



Regulation of captives

Consistent regulatory environment

- Focus on quality programs
- Continuity of staffing
- Experienced, involved and responsive regulators
- Regulators who work at the speed of business
- Responsible, measured approach to licensing companies

Experienced & knowledgeable regulatory team

- Staff of 31; captive insurance is our only business
- Many decades of experience
- 11 CPA's
- 21 accredited or certified financial examiners
- Many other types of designations (financial, insurance, regulatory)

How does vermont regulate?

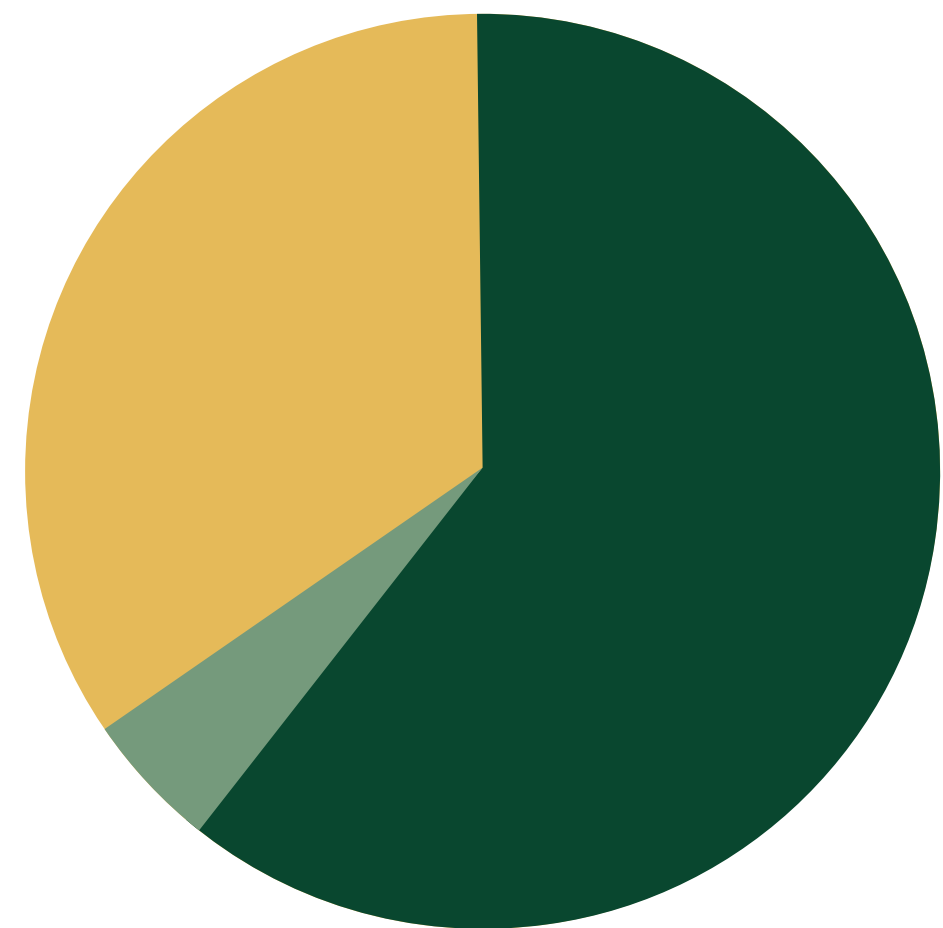
- Face to face meetings (key activity for licensing)
- Initial application, independent review
- Monitoring of parent company
- Periodic financial analysis of captive
- Frequent communication (plan changes & other approvals)
- Examinations

What is VCIA?

- The world's largest trade association for captive insurance
- A vibrant association with nearly 400 member companies
- A great place to meet & learn from like-minded captive professionals
- A provider of top-quality education
- An organization representing your best interests through effective advocacy

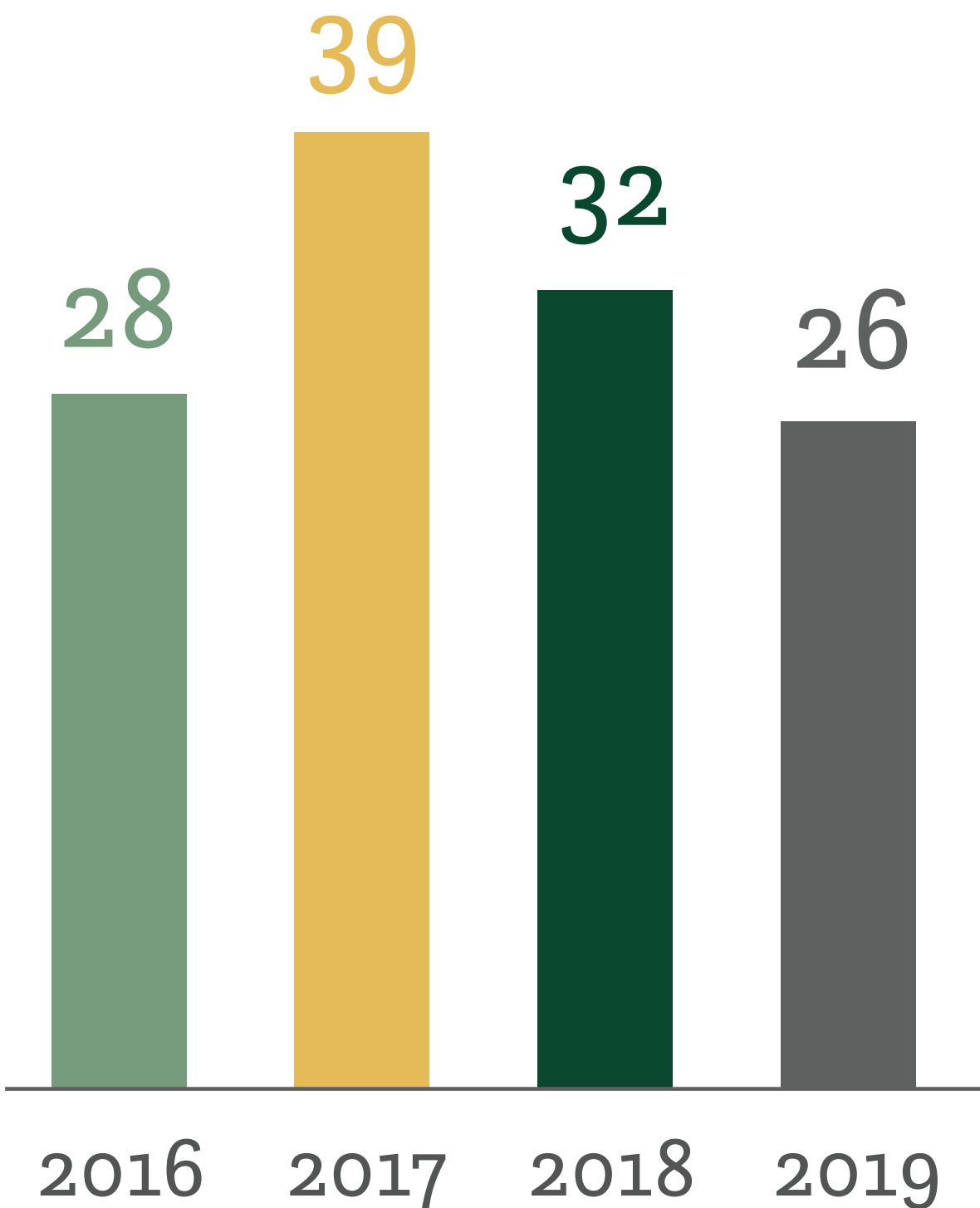


Number of captive owners, associates and affiliates as of 12/31/19

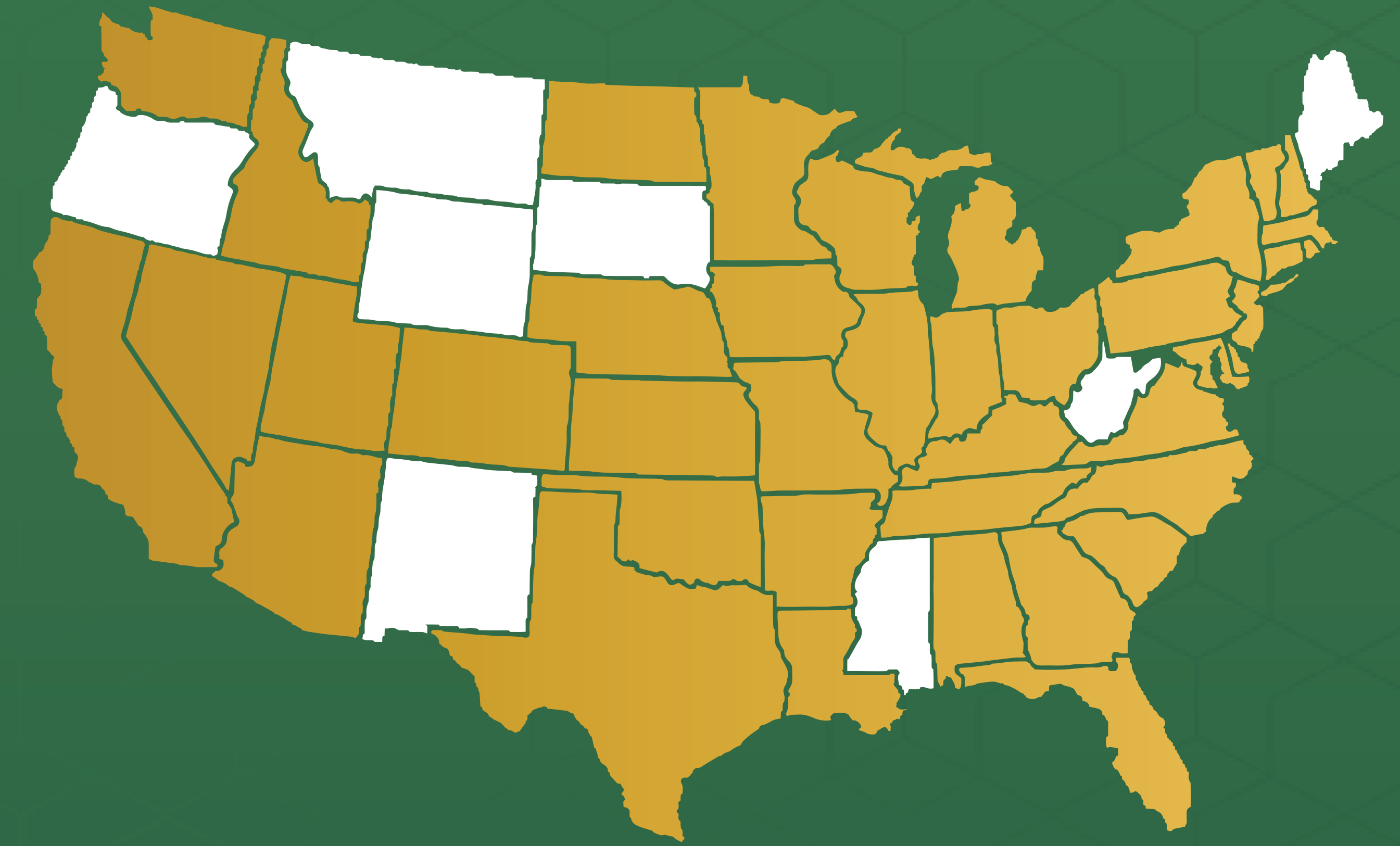


- 256 Captive owners
- 121 Associates
- 23 Affiliates

Number of new VCIA member companies



VCIA
members
from *nearly*
every state!



VCIA members come from almost every state, plus Bermuda and England

VCIA
on the
world
stage



Strong legislative advocacy

Effective and respected public policy development at both the state and federal levels. VCIA is the only captive association with full-time representation in Washington, DC.



The Vermont captive industry began in 1981!



Preeminent annual conference

VCIA's Annual Conference is an important educational & networking event for the captive industry, typically hosting 1,000+ people. Join us August 10–12, 2021 for the 36th VCIA Annual Conference! This special event will be held virtually.





**MUTUAL
INSURANCE CO.
INC. A RRG**

**We are a
Group Captive, a
Risk Retention
Group**

**Serving
mostly small to
medium-sized
LTC facility
owners since
2004**

**We are a true
mutual owned
by and dedicated
to our member
insureds**

**Our board is
comprised of
member insureds
and industry
advisors**

**Redomiciled to
Vermont effective
2017**

**Grown to
over 2,200
member
insureds**

**Membership
and Gross
Written Premium
nearly doubled
since 2017**

**Provide
robust risk
management
& resources
to member
insureds**



- Liability Risk Retention Act (LRRA – 1980s) passed to benefit small businesses
- Example of legislative success
- Vermont as a domicile
- Key role of Vermont legislature in captive operations



Questions?

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