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GOVERNOR



State of Vermont
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Governor Douglas Signs Legislation to Build on Vermont's Lead in the Captive Insurance Industry

Burlington, Vt. – Vermont Governor Jim Douglas has signed into law a bill that will enhance the regulation and expansion of the captive insurance industry in Vermont, a key provider of revenues and jobs for the state.

At a ceremony in Burlington Wednesday, Douglas signed the omnibus banking and insurance legislation, S.42, and praised it as an important step in maintaining Vermont's position as the largest captive insurance domicile in the U.S. and the second largest in the world in terms of gross written premium.

“As our state tackles budget and revenue challenges, my administration continues to recognize how critical the captive insurance industry is to Vermont and the need to continue investing in our infrastructure and innovating in our regulation,” Douglas said.

“While many of our domestic competitors have reduced their commitment to promoting and regulating captives, Vermont is continuing to invest in this valuable sector of our economy,” Douglas said. “My administration remains committed to keeping Vermont the ‘Gold Standard’ of captive domiciles.”

The key provisions of the captive legislation included:

- Making Vermont a more attractive place for captive insurance companies located in foreign countries. The law accommodates the needs of Vermont captives owned by international parent companies by allowing captive companies to use the same financial

accounting methods used by their foreign parent. It also streamlines the corporate reorganization of a foreign captive company into a Vermont captive company.

- The law creates a “premium tax holiday” for new captive firms licensed in Vermont after the legislation takes effect and until Dec. 31, 2010, by providing a \$7,500 credit, further laying out the welcome mat to new captive formation.
- The law increases funding for Vermont’s regulatory operations, which are paid for through premium taxes that captive firms pay to the state. S.42 increases the Captive Division’s allocation from 10% to 11% of the premium tax receipts.

Captive insurance is regulated by the Captive Division of the Department of Banking, Insurance, Securities and Health Care Administration (BISHCA).

A captive insurer is a company that is owned or controlled by its policyholders, thereby enhancing the company's ability to control its own insurance costs.

Through captives, business owners have access to broader, less expensive insurance markets, offering an option for many corporations and groups that want to take financial control and manage risks by underwriting their own insurance, rather than paying premiums to third-party insurers.

“Part of Vermont’s success in regulating captive insurers comes down to partnerships involving captive owners, the Vermont Captive Insurance Association, our captive management infrastructure in Vermont, and our highly knowledgeable team in state government,” said BISHCA Commissioner Paulette Thabault.

“We intend to maintain Vermont’s position as the ‘Gold Standard’ of captive domiciles by continuing our strong and stable regulatory system, and making the investments necessary to sustain that,” Douglas said. “The captive insurance industry creates valuable jobs and revenues to our state, and provides more than 1,400 full and part-time jobs for Vermonters.”

Other notable provisions of S.42 include:

- The paperwork required by the more than 150,000 individuals and firms licensed by BISHCA has been simplified and made more rational by eliminating the requirement that tax and child support “certificates of good standing” be sent to the vast majority of these licensees who work and reside out of state.
- The annual assessment on banks, credit unions and other financial institutions has been streamlined and made more predictable by notifying the institutions only once of their anticipated assessment, and by timing the notice so that it is provided well in advance of the institution’s budget year.

- An un-appealed disciplinary order of the Commissioner will be able to be enforced in Vermont Superior Court without the time and unnecessary expense of filing a formal legal complaint.
- This bill will help BISHCA to more effectively enforce workers' compensation misclassification laws. Employers should pay their fair share of the system's costs, but employers should not have to pay for costs imposed on the system by employers who make fraudulent classification reports about their employees.

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