



*Tennessee Department of Treasury*  
*State Treasurer David H. Lillard, Jr.*

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## **New Tennessee Captive Insurance Company to create savings on insuring state property**

With a focus on fiscal responsibility, the State of Tennessee has established the Tennessee Captive Insurance Company to create additional efficiencies and savings when insuring state property.

Administered by the Tennessee Department of Treasury, Division of Claims and Risk Management, the State of Tennessee is self-insured for property and general liability. This covers all state-owned buildings and contents, including the campuses of Tennessee public institutions of higher learning, with a total property value of \$ 31.4 billion as of July 2022.

Businesses can use captive insurance to mitigate risk and manage costs in certain aspects of their operations. Implementing the Tennessee Captive Insurance Company allows the State to operate with a high degree of efficiency as it works to insure property losses up to deductible limits, access the wholesale reinsurance markets to reduce premiums, minimize volatility in pricing, and underwrite the state's own unique risks.

The Division of Claims and Risk expects the captive to help them insure unique and difficult risks and reduce overall insurance costs. The use of a captive will also allow the State to better evaluate and control the risks of Tennessee state government.

Captive insurance companies in Tennessee are regulated by the Tennessee Department of Commerce and Insurance, which recently granted the nonprofit state captive authority to operate, following its recent approval of the authorizing legislation by the Tennessee General Assembly.

"Commerce & Insurance has advocated for captive insurance as a smart business option to lower costs and increase specifically tailored protections," said Department of Commerce & Insurance Commissioner Carter Lawrence. "Now that the State is establishing a captive insurance company, taxpayers will benefit from these same advantages."

The potential savings from the captive will benefit taxpayers as they will be used to write policies with lower premiums, or to return or invest the savings to prepare for future claim payouts and ultimately save taxpayer money. The state captive insurance company initially will only issue property and cyber liability policies, but the State may add other lines of coverage in future years.



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The Tennessee General Assembly recently enacted legislation permitting the State Treasurer, David H. Lillard, Jr., to create the state captive with the approval of the Tennessee Board of Claims.

“I thank the Tennessee General Assembly for giving our state the ability to operate in a fiscally smart manner,” Treasurer Lillard said. “The Tennessee Captive Insurance Company will save Tennessee taxpayers millions of dollars in the coming years. This is yet another way Tennessee works to keep taxes low for our citizens.”

The legislation, passed unanimously by the 112<sup>th</sup> General Assembly, was sponsored by Senate Majority Leader Jack Johnson (R-Franklin), and in the House of Representatives by Chairman Gary Hicks (R-Rogersville).

The captive is governed by its Tennessee Captive Insurance Board, composed of Tennessee state officials, including the State Treasurer, the Commissioner of Human Resources, the Commissioner of Finance and Administration, the Comptroller of the Treasury, and the Secretary of State.

***About the Tennessee Department of Treasury, Division of Claims and Risk Management:***

*The responsibilities of the Division of Claims and Risk Management include protecting the financial integrity of all State-owned assets, maintaining a safe working environment for state employees and the general public, making determinations on claims made against the State Workers’ Compensation by state employees, employee property damage and tort liability, as well as claims filed for Criminal Injuries Compensation, Sexual Assault Forensic Examination Reimbursement, and the Electronic Monitoring Indigency Fund. The division also provides administrative support to the Board of Claims.*

***About the Tennessee Department of Commerce & Insurance:*** *Fostering fair marketplaces, public safety, and consumer education that promote the success of individuals and businesses while serving as innovative leaders. TDCI divisions include the State Fire Marshal’s Office, Insurance, Securities, Regulatory Boards, Tennessee Law Enforcement Training Academy, Tennessee Emergency Communications Board, and TennCare Oversight.*