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March 23, 2015

Representative William Botzow, Chair
House Committee on Commerce & Economic Development
Vermont State House
115 State Street
Montpelier, VT 05633

Re: S.98 – An Act Relating to Captive Insurance Companies

Chairman Botzow:

The Agency of Commerce & Community Development strongly supports S.98 – An Act Relating to Captive Insurance Companies. The bill does several important things that keep Vermont's captive law attractive and competitive. It also updates Vermont law to current NAIC standards with the Protected Cell Company Model Act and with Governance Standards for Risk Retention Groups.

Vermont is a leader because of our ability to improve our captive law as quickly as the industry and market conditions change. This legislative proposal not only will help keep Vermont at the forefront, but it will also send a strong message to the industry that Vermont is not resting on its laurels. This message is extremely important as Vermont has more competition than ever.

The captive insurance industry provides valuable, high paying jobs to our state. Last year over \$27 million in premium taxes, licensing fees and exam fees was generated for Vermont. All of our captives are required to have annual board meetings in Vermont, generating valuable tourism dollars.

Below is a brief summary of the proposed legislative changes:

Number of Incorporators – It reduces the number of incorporators from 3 to 1, as with most other incorporations under Vermont law.

Cell Companies Capital Requirements - Vermont's current minimum capital requirement is uncompetitive. This change will reduce the capital requirements from \$500K to \$250K and put us in better alignment with our competitors.

Change Structure on Capital Requirement for all Captive Companies - Amend the law to allow captives to include marketable securities along with cash, trust and letters of credit for minimum capital requirement. This allows a captive to manage its liquidity needs effectively and would give Vermont an advantage among our competitors.

Definitions and Protected Cells – Amend Vermont sponsored cell law to make it easier to read by moving sections of the law to more appropriate sections for readability.



Provide Naming Conventions for Incorporated Cells - Adds a requirement that incorporated protected cells have their own distinct names and designations, which in the case of incorporated protected cells should include the words 'Incorporated Cell' or the abbreviation 'IC'.

Delinquency of Sponsored Captives and Adopt the NAIC Protected Cell Company Model Act- Adopt portions of the NAIC Protected Cell Company Model Act language regarding segregation of assets and liabilities into Vermont law to provide additional clarity and ensure that Vermont's sponsored captive laws are competitive with other domiciles.

RRG Governance Standards - Adopt the NAIC Model Governance Standards for Risk Retention Groups. These standards work to ensure that the RRG is governed by the members for the benefit of the members.

I encourage you to support this bill which will help Vermont's captive insurance industry. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "D. D. Towle". The signature is fluid and cursive, with a large initial "D" and "T".

Daniel D. Towle, Director of Financial Services
Agency of Commerce & Community Development

cc. Pat Moulton, Secretary of Commerce & Community Development