

courant.com/business/connecticut/hc-captive-insurer-20120227,0,3688594.story

Courant.com

Connecticut Poised To Capture Boutique Insurers

 Get [Business Mobile Text Alerts](#)

By MATTHEW STURDEVANT, msturdevant@courant.com

The Hartford Courant

9:54 PM EST, February 27, 2012

Connecticut wants to attract captive insurance companies, hoping the state's unrivaled labor market of people in the industry will work to its advantage — along with a tax credit.

In October, the state legislature refined regulations and approved a \$7,500 tax credit for the first taxable year that a captive insurer is domiciled in Connecticut.

This is the latest in a string of efforts dating to 2008 when Connecticut insurance rules were rewritten to allow captive insurers.

"Connecticut passed a program, but it essentially sat on the shelf, partly, I think, because it wasn't created in a context that was as competitive as other states," said Catherine Smith, commissioner of the state Department of Economic and Community Development.

Captives are subsidiaries of large, self-insured companies that handle the financing of that company's risks. For example, a company might have its own health plan, life insurance or liability coverage. They can also be sole insurers for several companies within an industry or for an organization. The concept is that large companies or organizations can save money if they are able to bankroll their own risks rather than pay premiums to an insurance company.

For years, the boutique insurers operated offshore in Bermuda, the Cayman Islands and British Virgin Islands, or in a limited few states, such as Vermont and Hawaii. One of the barriers to attracting captives has been that insurance regulations vary from state to state, and many didn't have the specialized regulations needed to host captives.

advertisement



Looking for a job
just got easier

**Virtual
Career Fair**

Register Now

Brought to you by **Hartford Courant**

Vermont was a pioneer, allowing captives since 1981. Last year, the Green Mountain State had more than 900 licensed captives, of which 590 were "active" companies from industries as diverse as retail and religious institutions to entertainment and energy, boasting a combined \$16.6 billion in premium revenue.

Connecticut regulations are now modeled after those in Vermont.

"I think the beauty is that we are the insurance capital of the U.S." Smith said. "We have extremely knowledgeable insurance companies already located here. We have an insurance department that gets extremely high ratings from those companies for its responsiveness, for its knowledge of the industry, for its ability to move rapidly. All of that gives us a real leg up."

During a legislative session last year to spur job growth, the tax incentive and new rules for captive insurers was passed. Last week, commissioner of the Connecticut Insurance Department, Thomas B. Leonardi, asked a legislative appropriations committee for additional staff to create a captive-insurance division to regulate the highly specialized insurers. The 141-person department is asking for three additional full-time staff for the new captive division.

The state Department of Economic and Community Development is working with the Insurance Department to market Connecticut to captive insurers, likely through trade publications and at conferences, Smith said.

The home state of Aetna, Cigna, The Hartford and major operations of many other insurers doesn't have a single captive insurance company. That's likely to change soon, said Tom Hodson, a West Hartford attorney who has decades of experience forming and managing captives that are domiciled outside Connecticut.

"It used to be, where you formed your captive depended on whether you liked to golf or ski," Hodson said, referring to Bermuda and Vermont.

With dozens of states, offshore sites and other countries competing to attract captives, Hodson said he thinks the industry will continue to grow but it will be increasingly regional. In that regard, Connecticut may be able to attract newly formed captives of New York-based companies.

Hodson last year formed the trade group Connecticut Captive Insurance Association as a point of contact for the legislature and for companies looking to form their captive insurer in Connecticut. He also is the chief executive of Charter Risk Management Services, which offers to form and manage captives.

Captives don't employ as many as some of the major companies in Connecticut — the industry has created about 1,400 jobs in Vermont as of 2008, according to Insurance Journal. But captives do require support work from independent actuaries, lawyers and auditors who are familiar with the insurance industry, Hodson said.

"Connecticut was really missing out on an opportunity," Hodson said. "Essentially, we're on par now with Vermont's law, which makes us very competitive."

Post Your Comment Below