



U.S. Senator pushing for growth in Vermont's captive insurance sector

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By Josh Chetwynd

Efforts by U.S. Sen. Patrick Leahy (D-Vt.) may end up limiting the market for independent agents in the state of Vermont – particularly in the potentially emerging sector of cyberattack insurance. On Aug. 12 at the Vermont Captive Insurance Association's annual conference in Burlington, Sen. Leahy proclaimed that Vermont has become the "gold standard" for captive insurance and suggested that this sector could serve as a key player in insuring companies against the growing threat of cyberattacks.

Indeed, the captive insurance market has boomed in Vermont over the past three decades. In 1985, there were approximately three dozen companies that self-insured in the state. Today, there are 585. To further bolster this business, Sen. Leahy co-sponsored a bill called The Captive Clarification Act, which he introduced in the U.S. Senate at the end of July. This legislation would ease tax concerns on captives.

Previously, it was unclear whether captive insurers fell under the jurisdiction of the Nonadmitted and Reinsurance Reform Act of 2010, which made non-admitted insurers subject to regulation in their home state. This new bill clarifies that the 2010 law doesn't apply to captives. As a result, if it passes, this legislation would limit captive insurers' tax obligations.

At the Captive Association's annual meeting, Sen. Leahy said he hoped that this streamlining would allow captives to take a strong position in the cyberattack insurance business – an area the Senator believes is vital.

How this focus on captive insurers will impact independent brokers – specifically in this emerging cyberattack insurance space – remains to be seen, but Mary Eversole at the Vermont Insurance Agents Association is optimistic that there will be a place for independent agents regardless of Leahy’s push.

“There will always be a role for independents in helping protect business owners, government and individuals from cyberattacks and other perils,” Eversole said. “It’s not about captive versus independent. It’s a matter of what each entity plays in the growing risk.”