

Testimony

Insurance and Real Estate Committee

February 25, 2014

Senate Bill No. 188 (Raised) An Act Concerning Captive Insurance Companies

Good afternoon. My name is Tom Hodson and I serve as President of the Connecticut Captive Insurance Association, a not-for-profit trade organization whose mission is to support the growth of the captive insurance industry in the state of Connecticut.

Chairman Crisco, Chairman Megna and the members of the Insurance and Real Estate Committee, thank you for the opportunity to speak in support of SB 188, a bill that would keep Connecticut at the forefront of the captive insurance market.

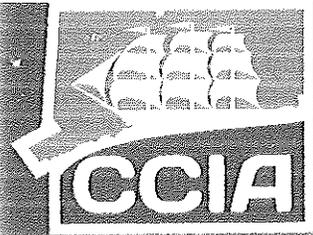
What was once referred to as "alternative risk transfer", captive insurance is now accepted as a mainstream risk management tool for companies both large and small. In addition to being an effective means for companies to better utilize their capital, captive insurance often fills a risk financing need that the commercial market is unable or unwilling to provide. Worldwide, captive insurance now insures over 30 percent of the commercial insurance market, representing over \$95 billion in premium and more than 6,700 captives managing risk for their owners. In the United States, there are over 2000 captives writing more than \$43 billion in premium. Clearly, captive insurance has become an important means to managing business risk for companies across the globe, and across the state of Connecticut.

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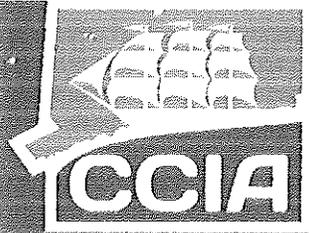
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Captive insurance is very important to the economies of the states that host the industry as a domicile. In addition to tax revenue, the captive insurance industry provides high paying jobs across a number of professions. One of the benefits of captive insurance is the “unbundled” nature of the operation of captives, meaning that a captive’s owner often outsources the services necessary to manage their captive insurance program. This requires the employment of key service providers like underwriters, actuaries, auditors, tax advisors, lawyers, claims professionals and investment managers, as well as the scores of support staff necessary to facilitate the operation of the captive.

The captive industry is also responsible for bringing important “tourism” dollars to states that host it as a domicile. Connecticut’s captive insurance law requires that captives hold at least one board of director meeting in the state. In addition, the Connecticut Captive Insurance Association hosts an annual educational and networking symposium, which last year attracted hundreds of people from across the United States, Bermuda and the United Kingdom.

In 2011, this Committee, and the General Assembly as a whole, took an important step in the establishment of Connecticut as a “domicile of choice” for captive insurance companies with the passage of key amendments to our state’s captive insurance law. Senate Bill 188 represents the next important step in the development of Connecticut as a captive domicile. One of the hallmarks of the top captive domiciles across the globe is innovation in the strategies those domiciles offer to companies for managing their business risk. There are more than 35 states that now have captive insurance laws, 12 to 15 of which actively attract the market and a half dozen that are considered key captive domiciles.



Those half dozen domiciles stand out for their progressive approach to the market, regularly updating their laws to provide new and innovative features for effectively and securely managing business risk.

Connecticut has always been at the leading edge of insurance innovation, from the establishment of our nation's first property and casualty insurance company in 1810 and the first life insurance company in 1846, to the development of the first third-party automobile liability policy in 1897. The list of innovations developed first in Connecticut goes on and on. It is time to add captive insurance to that list. Swift passage of SB 188 will further demonstrate to the captive insurance market that Connecticut is an innovator; that Connecticut is a "domicile of choice" for captive insurance companies; that Connecticut is the "Insurance Capital of the United States."

Are there any questions?

Thank you.