

Who is VCIA and what does it do?

Founded in 1985, VCIA is the world's largest captive insurance trade association. We unite captive owners, insurance leaders, and service providers through strategic advocacy, world class education, and ongoing collaboration—strengthening Vermont's leadership and supporting a connected global community of captive professionals.

Over 2,000 insurance professionals benefit from VCIA programs each year, and VCIA spearheads an emerging leaders initiative to recruit and retain a future captive workforce.

What is a captive insurance company?

A captive is a wholly-owned subsidiary of an entity that provides risk mitigation, loss control, and claims services to its parent company or related entities. Captives are regulated by state law based on where they are domiciled. Captives may serve a social utility, for example, for housing associations and hospital networks to combat insurance costs.



Involves true risk; not a tax avoidance strategy



Creates custom coverage akin to self-insurance that's not available in commercial insurance market and for risks hard to insure elsewhere

CAPTIVE TYPES

Pure Captive (most common)—solely insures the risk of its parent company/its subsidiaries.

RRG (Risk Retention Group)—authorized by federal law to provide liability insurance to members with similar risk profiles.

Cell—a captive insurance company with separate "cells" where each cell represents a different entity or group of entities, allowing for distinct risk management/asset segregation.

For more info on the many captive types in addition to these 3, visit vcia.com or vermontcaptive.com

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captive domiciles worldwide

Nearly 40 US States license and regulate captive insurance companies. Recently the UK & other European nations are bolstering their efforts to build an attractive captive domicile.

\$130.1B

2025 gross written premiums

Top GWP domiciles include VT (\$-33B) | HI (~\$18B) | TX (~\$17B)
GWP in US increased 11.5% from \$116.7B in 2024.

3,455

Active captives in United States

Top 3:
VT (~707) | UT (~370) | DE (~331)
1.8% growth rate from 2024. The major off shore domiciles are the Cayman Islands and Bermuda.

Common & emerging lines of coverage

- ★ Property and casualty the most popular
- ★ Employee benefits, workers comp; medical stop loss increasing
- ★ Cyber coverage continues to increase each year
- ★ Environmental/climate liability increasingly written into captives

25% of all commercial insurance coverage goes into captives

According to the 2024 Ernst & Young *Global Insurance Outlook Report*, demonstrating the crucial role captives play in the health of the overall insurance market



Captives support businesses from all industries

Healthcare: hospital networks, long term care, etc.

Nonprofit & education: can pool risks to spread out costs

Manufacturing: industrial equipment, consumer goods, etc.

Real estate: property developers, construction companies, etc.

Transportation, technology & retail

Why captives are a healthy supplement to the traditional insurance market

Captive insurance offers organizations greater control over their risk management and claims handling while providing direct access to reinsurance markets and customizable coverage options.

This means reduced dependence on commercial market pricing cycles while typically maintaining lower overhead costs than traditional insurers. From a coverage perspective, captives excel at addressing difficult-to-place or emerging risks, filling gaps in commercial coverage, and offering the flexibility to adjust terms as organizational needs evolve. The captive structure enhances enterprise risk management by fostering a stronger focus on loss prevention and safety programs, while creating a more direct connection between risk control efforts and costs.



Captives help stabilize the broader insurance market by providing alternative capacity during hard markets, creating healthy competition that moderates commercial pricing, and developing innovative approaches to emerging risks that may eventually be adopted by the traditional market.

Captives are an innovative risk management tool addressing insurance capacity issues

- ★ Responsive to the current hard market when insurance premiums are higher, coverage is more difficult to obtain, and underwriting standards are stricter.
- ★ Helpful for employee benefits and accident & health insurance; stop loss programs for self insureds.
- ★ Customized lines can respond to property availability and affordability issues, as well as natural disasters and catastrophes.
- ★ Helpful for following ESG and avoiding corporate governance failures.

Key federal issues related to captives & the 119th US Congress, second session

TRIA/PRIA

TRIA program set to expire on 12/31/2027. Well in advance of its expiration, TRIA needs straight long term extension and avoidance of changes that would increase insurers' exposure to provide stability; further consideration to a PRIA, covering pandemics.

NFIP/Private Flood

NFIP was set to expire January 30, 2026; need long term reauthorization and permanency. Support reforms to expand consumer choice and strengthen the market, such as clarifying that private flood coverage satisfies NFIP continuous coverage requirements. Federal and state efforts to promote the private flood market are desirable. Helps address one of the leading natural disaster issues at present.

The National Association of Insurance Commissioners (NAIC)

Recently created a new Accreditations and Alignment subgroup; reportedly to examine risk retention groups (RRGs). While there have been reports of solvency issues among some RRGs in several states, concern here is that this will lead to greater regulation of entities such as captives and provide a disincentive for their creation. Present captive law empowers individual state domiciliary oversight and existing system works well.

Risk Retention Liability Act

The NAIC is grappling with availability issues which has consequences for nonprofit organizations. Nonprofits requested in a bill draft in 118th Congress to expand and permit property coverages for nonprofits.

Federal Insurance Office (FIO)

In 2025, nine GOP Insurance Commissioners' letter to DOGE requested termination of the FIO. Allegations that FIO has overstepped its bounds. Reform FIO but retain it because it performs some valuable functions within Treasury, giving the larger agency insurance expertise, data calls, in support for TRIA.

Cannabis Finance and Regulation: SAFER ACT

Banks want to provide banking services but cannot due to federal rules. Insurers want to provide coverage including those in the captive industry. Support safe harbor for banks and insurers working with cannabis businesses in states where legal. 9 states + DC have some form of legal cannabis.

Cybersecurity and Privacy

Support national standards to help create consistency and uniformity, avoid compliance issues.

Post Disaster Relief

Support a continued strong role for FEMA/the federal government; support mitigation proposals.

Third Party Litigation Funding

Support efforts to increase transparency and to close the tax loophole that encourages TPLF investment.