

The future's bright, the future's captives

Newly-appointed chairman of CCIA Michael Maglaras suggests that the future is bright for state's captive industry



Could you describe the current captive insurance industry in Connecticut? Are you experiencing a lot of positive activity?

Connecticut is a relatively new domicile, but with 15 captives licensed, and the parents of those captives in a variety of businesses, we think the future is pretty bright.

We're noticing a phenomenon that we're proud of: captives are coming to Connecticut, and those captives are choosing to come here because we have developed the reputation for being "the thinking person's domicile".

Captive owners have lots of choices for domiciling their captives and if they decide to come to Connecticut, it's generally because they've engaged with some of our great

professionals in this state, who bring a wealth of experience to the captive process.

In August, the state licensed its first healthcare captive, have you seen any more movement in this sector?

In fact, we have. When news of the re-domestication of Keystone Indemnity Company was announced within days our office received a number of calls.

The parent organisation of Keystone has also received calls, particularly from captives domiciled in the Cayman Islands. Candidly, the idea that if you are a tax-exempt provider of healthcare services, your captive must be domiciled in Cayman, is an idea perpetuated by service providers and, in our current time, has little basis in fact.

Connecticut fact box

- Captive legislation passed in Connecticut in 2008
- The state welcomes all types of captives, including pure, association, industrial insured, sponsored and special purpose financial, and RRGs
- 15 captives licensed in the state, as of 30 September 2017
- It licensed its first healthcare captive, Keystone Indemnity, in August

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Michael Maglaras
Chairman

Connecticut Captive Insurance Association



How have numbers of licensed entities increased over the last year? And do you expect this to continue?

There have been several new formations in Connecticut in the past 18 months. The state's governor Dannel Malloy revealed on 4 October that the latest captive to be licensed is Stamford-based Charter Communications, a cable company.

The captive, Spectrum Communications Indemnity, is the largest of 15 captives licensed in Connecticut and provides coverage for the company's workers compensation, auto liability, general liability and employment practices liability. I'm also aware that other formations are in the pipeline, but are yet to be announced.

On a worldwide basis, the average number of captive formations each year is, statistically, on the decline, but despite this, Connecticut is getting its fair share. We think it tells a great story.

Connecticut is hosting its annual conference in October, what can attendees expect from the event?

Attendees can expect debate, dialogue and disruption. If I had to choose one captive event to attend this year, I would choose the Connecticut Captive Insurance Association Collaborative. I'm not just saying that because I am CCIA's chairman, my colleagues and I have crafted an agenda that is designed to have no boundaries.

Let me give you an example, we are going to blow up the notion that 831(b) captives are a poor solution to businesses' risk financing needs. I think we're all aware of 831(b) abuses—

and the so-called professionals who are behind these abuses need to be drummed out of our industry.

The fact about Internal Revenue Code Section 831(b) is that it is a brilliant way, in the right hands, for moderate-sized commercial businesses to assume risk in a controlled environment. Connecticut is going to stake its claim as the domicile of choice for 831(b)s. We're going to do this by scrupulous business plan oversight that is also business friendly.

The idea that we have allowed, in our industry, a group of charlatans to take over and demean the 831(b) concept is a disgrace to the captive industry—and we in Connecticut are going to create an environment that sets that right.

Looking ahead to 2018, what will the association be working on?

We've got a big agenda and big plans. First, we're going to continue to promote Connecticut as the domicile of choice for smaller independent businesses.

Secondly, we have a number of healthcare providers in Connecticut with captives domiciled elsewhere, and we're going to ask these providers of healthcare services to give Connecticut a second look.

Next, we're going to focus our efforts on riding the InsurTech wave, because we believe that true InsurTech innovation can't and won't work without a strong captive voice at the table as, in the future, ecommerce insurance solutions will be underwritten by captives. We know this is the case, and we are here to support that revolution. **CIT**