AM Best
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News of the Alternative Risk Markets

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News of the Alternative Risk Markets from AM Best
A Three-Month Review

AM Best has been covering the captive sector for several decades. Today we rate approximately 200 captive ventures in multiple jurisdictions.

Although a rating on a captive is comparable to any other rating issued by AM Best, we recognise that captives serve special purposes and typically have an operating style that differs from the conventional market.

A rating can be of benefit to a captive by demonstrating its financial strength and its best practice performance to a variety of stakeholders, such as fronting insurers, reinsurers and a parent not otherwise engaged in insurance.

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Rating Announcements

AM Best Affirms Credit Ratings of NiSource Insurance Corporation, Inc.

AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of “a” (Excellent) of NiSource Insurance Corporation, Inc. (NICI) (Salt Lake City, UT). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect NICI’s balance sheet strength, which AM Best assesses as strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management (ERM). The company’s ratings benefit from the implicit and explicit support it receives as a strategic component of its ultimate parent, NiSource, Inc.’s (NiSource) ERM.

NICI maintains the strongest level of risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR). The balance sheet assessment also considers the company’s ample liquidity measures, conservative reserving practices and investment strategy, along with the financial flexibility afforded by NiSource. NICI experienced consistently favorable reserve development on a calendar-year basis during the previous 10-year period. These attributes are offset by the high retention to surplus ratio, which is reflected in the limit the captive offers the parent.

The company’s strong operating performance assessment is supported by favorable combined and operating ratios that outperform AM Best’s commercial casualty composite. NICI’s strong operational results reflect loss ratios trending favorably, as well as a low underwriting expense structure, an inherent benefit of being a single-parent captive of NiSource. Through its niche captive orientation, risk management expertise and conservative underwriting criteria, NICI has generated favorable results at levels generally equal to or better than its industry peers, organically growing its surplus by three-fold in the last 10 years.

NICI is a single-parent captive insurer wholly owned by NiSource, providing all-risk property, workers’ compensation, excess general and automobile liability, medical stop-loss, long-term disability, group life insurance and punitive damage coverage for the parent and its affiliates. AM Best has taken a balanced view of NICI’s overall business profile, which albeit limited in scope, maintains inherent advantages as a single-parent captive with immediate access to business and resources along with the broader financial wherewithal of its ultimate parent. NICI plays a critical role in NiSource’s overall ERM framework, supporting the parent’s objectives through insuring key risks and ultimately supporting NiSource’s financing needs.

The stable outlooks for NICI reflect its appropriate risk-adjusted capitalization and derived balance sheet strength assessment in insuring NISource’s insurance needs/exposures through sustainable organic underwriting profits and surplus growth. The outlooks also reflect AM Best’s expectation that the ability and willingness of NiSource to support NICI will not change.

Negative rating actions could occur if NICI’s operating performance declines and appears it could be trending consistently weaker, warranting a lower assessment. Negative rating actions also could occur if changes in the parent’s financial condition or operations reflect a potential change in its ability or willingness to support NICI. Conversely, positive rating actions may occur if the company’s risk-adjusted capitalization supports a higher assessment level due to ongoing organic surplus growth and an appropriate level of retentions to surplus offered to NiSource.

May 9, 2025

AM Best Affirms Credit Ratings of BNY Trade Insurance, Ltd. and The Hamilton Insurance Corp.

AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Ratings of “a+” (Excellent) of BNY Trade Insurance, Ltd. (BNY Trade) (Hamilton, Bermuda) and The Hamilton Insurance Corp. (Hamilton) (Melville, NY). The outlook of these Credit Ratings (ratings) is stable.

The ratings of BNY Trade reflect its balance sheet strength, which AM Best assesses as strongest, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management (ERM). The ratings of Hamilton reflect its balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and appropriate ERM.

BNY Trade’s balance sheet strength assessment of strongest is supported by its risk-adjusted capitalization being at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). Furthermore, the company continues to maintain excellent liquidity measures while generating consistent net annual profits during the most recent five-year period, driven by organic growth. Hamilton's very strong balance sheet strength assessment is supported by risk-adjusted capitalization at the strongest level, as measured by BCAR, and strong liquidity measures exceeding industry composite averages. The companies also benefit from the financial flexibility and support from its ultimate parent, The Bank of New York Mellon Corporation [NYSE: BK]. The operating performance of strong for BNY Trade and Hamilton reflects favorable combined ratios, driven by excellent loss history and low expense structure.

BNY Trade and Hamilton are single-parent captives of their ultimate parent, The Bank of New York Mellon Corporation, a leading global financial services company. In their roles as single-parent captives, both companies provide comprehensive reinsurance coverage and products to their parent company. BNY Trade and Hamilton are an integral component of The Bank of New York Mellon Corporation's overall risk management framework, and benefit from the parent's robust, enterprise-wide policies and procedures in the areas of risk management, resiliency, corporate governance, compliance and ethics.

May 22, 2025

AM Best Affirms Credit Ratings of Blue Whale Re Ltd.

AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of "a+" (Excellent) of Blue Whale Re Ltd. (Blue Whale) (Burlington, VT). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Blue Whale's balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management (ERM).

The ratings also reflect Blue Whale's function as the only captive insurer for Pfizer Inc. (Pfizer) [NYSE: PFE], a global pharmaceutical company. As Blue Whale insures or reinsures Pfizer's global property exposures, it plays a strategic and critical role in Pfizer's overall ERM in protecting the Pfizer enterprise's assets.

Blue Whale provides substantial retentions in coverages for Pfizer, augmenting significant reinsurance capacity. In recent years of hard market conditions, Blue Whale also has opted to participate in small slices of its catastrophe tower as an economic efficiency for the Pfizer enterprise. It also offers capacity for cyber liability coverage when required by hard market pricing. The reinsurance program is appropriate and diverse, providing ample coverage for all its lines of business. AM Best recognizes the quality of the reinsurers and the substantial financial resources and assistance available to the captive as part of Pfizer. The captive covers low frequency/high severity exposures in which the losses have not compromised its strong operating performance nor profitability of the company.

The stable outlooks reflect AM Best's view that the company will continue to generate operating results that engender supportive capitalization for the ratings. Additionally, AM Best expects Pfizer's ability and willingness to support Blue Whale, an integral part of Pfizer's corporate ERM infrastructure and program, will not change.

June 6, 2025

AM Best Affirms Credit Ratings of Solen Versicherungen AG and Noble Assurance Company

AM Best has affirmed the Financial Strength Ratings of A (Excellent) and the Long-Term Issuer Credit Ratings of "a+" (Excellent) of Solen Versicherungen AG (SVAG) (Switzerland) and Noble Assurance Company (Noble) (Texas, United States). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect SVAG's balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management. In addition, the ratings factor in rating enhancement from SVAG's ultimate parent, Shell plc (Shell), reflecting the company's importance to the group as a well-entrenched risk management tool.

SVAG's balance sheet strength is underpinned by risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). AM Best expects the captive's BCAR scores to remain above the minimum required for the strongest assessment level prospectively, reflecting the insurer's strategy to maintain sufficient capital buffers to absorb a series of large losses. The balance sheet strength assessment also factors in a concentration of assets in intragroup investments, as well as the large gross and net line sizes offered by the captive relative to its capital base.

SVAG has a track record of strong operating performance, underpinned by robust underwriting results, as demonstrated by a five-year (2020-2024) weighted average combined ratio of less than 25%. Prospective underwriting performance is subject to potential volatility due to the captive's exposure to high-severity low-frequency losses, given its large net line sizes relative to its premium base. In addition, the captive is exposed to elevated market risk through its management of the Shell group's foreign currency warehousing activities, which drives a level of variability in overall earnings. Nonetheless, SVAG's key performance metrics are expected to remain supportive of a strong assessment over the medium term.

SVAG's business profile assessment reflects its key role in supporting Shell's overall risk management framework, as the group's principal captive. SVAG's non-life business mostly consists of offshore and onshore property and liability risks, as well as the associated business interruption covers. SVAG also writes a small book of life business, which is derived from the reinsurance of the group's pension liabilities.

The ratings of Noble reflect its status as a member of the SVAG rating unit and a subsidiary of Shell. As a captive domiciled in Texas, Noble underwrites Shell's U.S. business and cedes 100% of its risks to SVAG, its sister company, through a quota share reinsurance agreement.

June 13, 2025

AM Best Affirms Credit Ratings of Prism Assurance, Ltd.

AM Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of "a-" (Excellent) of Prism Assurance, Ltd. (Prism) (Burlington, VT). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Prism's balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM).

The stable outlooks reflect AM Best's expectation that the captive insurer will maintain its very strong level of balance sheet strength and adequate operating performance supported by risk-adjusted capitalization at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), steady streams of income from intangible assets and the execution of prudent risk management strategies. Further, Prism also has sufficient liquidity supported by the company's ability to call on its loan-back to the parent, in addition to the financial flexibility afforded through the parent company, Apogee Enterprises, Inc. (Apogee) [NASDAQ: APOG], if needed.

As a single parent captive, Prism inherently benefits from a low expense structure/ratio with minimal distribution, driving an expense ratio that is much lower than that of traditional commercial insurers. There is manageable volatility in the company's underwriting performance from the low frequency, high severity type claims it was established to cover. The parent contributes trademarks and associated royalty income to the captive in addition to interest from the parent loan-back to provide a steady stream of net investment income. Profitability metrics in terms of return on revenue, return on equity, and return on invested assets far exceed industry averages on both five- and 10-year terms.

Prism is the single-parent captive insurance company of Apogee, one of the largest architectural design and construction companies in the United States. AM Best assesses Prism's business profile as limited as the company provides very specific lines of coverage to Apogee, although its risks do have a level of geographic diversification, reflecting the scope of the parent's operations. As a captive, Prism is an integral component of the Apogee organization's overall risk management capability and awareness. The company is interwoven into Apogee's ERM program, and as a result, Prism displays excellent risk identification and mitigation processes. Prism works cohesively with business units across the overall organization to reduce claims severity and frequency.

Negative rating impact could occur if a deterioration of Prism's operating performance leads to a material loss of risk-adjusted capitalization or if AM Best's perception of the parent's ability and willingness to support the captive materially declines. Positive rating action, although unlikely in the near term, could occur due to a sustained trend of improvement in the company's operating performance.

June 20, 2025

AM Best Affirms Credit Ratings of Greenval Insurance Designated Activity Company

AM Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of "a-" (Excellent) of Greenval Insurance Designated Activity Company (Greenval) (Ireland). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Greenval's balance sheet strength, which AM Best assesses as strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

Greenval is the captive motor insurer for Arval Service Lease SA (Arval), a vehicle-leasing company wholly owned by BNP Paribas SA, a global banking group headquartered in France.

Greenval's balance sheet strength is underpinned by its risk-adjusted capitalisation, which was at the very strong level at year-end 2024, as measured by Best's Capital Adequacy Ratio (BCAR). The company's risk-adjusted capitalisation is expected to remain at least at the strong level prospectively. The balance sheet strength assessment also considers the company's prudent reserving, appropriate reinsurance programme and liquid investment portfolio.

Greenval has a track record of a strong operating performance, as demonstrated by a return on capital and surplus of 36.3% and a combined ratio (net/gross) of 84.4% in 2024 under IFRS 17. Underwriting results have been consistently strong, benefiting from the captive's privileged access to Arval's good quality business.

As a captive insurer providing motor insurance covers for Arval, Greenval's underwriting portfolio is concentrated in motor insurance, but well-diversified geographically. Greenval's neutral business profile assessment also reflects its strategic importance to Arval, as its only affiliated motor insurer.

July 1, 2025

AM Best Upgrades Credit Ratings of National Guaranty Insurance Company of Vermont

AM Best has upgraded the Financial Strength Rating to A (Excellent) from A- (Excellent) and the Long-Term Issuer Credit Rating to "a" (Excellent) from "a-" (Excellent) of National Guaranty Insurance Company of Vermont (NGIC) (Burlington, VT). The outlook of these Credit Ratings (ratings) has been revised to stable from positive.

The ratings reflect NGIC's balance sheet strength, which AM Best assesses as very strong, as well as its very strong operating performance, limited business profile and appropriate enterprise risk management (ERM).

The rating upgrades reflect a revision of NGIC's operating performance assessment to very strong from strong. Over the last decade, NGIC has produced consistently strong underwriting and return on revenue metrics, with combined ratios that outperformed the industry and its peers by wide margins. It is AM Best's expectation that NGIC will continue to produce favorable operating results prospectively, driven by the organization's extensive loss controls, which have resulted in a loss-free history for the captive.

The ratings also acknowledge NGIC's strategic role as the captive insurance company of Waste Management, Inc. (WM) [NYSE: WM], one of the leading providers of comprehensive waste management environmental services in North America. As a strategic and integral part of WM's ERM program, it wholly funded the captive's capitalization in the form of a demand note, and as changes in exposures necessitate, additional supplements have been provided in the form of letters of credit. Furthermore, NGIC benefits from WM's robust risk management strategies, which enable it to support a portion of WM's financial assurance program efficiently and appropriately.

NGIC has a limited business profile, is licensed in two states and operates in 27 states as a non-admitted insurer to meet financial assurance obligations of WM. The captive's ERM is considered appropriate as a focused insurance company, which leverages its expertise to benefit policyholders.

The stable outlook reflects AM Best's expectation that NGIC will sustain its current level of operating profitability and continue to outperform peers while maintaining its very strong balance sheet strength assessment.

July 2, 2025

AM Best Affirms Credit Ratings of Quanta Insurance Company, Inc.

AM Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of "a-" (Excellent) of Quanta Insurance Company, Inc. (QIC) (Houston, TX). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect QIC's balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

QIC is a single parent captive of Quanta Services, Inc. [NYSE: PWR], a leading specialized contracting services company, delivering comprehensive infrastructure solutions for the utility, communications, pipeline and energy industries.

QIC is domiciled in Texas, and writes, on a direct basis, workers' compensation, commercial auto and general liability deductible reimbursement policies for Quanta Services, Inc., and affiliated entities on an occurrence basis. QIC's captive orientation not only affords it with ready access to business, but it also benefits from its familiarity of these homogeneous risk exposures, its parent's extensive training, fleet management, loss control initiatives and workplace safety.

July 11, 2025

AM Best Assigns Credit Ratings to OneNexus Oklahoma Captive Corp.

AM Best has assigned a Financial Strength Rating of A- (Excellent) and a Long-Term Issuer Credit Rating of "a-" (Excellent) to OneNexus Oklahoma Captive Corp. (OneNexus) (Oklahoma City, OK). The outlook assigned to these Credit Ratings (ratings) is stable.

The ratings reflect OneNexus' balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM).

OneNexus is a property/casualty protected cell captive insurer domiciled in Oklahoma that was incorporated in 2021. OneNexus started writing business in 2023 as a special purpose insurer providing contractual liability insurance policies for the decommissioning of oil and gas wells and facilities for its parent company, OneNexus, LLC., to manage risks associated with asset retirement obligations that arise when oil and gas wells are drilled and obligations reside with the owner/operator of the oil and gas wells. OneNexus guarantees a defined benefit amount to the owner/operator of the wells at the time the well is chosen/required to be decommissioned.

OneNexus' balance sheet strength assessment is supported by its strongest risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), and reflects the captive's permanent regulatory capital in the form of a letter of credit pledged by a highly rated reinsurance company. The balance sheet strength assessment also reflects the company's conservative investment portfolio composed of fixed income securities, short-term investments, and cash and cash equivalents. The captive does not currently utilize reinsurance partially offsetting the positive factors above.

As a start-up company, OneNexus has limited historical operating results; however, early results are considered adequate as the company posted positive earnings in 2024. Overall, the company's performance to date has benefited from prudent underwriting, its niche business profile and appropriate ERM framework. Growth in the business will depend largely on regulatory requirements requiring financial assurance by oil and gas operators, as well as market acceptance.

The stable outlooks reflect AM Best's expectation that OneNexus will execute its business plan as provided while maintaining an overall balance sheet assessment in the very strong range, supported by risk-adjusted capitalization at the strongest level, as measured by BCAR.

July 22, 2025

AM Best Affirms Credit Ratings of Palms Insurance Company, Limited and Palms Specialty Insurance Company, Inc.

AM Best has affirmed the Financial Strength Rating (FSR) of A (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) of "a" (Excellent) of Palms Insurance Company, Limited (Palms) (George Town, Cayman Islands). Concurrently, AM Best has affirmed the FSR of A- (Excellent) and the Long-Term ICR of "a-" (Excellent) of Palms Specialty Insurance Company, Inc. (Palms Specialty) (Delaware). The outlook of these Credit Ratings (ratings) is stable.

The ratings of Palms reflect its balance sheet strength, which AM Best assesses as strongest, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management (ERM).

The ratings of Palms Specialty reflect its balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business profile and appropriate ERM.

Both companies are wholly owned by NextEra Energy Capital Holdings, Inc. (NEECH), which, in turn, is wholly owned by NextEra Energy, Inc. (NextEra) [NYSE: NEE]. Palms is a single-parent captive, which underwrites the insurance risks of NextEra and its affiliates, providing specialized direct and assumed property, casualty, workers' compensation, automobile liability and employers' liability coverages. Palms Specialty, formed in 2022, is a specialty insurer focusing on U.S. excess and surplus lines accounts, providing coverage for specialty property, professional lines and other specialty lines with manageable gross limits within the risk management structure of its parent.

The balance sheet strength assessment of strongest for Palms is supported through its strongest level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR). In addition, Palms has grown its surplus in each of the past five years through organic growth, allowing the captive to maintain sufficient capital in supporting its ongoing obligations. The adequate operating performance assessment reflects a five-year average for both combined and operating ratios that outperform AM Best's captive composite. Palms continues to generate favorable underwriting results and benefits from its low underwriting expense structure as a single parent captive.

The very strong balance sheet assessment for Palms Specialty is based on its strongest level of risk-adjusted capitalization, as measured by BCAR. AM Best expects that Palms Specialty will continue to maintain supportive risk-adjusted capital levels throughout its start-up phase. The adequate operating performance assessment is based on the company's favorable operating ratio since inception, in addition to its clearly defined business plan and income statement projections that contemplate a level of implementation and execution risk for a newly formed entity. AM Best views Palms Specialty's business profile as limited, given the execution risk associated with a start-up entity and the degree of competition in its selected market. Negative rating action could occur if Palms Specialty's balance sheet strength or operating performance materially differ to the downside from its initial business plan.

Palms and Palms Specialty both benefit from the parent company's established and tested ERM framework and processes that continue to evolve with further improvements tailored to both companies. The ratings also reflect the role of Palms and Palms Specialty within the risk management structure of its parent company.

August 1, 2025

Domiciles

South Carolina Passes Captive Sector, Holding Company Legislation

As its session neared a close in May, South Carolina lawmakers passed a slew of insurance-related legislation, including new rules for the captive insurance sector and a bill that brings its insurance holding company regulations into line with models from the National Association of Insurance Commissioners.

The insurance holding company bill, which was signed into law on May 8, updates definitions to add the NAIC's liquidity stress testing framework and clarifies reporting requirements. Additionally, insurance holding companies will now have to file annual group capital calculations and liquidity stress tests. Carriers will also have to submit annual enterprise risk reports.

West Virginia recently enacted similar legislation to bring its regulations into line with the NAIC's model, which was revised and adopted in 2020 (BestWire, May 5, 2025).

Still awaiting the governor's signature, South Carolina Senate Bill 210 updates definitions around foreign captive companies. The bill also expressly forbids corporations from being controlled by an "alien adversary," or a foreign government or nongovernmental person that presents a significant national security risk.

The bill also requires at least two board members to be physically present in South Carolina during required annual meetings.

Further, a capital requirement for sponsored captive companies of at least $250,000 has been eliminated. Instead, the director of insurance will set the capital requirement based on the company's business plan, feasibility study and pro forma, the bill says. The legislation also tweaks how sponsored captive taxes are calculated.

SB 210 also mandates that the insurance department move 40% of all premium taxes collected from captive insurers into funding used to regulate the sector and promote South Carolina as a domicile. Previously, 20% of taxes went into the fund, according to the bill's text.

Attempts to gain comment from trade groups, including the South Carolina Captive Insurance Association, were unsuccessful.

(By Steve Hallo, senior associate editor, BestWire: Steve.Hallo@ambest.com).
May 12, 2025

Arizona Lowers Capital Requirements for Protected Cell Captives

Arizona Gov. Katie Hobbs signed legislation that reduces capital and surplus requirements for protected cell captive insurers, changing the due date for captive insurers annual renewal fees and updates rules for dormant captives.

The new law reduces protected captives' minimum capital and surplus requires to $250,000 from $500,000, according to the bill's text. This new, lower rate is in line with requirements for pure captives and half of the requirements placed on group and agency captives, as well as captive insurers organized as reciprocal insurers.

The law also sets standards for Arizona-domiciled captives that enter a dormant state. To be considered dormant, a captive needs to cease transacting the business of insurance, including issuing policies and have no outstanding liabilities associated with the business of insurance. Dormant captives can apply for a certificate of dormancy, which needs to be renewed every five years.

Dormant captives need to maintain paid-in capital and surplus of at least $125,000 and file a financial condition report within 90 days of the fiscal year's end.

Captive insurers that are formed as limited liability companies must have at least one Arizona resident on their board of managers, according to the new law.

Attempts to gain comment from the Arizona Captive Insurance Association were unsuccessful.

Lawmakers in South Carolina recently passed similar captive-focused legislation, which would eliminate surplus requirements for sponsored captives (BestWire, May 12, 2025). South Carolina's bill also increases the percent of captive premium taxes the insurance department puts into a fund to support and promote the state as a domicile.

(By Steve Hallo, senior associate editor, BestWire: Steve.Hallo@ambest.com).
May 14, 2025

New Georgia Law Broadens Definition, Permissions for Captives

Georgia Gov. Brian Kemp signed legislation that broadens definitions covering captive insurance agreements, extends the coverage abilities of limited purpose subsidiaries and removes other restrictions on the captive insurance sector.

Introduced in March, House Bill 348 removes specific limits on the types of insurance lines written by captives, which can now work in any insurance or reinsurance line deemed reasonable by the insurance commissioner (BestWire, March 3, 2025).

The new law also expands the definition of “sponsor” to include those that support the formation of a limited purpose subsidiary or otherwise help raise equity for the subsidiary. It also strikes a rule that subsidiaries can only reinsure the risks of organizing domestic reinsurers.

Also getting updates through the new law is the definition of controlled unaffiliated business, which now includes business with new or existing reinsurance and risk-sharing relationships with a parent company. Direct and indirect investors in pure captives are also included in the updated definition.

Georgia is among a handful of states that have addressed the captive sector with new legislation. Arizona recently enacted a law to reduce capital requirements for protected cell captives and set new standards for dormant captives, while South Caroline passed legislation to eliminate capital requirements for sponsored captives (BestWire, May 14, 2025).

The updated regulations will make the state a more competitive, stronger captive domicile, according to the Georgia Captive Insurance Council. The group said this was the first new piece of legislation to support the state’s captive insurers and risk retention groups since 2019.

The new laws were part of a broader push by the state to recruit new industry and support innovative economic growth drivers, said GCIC Chairman Travis Bowden.

As the former supervisor for captive insurers for the Georgia Department of Insurance, Bowden said it is exciting to see the toppling of restrictions that hindered the state’s ability to grow as a captive domicile.

“It’s very important to compete with the other captive domiciles in the Southeast because it is a larger region for captive insurers in the United States,” he said.

(By Steve Hallo, senior associate editor, BestWire: Steve.Hallo@ambest.com).
May 20, 2025

Vermont Updates Captive Insurer Regulations as Domicile Competition Heats Up

Vermont Gov. Phil Scott signed a Department of Financial Regulation’s housekeeping bill on May 19, ushering in updated rules for captive insurers, said Vermont Captive Insurance, an association within the state’s Agency of Commerce & Community Development.

The new rules acknowledge and distinguish the signing authority of managers overseeing limited liability company captives. These captives are different from member-managed captives, which are governed by all members participating in the business.

The updates also better align captive insurance licensing authority with the financial regulator’s general insurance statutes, the association said. The law also includes new provisions for mutual insurers and clarify language for captives conducting business as reinsurers.

The legislative moves are primarily clarifying in nature, said Sandy Bigglestone, deputy commissioner for the DFR’s Captive Insurance Division.

"With respect to reinsurance, amendments were made to bring more consistency with what is allowed on a direct insurance basis and what is allowed on a reinsurance basis by captive insurance companies to expressly state captives can reinsure risks of its parent, affiliated companies and controlled-unaffiliated business," Bigglestone said in an email.

She explained the change will make it easier for the industry to interpret state law.

Improving the regulatory environment for captives will also help the state remain a leader in the sector as competition is increasing to draw captive business and new domiciles emerge, Bigglestone said.

"However, with Vermont's proven track record and experience, it's an opportunity for us to continue to be a role model of strength in regulation for the benefit of the industry," she said.

Vermont along with Bermuda and the Cayman Islands is one of the leading captive domiciles. Combined, the three jurisdictions account for around a third of the 6,000 captives in more than 70 jurisdictions worldwide, according to Brian McNamara, head of captive solutions and multinational North America at Allianz Commercial (BestWire, May 16, 2025).

McNamara confirmed that competition is heating up and pointed to Singapore, Malta, Luxembourg and Guernsey as international areas seeing growth.

(By Steve Hallo, senior associate editor, BestWire: Steve.Hallo@ambest.com).
May 23, 2025

Nevada Legislature Passes Regulation Experimentation, Home Insurance Bill

Nevada's Legislature passed a bill to create a four-year insurance product innovation program, test flex-rate filing processes and allow certain organizations to create captives that offer home insurance.

Assembly Bill 376 passed the lower chamber on May 27 and cleared the Senate on June 2, according to the legislative record.

The insurance commissioner would be tasked with creating the Regulatory Experimentation Program for Insurance, which would allow authorized carriers offering at least one property insurance product in Nevada to test new products without having to comply with certain insurance statutes.

As part of the application process, carriers would need to explain the purpose of the exemption and would need to inform consumers of the experimental nature of the product.

This program would allow carriers to better meet evolving risks and increase their ability to bring new products to market, according to the American Property Casualty Insurance Association. The association said the inability to launch products that could better meet consumers' needs is one of the major reasons carriers exit markets. Lack of rate adequacy is the other major reason.

In addition to the innovation program, AB 376 also creates a flex-rating program, which would allow carriers to file rate increases so long as the request doesn't exceed a threshold set by the commissioner. The program would give the regulator a 15-day period to review the filing. If the request fails to meet certain requirements, it would be treated as if the company was not participating in the program.

The APCIA said in highly inflationary times, this pricing approach helps insurers match risk to rate.

Further, AB 376 would allow homeowners associations and other similar organizations to form captive insurance companies. The bill also allows these captives to offer home insurance coverage to their members by removing provisions that prohibited the practice.

The bill also explicitly allows carriers to include wildfire exclusions on property policies and to offer standalone wildfire coverage.

The National Association of Mutual Insurance Companies said it supports the initiatives that give carriers more flexibility to respond to evolving consumer needs.

"By creating innovation platforms and allowing consumers to form alternative risk transfer mechanisms such as captives to provide needed coverage options, the Nevada Legislature is helping address challenges being felt in every state," Christian Rataj, senior regional vice president, Western region, for NAMIC, said in an email.

In other Nevada legislative news, the Senate passed a bill that would double the minimum required liability insurance limits for motor carriers, such as freight haulers and transportation companies, from federally mandated $750,000 to $1.5 million (BestWire, April 23, 2025). The industry opposes the liability bill, saying it is unnecessary and could harm small businesses.

The five largest writers of homeowners multiperil insurance in Nevada during 2024, based on direct premiums written, were: State Farm Group, 17.9%; Farmers Insurance Group, 11.7%; Allstate Insurance Group, 10.29%; American Family Insurance Group, 9.07%; and USAA Group, 7.99%, according to BestLink.

(By Steve Hallo, senior associate editor, BestWire: Steve.Hallo@ambest.com).
June 5, 2025

Barbados Moving to Evolve Captive Insurance Regulations

In a bid to maintain its appeal as a captive insurer domicile, Barbados' Financial Services Commission is soliciting feedback on ways to improve its regulatory and administrative framework for the captive insurance sector.

The commission's global consultation was spurred by the rising demand for captive insurance and is part of the country's broader work to promote itself as a hub for international business services, the FSC said, noting the country ranks among the top 10 global domiciles.

The consultation will ensure the FSC's framework continues to align with the industry's needs, Oliver Jordan, FSC board chairman, said in a statement.

Jordan said Barbados is already known for the simplicity of its regulatory approach, legal and political stability and favorable business environment.

The FSC'S consultation questions indicate the organization is considering allowing captives to operate as registered limited partnerships and permitting captives structured as protective cells.

Protected cell captives are being leveraged more often, as they are faster and more cost-efficient to establish, according to an August 2024 Best's Market Segment Report (BestWire, Aug. 7, 2024). They can also later be converted into fully licensed captives.

The commission is also seeking feedback on how Barbados' capital requirements compare with other domiciles, according to the consultation documents.

The FSC is also asking about its licensing timeline and how requiring a local principal office affects establishing and running a captive in Barbados.

The FSC is accepting responses until Sept. 30.

Captives have become increasingly popular due to the persistent hard market and accounted for roughly a quarter of all commercial premium globally, according to the Best's Market Segment Report. In 2023, Barbados accounted for 6% of AM Best-rated captive insurers, according to the report.

The move to revamp its captive regulations comes as global competition heats up to attract captive insurers, said Brian McNamara, head of captive solutions and multinational North America at Allianz Commercial (BestWire, May 16, 2025).

Although the big three domiciles Vermont, Bermuda and the Cayman Islands continue to be the top destination for new captive formations, McNamara said other domiciles are catching up, including Singapore, Malta, Luxembourg and Guernsey.

(By Steve Hallo, senior associate editor, BestWire: Steve.Hallo@ambest.com).
June 9, 2025

Northern Mariana Islands Governor Approves Law Paving the Way for Captive Insurers

The governor of the Commonwealth of the Northern Mariana Islands has signed into law a measure allowing for the creation of captive insurers.

Gov. Arnold I. Palacios signed Senate Bill No. 24-09, dubbed the Captive Insurance Act of 2025, according to a notice he sent leaders in the Senate and House of Representatives on June12. It is now known as Public Law 24-03.

The act permits a captive insurance industry in the CNMI and provides for the companies to be licensed and domiciled there. The measure defines captives as “a limited-purpose insurance subsidiary of a company with the specific objective of financing risks of its parent and affiliated companies.”

Under terms of the law, no captive insurer would be permitted to insure any risks other than those of the parent and its affiliates. The law also sets out financial targets for an insurer and sets licensing fees. Each captive will be required to pay a $500 nonrefundable fee and special-purpose financial insurance companies will be required to pay a fee of $2,500.

It requires pure captives to have a minimum capitalization of $50,000; group captives will face a $100,000 requirement and it will be $150,000 for an industrial insured captive company incorporated as a stock insurer, according to the legislation. Risk retention groups will have a minimum of $500,000.

“Captive insurance companies can serve a valuable risk management function, and that their responsible utilization and the growth of the captive insurance industry in the Commonwealth of the Northern Mariana Islands (Commonwealth) are in the best interests of the Commonwealth,” the measure said.

Hong Kong’s Insurance Authority has granted authorization to its first captive insurer formed by a multinational enterprise based there (BestWire, May 5, 2025).

The IA said it has granted approval to Wayfoong (Asia) Ltd., a wholly owned subsidiary of U.K. banking conglomerate HSBC Group, in what the head of the regulatory body said could be the first approval in a growing trend for Hong Kong.

(By Terrence Dopp, senior associate editor, Best’s Review: Terry.Dopp@ambest.com).
June 30, 2025

Vermont Regulators See No Slowdown in Captive Formations During First Half of 2025

The Vermont Department of Financial Regulation licensed 35 new captive insurers this year through June 30, a number comparable to both 2023 and 2024.

Jim DeVoe-Talluto, assistant director, captive insurance at the VDFR, said in an email the figure compares to 38 new captive licenses issued in 2023 and 41 in 2024. Vermont is the largest captive domicile in the world, and he said the state still has several applications under review that could make 2025 among its top historical years in terms of formations.

“We are continuing to experience strong growth in captive formations,” he said. “We also look at net growth as a key indicator (formations minus dissolutions), and that trend is positive as well, with net growth of 20 captives in 2023, 24 in 2024 and 28 through June 30, 2025.”

New captive formations could slow in a “transitional” global insurance market but remain unlikely to dry up altogether, said Brian McNamara, head of captive solutions and multinational North America at Allianz Commercial (BestWire, May 16, 2025).

Companies looking to captives for insurance purposes could also reduce the level of premiums going into the captives under a softening market, McNamara said. Risk managers would be likely to transfer more risk if that becomes cheaper than retaining it.

“Captive formations may eventually slow down in a softening market, but formations appear to be a lagging indicator,” DeVoe-Talluto said. “Year-over-year commercial premium increases may not be mitigated by a one-year dip in pricing or increase in availability, and a new captive may still be feasible.”

Occasionally, the VDFR will see a captive application withdrawn based on improving market conditions, but he said seeing parent companies alter the manner in which they utilize captive is more common. Changes in commercial capacity that companies can employ strategies such as decreasing captive limits or exposure, along with transferring more risk to the commercial market.

“We continue to experience significant growth, so it may take several years in a broad, sustained soft market to be reflected in captive formations,” the regulator said.

DeVoe-Talluto said his department is observing the macroeconomic indicators and the wider insurance industry, which he said is key to effective regulation. He said the word most appropriate for the current economic conditions is “uncertainty” with issues including tariffs, supply chain interruptions and/or changes to health policy as being among those issues driving that uncertainty.

Historical weather modeling and how applicable that data is to pricing of risk is also a potential area of uncertainty, he said.

(By Terrence Dopp, senior associate editor, Best’s Review: Terry.Dopp@ambest.com).
July 9, 2025

UK Eyeing 2027 for Captive Insurer Regulation Implementation

In a move with strong industry support, the United Kingdom government said it is working on regulations to expand and support a captive insurance sector with the aim of implementing the framework by mid-2027, according to a consultation response from the U.K. Treasury Department.

The new framework will lift the country’s status as an international jurisdiction for insurance and risk management, the Treasury said. The new rules also support the government’s wider economic growth goals by increasing the range of financial services offered in the United Kingdom and giving businesses another risk-management option.

The Treasury said to meet these goals, regulations should be written to proportionally lower capital requirements for captive insurers, reduce application and administration fees, speed up the authorization process and reduce ongoing reporting requirements to bring them in line with those for traditional insurers and reinsurers.

The regulations are unlikely to include any tax incentives, as the Treasury said these are not necessary components of a modern, competitive captive sector in the country.

These moves would also open the door for the potential of more flexible, cost-effective options, such as protected-cell companies, according to Marsh McLennan. These options would be of particular benefit to small and mid-sized companies.

“We need to ensure that the new captive framework will not only allow the U.K. insurance market to further demonstrate its reputation for innovation but also that captives can be formed as seamlessly as they are in other jurisdictions,” Chris Lay, chief executive officer of Marsh McLennan, U.K., said in a statement.

Lay previously ran Marsh’s global captives business, and said he saw firsthand how these changes can enable organizations to better manage risk.

Updating these regulations is an inflection point for the United Kingdom’s captive sector, said Kathryn Moore, head of nonlife at independent insurance consultancy Broadstone.

“By proposing a dedicated framework for the market that includes lower capital and reporting requirements as well as streamlined authorization, the government is sending a clear signal that the U.K. intends to become a global hub for captive insurance,” Moore said in a statement.

While the United Kingdom is looking to loosen rules for captive insurers, the Financial Conduct Authority said it is preparing to take a more strident approach to nonfinancial misconduct at nonbanking entities, such as insurers (BestWire, July 7, 2025).

(By Steve Hallo, senior associate editor, BestWire: Steve.Hallo@ambest.com).
July 15, 2025

Cayman Issues 16 New International Insurance Licenses in Second Quarter

The Cayman Islands Monetary Authority in the second quarter issued 16 new international insurance licenses, including nine for new captives.

Along with the nine Class B(i) captive licenses, the CIMA issued six for Class B(ii) reinsurers and one Class C insurer. With five issued in the first quarter, the agency has issued a total of 21 new international insurer licenses in the first half of 2025, industry group Insurance Managers Association of Cayman said in a statement.

IMAC said regulators have approved another nine applications in principle and 14 are currently under review. This would bring the total count for 2025 to 44, a record-setting total exceeding the 42 issued in all of 2024.

“The international commercial insurance, reinsurance, and captive sectors in Cayman continue to show strong and sustainable growth,” Kieran Mehigan, chair of IMAC, said in a statement. “We are particularly encouraged by the continued expansion of both single-parent and group captives, as well as the increasing number of new commercial reinsurers contributing to the jurisdiction’s momentum.”

The licensees approved in the second quarter bring to 712 the total number of Class B, C, and D insurance companies domiciled in the Cayman Islands with a combined $41 billion in premiums and managing a total of $152 billion in assets. These figures do not include individual segregated portfolios, IMAC said.

While Vermont, Bermuda and the Cayman Islands remain the top domiciles for captive insurer formations, other jurisdictions are growing, said Brian McNamara, had of captive solutions and multinational North America at Allianz Commercial, (BestWire, May 16, 2025). The three regions are collectively home to around a third of the 6,000 captives in more than 70 jurisdictions worldwide, according to Allianz. About half are located in the larger United States, as other onshore domiciles like Hawaii and Arizona see growth.

(By Terrence Dopp, senior associate editor, Best’s Review: Terry.Dopp@ambest.com).
July 22, 2025

Connecticut Passes New Captive Insurance Law Expanding Current Regulations

Connecticut Insurance Commissioner Andrew Mais said the state has updated its captive insurance regulations to strengthen supports for businesses that rely on them to manage risks and costs.

Mais in a statement said Gov. Ned Lamont signed Public Act No. 25-130 dubbed “An Act Concerning Captive Insurance.” The act shows a commitment by the state to maintain a “business-friendly” and competitive environment for captives.

“We understand the evolving risk management needs of businesses, and these updates, combined with the state’s expertise and focus on innovation, reinforce Connecticut’s position as a leading domicile for captives.”

The measure allows different types of captives including pure captives, sponsored captives, special purpose financial captives, agency captives, industrial insured captives and association captives to convert into protected cells with the insurance commissioner’s approval.

It also permits sponsored captive insurers, with the necessary consent and approval, to sell, transfer or assign a protected cell and its related assets and obligations to another new or existing sponsored captive, Mais said.

The commissioner is authorized under the new guidelines to separate an insolvent protected cell and convert it into a new protected cell or standalone captive while keeping its assets, rights and obligations intact.

“These updates demonstrate our commitment to giving businesses greater flexibility and practical tools to manage risk,” said Fenhua Liu, captive division director at the Connecticut Insurance Department. “By listening to industry needs and adapting, we help ensure Connecticut remains a trusted and forward-looking home for captives of all sizes.”

Mais said earlier this year his department approved nine new captive insurers, a year-on-year increase of 17%, as well as 17 captive protected cells during 2024 (BestWire, Feb. 6, 2025). This marked the fifth consecutive year of captive growth in the state, Mais said, noting the state’s growing popularity as a captive domicile is “rewarding but not unexpected.”

Legislative reforms in recent years have made the state more friendly toward captive programs. Changes included allowing captives to work with parametric contracts, updating rules for dormant captives and creating greater flexibility for protected cells (BestWire, June 28, 2023).

(By Terrence Dopp, senior associate editor, Best's Review: Terry.Dopp@ambest.com).
July 28, 2025

Taxation

Montana Shifts Captive Insurers' Taxes From Flat Rate to Tiered System

Montana is moving its tax regime for captive insurance companies from a flat-rate system to a tiered premium tax system following Gov. Greg Gianforte's signing of legislation that also introduces minimum annual taxes.

Under the new system, direct premiums are taxed at 0.4% on the first $20 million, according to the new law. Premiums beyond the first $20 million are subject to a 0.3% tax rate. The taxes are due to the insurance commissioner by March 1 each year and the new law will go into effect Dec. 31.

The new law also imposes a tax on assumed reinsurance premiums. Again, using a tiered system, a 0.225% tax will be collected on the first $20 million, a 0.150% rate for the next $20 million and 0.05% for any amounts beyond that.

Further, captive insurers now have a $5,000 minimum tax, with prorated amounts based on the quarter of authorization or surrender of a certificate of authority.

The new bill maintains a $100,000 cap on aggregate taxes collected from captive insurers. Protected cell captives are not covered by this rule, and the new law extends that exclusion to cover special purpose captives with a series of members organized as a limited liability company.

A fiscal analysis of the bill found only one series LLC captive that hit the $100,000 cap since 2022. No other series LLC is expected to reach the cap for the 2026 through 2028 tax years.

While it won't generate any revenue for the state in 2026, the new rules are expected to increase Montana's general fund by $253,280 in 2027 and an additional $405,680 by 2029. The new law isn't expected to generate any costs for the state.

Attempts to gain comment from the Montana Department of Insurance were unsuccessful.

In updating its captive insurance regulations, Montana joins a host of other states also making updates. South Carolina, Arkansas and Arizona each recently lowered capital and surplus requirements for certain types of captive insurers (BestWire, May 14, 2025).

Additionally, Kansas enacted laws in April that will allow sponsors to form protected cell captives (BestWire, April 22, 2025).

(By Steve Hallo, senior associate editor, BestWire: Steve.Hallo@ambest.com).
May 16, 2025

IRS Announces Penalties Against Microcaptive Insurance Executive

The Internal Revenue Service said it has reached a settlement with Bruce Molnar, co-founder and majority owner of Alta Holdings LLC, U.S. Risk Associates Insurance Co. Ltd. and Newport Re Inc., for facilitating microcaptive insurance that violated tax laws.

The IRS declined to specify the penalties, and a spokesman said the government agency had no additional comment beyond a release disclosing the settlement. Molnar paid the penalties for promoting microcaptive insurance arrangements from 2005 to 2012.

A U.S. Tax Court judge in 2019 disallowed tax deductions received by the captive in question, Syzygy Insurance Co., under an 831(b) microcaptive arrangement, finding it did not engage in insurance transactions and the arrangement failed to appropriately distribute risk while charging excessive premiums (BestWire, April 12, 2019). Tax Court Judge Robert Ruwe at the time ruled against the arrangement between Syzygy and Highland Tank & Manufacturing Co., a family-owned Pennsylvania manufacturer of above-ground and below-ground steel tanks.

In a statement announcing the settlement, IRS officials said Syzygy was required to report the premiums it earned as income.

“Molnar, in his role as an officer of Alta, organized and sold a program using contracts their clients treated as insurance and creating new entities that they treated as captive insurance companies,” the IRS said. “Alta’s program, facilitated through its related entities U.S. Risk and Newport Re, was not insurance for federal tax purposes. Accordingly, Alta’s client could not properly deduct amounts paid for the purported insurance contracts to its related captive insurance company.”

The IRS issued final regulations on micro-captive listed transactions and “transactions of interest.” The agency said it will go after managers, advisers and participants in transactions deemed improper.

The federal agency listed microcaptive insurance programs on its 2024 “Dirty Dozen” list of 12 tax scams, saying the programs can prove to be bogus tax avoidance strategies (BestWire, April 15, 2024).

The IRS has prevailed in multiple recent tax court cases involving the arrangements and last year moved to place more regulatory oversight on them. The agency in the past has argued they don’t provide insurance and allow entities to make improperly tax deductions.

(By Terrence Dopp, senior associate editor, Best’s Review: Terry.Dopp@ambest.com).
June 18, 2025

Personnel

Hartford Exec Joins Skyward Specialty as President, Captives & Specialty Programs

Skyward Specialty Insurance Group Inc. named Corey LaFlamme as president, captives and specialty programs.

The company also announced Kirby Hill, who has played a central role in building Skyward Specialty’s captives and specialty programs divisions, will assume the role of chairman, captives and specialty programs. In this new capacity, Hill will focus on business development, key account relationship management, key strategic matters and mentoring, the company said.

LaFlamme has more than 20 years of experience across the specialty landscape. He joins Skyward Specialty from Hartford, where he served most recently as head of programs.

In November, Skyward Specialty launched a new life sciences liability coverage and named Julie Miglin, vice president of life sciences, to lead the new solution (BestWire, Nov. 15, 2024).

Operating entities of Skyward Specialty Insurance Group currently have a Best’s Financial Strength Rating of A (Excellent).

(By Barbara Edwards, BestWire: Barbara.Edwards@ambest.com).
May 14, 2025

Vermont Captive Insurance Association CEO Announces Departure

Kevin Mead, chief executive officer of the Vermont Captive Insurance Association, said he intends to step aside from the post after three years and said he’ll remain onboard until his successor is named.

In an update circulated June 9 by the VCIA, Mead said he asked the group’s board of directors to begin the process of finding the successor and he will work with them to fill the post. Part of that assistance will be working with a transition team crafting an updated job description and candidate profile for the position.

Mead has led the group since February 2022. Vermont is the largest captive insurance domicile in the United States.

The VCIA couldn’t immediately be reached for further comment. No reason was given for Mead’s departure.

VCIA will continue uninterrupted in serving member and stakeholders, Mead said. Work that started at its 2024 conference on crafting a new future for the organization through strategic planning and adopting pillars of education, engagement and advocacy is underway and will continue unabated, the note said.

While Vermont, Bermuda and the Cayman Islands remain the top domiciles for captive insurer formations, other jurisdictions are growing, McNamara said (BestWire, May 16, 2025). The three regions are collectively home to around a third of the 6,000 captives in more than 70 jurisdictions worldwide, according to Allianz. About half are located in the larger United States, as other onshore domiciles like Hawaii and Arizona see growth.

(By Terrence Dopp, senior associate editor, Best's Review: Terry.Dopp@ambest.com).
June 9, 2025

Hawaii Appoints Insurance Commissioner

Scott Saiki has been named as insurance commissioner for the state of Hawaii Department of Commerce and Consumer Affairs Insurance Division, effective July 16.

In his new role, Saiki will be responsible for overseeing the insurance industry in the state of Hawaii, which includes companies, insurance agents, self-insurers and captives.

Saiki is succeeding Jerry Bump, who was acting as insurance commissioner and will return to the role of chief deputy insurance commissioner.

Saiki joined the Hawaii Insurance Division in December 2024 and has served as acting chief deputy insurance commissioner since February of this year. Saiki also served for more than three decades in the Hawaii House of Representatives, including time as majority leader and speaker of the house.

In February, Bump was named as acting insurance commissioner at the Hawaii Department of Commerce and Consumer Affairs following the retirement of Commissioner Gordon Ito (BestWire, Feb. 4, 2025).

(By Annabelle Wadeson, BestWire: Annabelle.Wadeson@ambest.com).
July 18, 2025

Captive Industry News

Best's Market Segment Report: Captive Insurance and Alternative Risk Entities Continue to Emerge and Excel

Rated U.S. captive insurance companies reported another strong year in 2024 and continued to outpace their commercial market peers despite a 14% drop in net income, according to a new AM Best report.

The Best's Special Report, "Captive and Alternative Risk Entities Continue to Emerge and Excel," states that the population of AM Best-rated U.S. captives posted net income of $1.3 billion, down from $1.5 billion in the previous year. This result comes on the heels of a 51% net income increase in the previous year. Additionally, the five-year average combined ratio of 88.0 for the AM Best-rated U.S. captives outperform the 97.0 of their commercial casualty peer composite. At the same time, the U.S. captive composite has seen underwriting volatility in recent years, which led to a 9.6-percentage point deterioration on their combined ratio to 98.5 in 2024, but the segment continues to create significant savings on traditional commercial market insurance spend. Between 2019 and 2024, the captive composite added $4.6 billion to its year-end surplus while returning $2.0 billion in dividends, representing $6.6 billion in insurance cost savings that the captives retained for their own organizations by not purchasing coverage from the commercial lines market.

"There continues to be a noticeable increase in the adoption of captive insurance solutions by owners, sponsors and managers, although the pace of formations has slowed some as the hard market has gradually abated in certain lines of business, such as D&O or cyber," said Dan Teclaw, director, AM Best. "However, overall usage of captives for new lines or coverages such as employee benefit risks or parametric contracts is still expanding, reflected by sustained year-over-year increases in premiums."

The report states that the historical drivers of the captive composite's outperformance of the broader commercial lines market remain unchanged and include the captives' efficiency in managing claims and mitigating risk, their ability to control operating costs and their focused approach to underwriting. Additionally, as strategic extensions of owners' enterprise risk management functions and as self-insurance vehicles, captives are incentivized to focus on loss control and the preservation of capital, as opposed to chasing profitability and higher rates of return.

"When risks appear overpriced or unavailable at the terms and conditions a company may need, captives have the flexibility to step in and customize if they have appropriate capital support," said Teclaw. "Although captives are not created with the intention of being profit centers for their organizations, they remain highly profitable, and AM Best would expect captives' results will continue to be favorable in 2025."

To access the full copy of this market segment report, please visit http://www3.ambest.com/bestweek/purchase.asp?record_code=356343.

SBC Obtains Regulatory Approval to Form Captive Insurer in Hong Kong

Hong Kong's Insurance Authority has granted authorization to its first captive insurer formed by a multinational enterprise based there.

The IA said it has granted approval to Wayfoong (Asia) Ltd., a wholly owned subsidiary of U.K. banking conglomerate HSBC Group, in what the head of the regulatory body said could be the first approval in a growing trend for Hong Kong.

"This decision taken by the HSBC Group reflects our growing attractiveness and promising potential as a key captive domicile, leveraging the unique advantages of Hong Kong to facilitate multinational enterprises in managing their global operations," Clement Cheung, chief executive officer of the IA, said in a statement announcing the approval.

Cheung said the move also demonstrates how IA strives to elevate Hong Kong as an international financial center and promote balanced development of the insurance industry.

HSBC did not respond to a request for comment.

Christopher Hui, secretary for financial services and the treasury, said in a statement Hong Kong's government has worked with companies in several ways to boost Hong Kong as a place to get access to insurance, reinsurance, risk management services, and form captive insurers. Those efforts include a 50% tax concession for local captive insurers, he said.

"Given the current global situation where risks take on new dimensions, we will continuously revisit our policy tools with a view to attracting more multinational enterprises from various regions and of multiple scales to choose Hong Kong as the base of their captive insurers," Hui said.

In another captive insurance development, SiriusPoint Ltd. said in March it formed a strategic partnership with U.S. broker Holmes Murphy to launch an offering for captive insurers (BestWire, March 20, 2025).

SiriusPoint said it has partnered with Holmes Murphy and its wholly owned managing general agent Innovative Program Solutions to launch an umbrella excess insurance product tailored to captives managed by Holmes Murphy and its subsidiaries. SiriusPoint said in a statement announcing the deal it will write the line for captive members on a nonadmitted basis.

(By Terrence Dopp, senior associate editor, Best's Review: Terry.Dopp@ambest.com).
May 5, 2025

HNYC's Javits Center Cleared to Form Captive as Part of 2026 Budget Signed by Governor

The operators of New York's Jacob K. Javits Convention Center would be able to form a captive insurer under a Fiscal Year 2026 budget bill signed by Gov. Kathy Hochul.

Tucked inside the $252 billion spending plan is a section authorizing the subsidiary of the New York Convention Center Development Corp. to form a pure captive insurer. The enabling legislation requires the entity to submit written notice of any application to the governor, president of the state Senate and speaker of the state Assembly.

No potential outline has been disclosed for a captive and the New York Department of Financial Services could not immediately be reached for comment.

A spokesman for the Javits Center said in an email the operators are currently conducting a feasibility study of a captive formation and there are no outlines yet of a possible structure. The convention center currently spends approximately $6.5 million annually to insure the facility with various lines of coverage and carriers involved.

"We are exploring the captive option in response to issues relating to the cost of premiums, market volatility and market capacity," the Javits spokesperson said. "Having the option of bringing portions of our insurance program into a captive will provide flexibility in addressing those issues and provide cost savings to the Center. Any potential cost savings will be determined by the feasibility study."

The development is in line with other states that have been taking action on the topic of captive insurers.

A bill is circulating in Arkansas' Legislature that would reduce capital and surplus requirements for captive insurance companies and rewrite other regulations covering the sector (BestWire, April 4, 2025). Senate Bill 237 would lower capital requirements for association captives incorporated as stock insurers from $400,000 to $250,000 and industrial insured captives incorporated as stock insurers would see requirements lowered from $250,000 to $100,000.

Special purpose captives' capital requirements would drop from no less than $300,000 to no less than $125,000. Current law gives the commissioner authority to set the capital requirement for a special purpose captive based on the company's business plan, feasibility study and pro formas, according to the bill.

The Javits Center had an estimated attendance of nearly 1.3 million people in 2023 and hosted 70 trade shows and conventions, 11 consumer shows and 53 special events that year. The facility is about 18 million-square-feet on Manhattan's West Side.

(By Terrence Dopp, senior associate editor, Best's Review: Terry.Dopp@ambest.com).
May 14, 2025

Allianz Exec: Big Three Captive Domiciles Still Rule the Roost, but Others Catching Up

New captive formations could slow in a "transitional" global insurance market but remain unlikely to dry up altogether, said Brian McNamara, head of captive solutions and multinational North America at Allianz Commercial.

Companies looking to captives for insurance purposes could also reduce the level of premiums going into the captives under a softening market, McNamara said. Risk managers would be likely to transfer more risk if that becomes cheaper than retaining it.

"If we do move into a full transition market, captives will be utilized but less than they are at the moment, not that the captives will close or anything," he said. "I think the new formations will slow down and possibly the amount of business going into captives will slow down as well."

When commercial insurance becomes more expensive or restricted, companies turn to captives to retain and manage risk more cost-effectively. As prices soften, McNamara said that can slow formations, but the underlying value proposition of a captive doesn't vanish. Captives are especially attractive for companies with strong balance sheets and favorable loss profiles, he said.

Allianz has the core roles in the captives space according to McNamara global fronting, traditional reinsurance for captive programs, and structured reinsurance via alternative risk transfer.

Captives can lead to as much as 30% to 40% savings in some costs associated with employee benefits, he said.

While Vermont, Bermuda and the Cayman Islands remain the top domiciles for captive insurer formations, other jurisdictions are growing, McNamara said. The three regions are collectively home to around a third of the 6,000 captives in more than 70 jurisdictions worldwide, according to Allianz. About half are located in the larger United States, as other onshore domiciles like Hawaii and Arizona see growth.

McNamara cited Singapore, Malta, Luxembourg and Guernsey as international jurisdictions that are currently growth areas. France recently passed legislation easing captives and the United Kingdom and India are exploring similar moves, he said.

Some jurisdictions have historically been leery of captives because of the misconception that they can be used as tax-avoidance tools, McNamara said. That view has changed in the six decades they've been used as a risk-management devices, he said.

"They're a well- established risk financing, risk management vehicle for large to middle large companies and that that won't change," he said. "I think you'll find more captive domiciles in countries throughout the world. And I think that will help the growth of captives from those countries, i.e. those countries and companies that don't have them currently."

Hong Kong's Insurance Authority this month said it has granted authorization to its first captive insurer formed by a multinational enterprise based there (BestWire, May 5, 2025).

The IA said it has granted approval to Wayfoong (Asia) Ltd., a wholly owned subsidiary of U.K. banking conglomerate HSBC Group, in what the head of the regulatory body said could be the first approval in a growing trend for Hong Kong.

"This decision taken by the HSBC Group reflects our growing attractiveness and promising potential as a key captive domicile, leveraging the unique advantages of Hong Kong to facilitate multinational enterprises in managing their global operations," Clement Cheung, chief executive officer of the IA, said in a statement announcing the approval.

Underwriting entities of Allianz SE have current Best's Financial Strength Ratings of A+ (Superior) and A (Excellent).

(By Terrence Dopp, senior associate editor, Best's Review: Terry.Dopp@ambest.com).
May 16, 2025

HDI Global SE Names Global Sales, Distribution Lead for International Programs, Captives

HDI Global SE appointed Phil McDowell as global sales and distribution lead for international programs and captives.

McDowell will lead efforts to fortify relationships with global and international brokers. This includes enhancing HDI Global's international programs and captive value proposition and driving improvements to the client/broker portal, streamlining the experience for stakeholders.

His collaboration with local HDI Global sales and distribution teams will involve launching comprehensive marketing campaigns aimed at both local and global audiences. Additionally, McDowell's initiatives will focus on bolstering engagement with key brokers. Based in London, McDowell will operate within the global IP department, according to a company statement.

McDowell previously worked at RSA and Allianz.

In March, HDI Global UK and Ireland hired Marcus Breese as head of cyber underwriting (BestWire, March 31, 2025).

Underwriting entities of HDI Global parent HDI V.a.G. have current Best's Financial Strength Ratings ranging from A+ (Superior) to B++ (Good).

(By Barbara Edwards, BestWire: Barbara.Edwards@ambest.com).
May 19, 2025.

USQRisk CEO: Alternative Risk Markets Fill Coverage Gaps

Anibal Moreno, chief executive officer, USQRisk, said alternative risk markets are transforming previously "uninsurable" exposures into structured solutions. Moreno spoke with AM Best TV at RIMS Riskworld, Chicago.

Following is an edited transcript of the interview.

View the video version of this interview here.

Q: What are some of the alternative risks that you're seeing these days?

A: Alternative risk can mean a lot of different things, but you really think about uninsurable risk. Some of the basic ones you can look at, like intellectual property, some sort of (enterprise risk management) exposure. Basically, when a client looks at their risk, they try to figure out what the traditional market is covering, what's excluded.

When we look at alternative risk, we talk about merging traditional insurance with nontraditional insurance, really putting together bespoke solutions for clients that ultimately help solve their overall risk transfer needs. It's basically a great tagalong to the traditional market. It's not meant to solve every traditional exposure, but, overall, it's a great tool to use when you're looking at a holistic approach to risk management.

Q: How do you address those risks?

A: What we do is, we work with clients to really understand what is keeping them up at night. Clients, we'll perform an enterprise risk assessment and figure out what traditional covers they have, what nontraditional covers are there, and we'll put together what might be a structured insurance solution. Sometimes it's a direct solution to the corporate, other times it might be absorbed by their captive and then there's a stop-loss behind the scenes, but there's multiple ways that you can structure these deals.

Alternative risk has been around for a long time, but I still think there's not enough deployment of these solutions, and I think as clients become aware that they're available in the market. They are enjoying the benefits, especially in a hard market or when there's a hard-to-place risk with traditional markets.

Q: Do you think clients are underestimating these risks?

A: Not sure that they're underestimating. They understand that the risks are there, but I think they've been told by traditional underwriters that these are uninsurable, and sometimes they truly may be uninsurable, but there's always a way to structure risk and that's really where alternate risk comes in. At the end of the day, when we look at opportunities, we always mention that it's all about risk transformation.

We find the risk and then we transform it in a different manner to other risk-takers beyond just traditional that might have an interest in absorbing that. This does require the clients to have a lot of alignment of interest. These solutions are usually approved at the board level, so it does require obviously high-level interaction between risk management, treasury, CFO, function, CEO. Overall, it is a long-term play, similar to like a captive, but it does require the client to take a serious look over a multiyear period and make sure that they truly are addressing their enterprise risk.

Q: What are strategies with how alternatives should be deployed?

A: At the end of the day, when you look at alternative risk, you have structured insurance, you have structured reinsurance, you have the (insurance-linked securities) market.

As an example, with the hard market, there's a much larger uptake of structured insurance. Basically, multiyear, multiline, single-line, multiyear, there's captive stop-loss, there's aggregate retention stop-loss, loss, and then there's also cat bonds. You're seeing more and more corporates also take on and go to the cat bond market to supplement their property placements as an example above the traditional layer.

But there's a lot of different ways you can structure these deals. But techniques are basically the same across any line of business, but it does require obviously a client to look, round up, do the math, trying to figure out, OK, what is my true or what is my expected loss, which layer do I retain, which layer do I transfer? That's where it takes obviously a deep dive with underwriting, broking, and clients to make sure that we deploy the right type of solution for that specific client.

View this and other interviews at http://www.ambest.tv

(By John Weber, senior associate editor, AM Best TV: John.Weber@ambest.com).
May 23, 2025

Trade Groups Urging Feds to Repeal 'Transaction of Interest' Microcaptive Rules

A coalition of captive insurance, banking and other stakeholder organizations are calling for the repeal of an Internal Revenue Service rule that aims to rein in in "abusive" microcaptives but significantly burdens small businesses, the group says.

In the works since 2023 and finalized in January, the rule will label a microcaptive as a transaction of interest if the insured entity owns at least 20% of the voting power or value of the captive, and the loss ratio is less than 60% or the transaction didn't generate taxable income during the past five years for the recipients of the funds (BestWire, Jan. 21, 2025).

While the rule was published in January, the IRS announced in April it would waive the penalties for any microcaptive that doesn't file required disclosure by July 31. Initially, these disclosures were due in April, but the deadline was pushed back due to challenges in preparing the disclosure during tax season, the IRS said.

In a letter to leadership at the IRS and the United States Department of Treasury, stakeholders such as the 831(b) Institute called for the rule's repeal ahead of the July 31 deadline.

While the final rule did include some modifications supported by the group, it would still burden small businesses as it runs counter to Congress' intent when it enacted Section 831(b) of the tax code, they said.

This part of the tax code incentivizes the use of microcaptive by small- and medium-sized businesses that struggle to place a policy in traditional markets or if the cost of coverage is too high, the trade groups wrote. Once certain conditions are met, these businesses can exempt the premium from federal income taxes.

However, the IRS launched a nationwide audit program in 2008 as it felt a high percentage of these microcaptives were abusive.

The trade groups said the IRS has more than 1,100 small captive audit cases pending but had only litigated 10 as of June 16. Among the cases that went to trial, more than 27% were settled for 10% or less of what was initially assessed by the IRS.

Should the IRS proceed with the rule, a critical risk management tool leveraged by small businesses would be dismantled, said Dustin Carlson, president of the 831(b) Institute.

“Commercial insurance is often insufficient, unavailable, or unaffordable to many small businesses; by further restraining access to alternative plans with wide-sweeping and ill-informed regulations, the IRS threatens the continued existence of our nation’s small businesses,” Carlson said in an email.

The groups said the rule also violates the Administrative Procedure Act by failing to back up accusations of tax avoidance with data, curtailing benefits granted by Congress and incorporating an “arbitrary and nonsensical limit on small captives.

“Actions like this ruling are based on a flawed understanding of small captive insurance and, as a result, have become a major talking point in the highest levels of American politics,” Carlson said. “They aren’t good for our small business owners, and they aren’t good for the health of our economy.”

(By Steve Hallo, senior associate editor, BestWire: Steve.Hallo@ambest.com).
June 20, 2025.

Aon Plans to Launch a UK-Domiciled Captive Manager Spurred by Regulatory Changes

Aon plc said it will launch a new captive management company domiciled in the United Kingdom in preparation for new regulations confirmed by regulators there that they will be allowed there.

Ciaran Healy, global captives leader at Aon, said the new company will provide clients with more choice as far as locations to domicile captive insurance companies and how best to structure risk-finance programs when the new regulations take effect.

“For a long time, captives have played a central role for organizations looking to optimize their overall risk financing strategy and the numbers of captives globally has continued to grow since the concept was developed in the 1960s,” Healey said. ‘’The U.K. is already home to the world’s leading insurance marketplace in London, and it’s only natural that it should also be a competing jurisdiction for captives.”

Along with prompting new captive formations, the regulations could also lead some captives domiciled outside of the United Kingdom to consider “re-domiciling” there.

The United Kingdom government said it is working on regulations to expand and support a captive insurance sector with the aim of implementing the framework by mid-2027 in an effort to boost the nation’s status as an international jurisdiction for insurance and risk management (BestWire, July 15, 2025).

(By Terrence Dopp, senior associate editor, Best’s Review: Terry.Dopp@ambest.com)
July 15, 2025

Methodology Sources:

AM Best remains the leading rating agency of alternative risk transfer entities, with more than 200 such vehicles rated throughout the world. For current Best's Credit Ratings and independent data on the captive and alternative risk transfer insurance market, please visit www.ambest.com/captive.

The methodology used in determining these ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of AM Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

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News of the Alternative Risk Markets

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Best's Credit Ratings for Captives: An Overview

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