

MARSH CAPTIVE SOLUTIONS: VERMONT

Marsh Captive Solutions is the leading captive manager in Vermont. Established in 1986, our clients originate from various industry sectors and their captives underwrite a broad base of risks. Our staff contains experts in accounting, treasury management, insurance, and program design.

GENERAL INFORMATION

Location: Vermont is located in the northeastern United States.

Accessibility: Direct air transportation to Burlington, Vermont is available from several major cities.

Applicable Legislation: The Vermont Special Insurer Act.

Regulatory Agency: Vermont Department of Financial Regulation.

REGULATORY ISSUES

Acceptable Licensed Entity Types: Pure, industrial insured, risk retention group, association, sponsored, special purpose financial, and branch.

Acceptable Organizational Forms: Stock, limited liability company, mutual, non-profit, and reciprocal.

Permitted Business: All commercial lines and most [fronted] personal lines.

Direct Insurance Permitted: Related and "controlled" unrelated risk.

Reinsurance Permitted: Related and "controlled" unrelated risk.

Policy Form and Rate Approval: Not required.

Local Office Requirement: Principal place of business. One Board of Directors meeting annually in Vermont. One resident director. Approved management company.

CAPITALIZATION & SOLVENCY REQUIREMENTS

Minimum Capital and Surplus

Pure	US\$250,000
Industrial Insured	\$500,000
Risk Retention Group	\$1,000,000
Association	\$500,000
Sponsored	\$250,000
Special Purpose Financial	\$5,000,000
Branch	\$250,000

Solvency

No formal solvency requirement exists, however a general benchmark is minimum of \$1 of surplus for every \$5 of net written premium. Minimum Capital & Surplus can take the form of cash, marketable securities, a trust fund, or a letter of credit.

PREMIUM TAXES

Head of Office

Chris Varin

Senior Team

Edward Precourt

Marcy Waterfall

Linda Elliott

Lori White

Office Address

100 Bank Street, Suite 610
Burlington, VT 05401 USA

Mailing Address

P.O. Box 530
Burlington, VT 05402-0530 USA

T: +1.802.864.5599

F: +1.802.859.3599

MARSH CAPTIVE SOLUTIONS: VERMONT *CONTINUED*

Premium tax on direct premiums	<p>0.380% on first \$20 million.</p> <p>0.285% on next \$20 million.</p> <p>0.190% on next \$20 million.</p> <p>0.072% thereafter.</p>
Premium tax on reinsurance premiums	<p>0.214% on first \$20 million.</p> <p>0.143% on next \$20 million.</p> <p>0.048% on next \$20 million.</p> <p>0.024% thereafter.</p>
<p><i>1) Premium taxes are subject to an overriding minimum of \$7,500 per year and an overriding maximum of \$200,000 per year. 2) Premium for contracts providing direct reimbursement for losses incurred under qualified self-insured workers' compensation programs are taxed at assumed rates. 3) For sponsored captives, the minimum applies to the sponsor only, not to each cell but the maximum is applied to each cell individually. 4) Two or more captive's that are not sponsored captives, under common ownership, file on a consolidated return, subject to the minimum and maximum on a consolidated basis. 5) A \$7,500 credit applies in the first year of operations.</i></p>	
Intercompany Loans	<p>Pure captives may lend funds in excess of the minimum capitalization requirements (\$250,000), subject to regulatory approval. Approval is generally granted only for parents having a minimum of \$100 million in equity and an investment grade debt rating. Some exceptions are made to these guidelines after consideration of the overall facts and circumstances.</p>
Investment Restrictions	<p>Admitted market restrictions apply to RRG and Association captives unless exception granted. SPFI's must comply with investment policy approved in Licensing Order. No specific restrictions for other entity types.</p>
Taxation	<p>Income generated by the captive will be subject to the federal tax rate of the captive parent (assuming the parent is US-based); otherwise, the captive income will initially be subject to the US federal rate and consolidated at the rate of the foreign parent. No Vermont State income tax applies to captive profits.</p>
Reporting Requirements	<p>Annual audited financials.</p> <p>Certified loss reserves.</p> <p>Vermont Annual Financial Statement except for RRGs and SPFI's, which file quarterly and annual NAIC Financial Statements.</p>