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Tennessee Passes New Captive Insurance Legislation

Burlington, VT— With legislation unanimously passed by Tennessee's House and Senate that modernizes the state's captive insurance statutes and seems certain to become law, U.S. captive domiciles promise to become even more competitive. Because the law is expected to allow captives to write worker's compensation insurance, possibly without fronting, it will also be innovative.

H.B. 2007 allows protected cell, branch and special purpose financial captives, while updating one of this country's oldest captive laws. Tennessee began allowing captives in the 1970s, but legislation updates were basically absent since then.

"Tennessee was one of first states to license captives," recalls Guy Ragosta, CEO and Partner with The Towner Management Group in the U.S. "I remember managing a large Tennessee captive years ago, but the state fell behind since. It's nice to see them updating legislation and increasing domestic captive competition."

Regulations still need to be drafted, but it appears that the state will also allow captives to write workers compensation insurance without fronting to entities that would otherwise qualify as self-insureds in Tennessee. This likely would appeal most to in-state companies, as those doing business in other states would still face those states' funding and fronting requirements. Tennessee will also cut premium taxes and capital requirements.

"A captive's ability to write workers comp and how it writes it is a state issue," says Len Crouse, TMG Partner and former Vermont captive regulator, "so writing this line of insurance for multi-state operations will be tough. But there is no question that updating Tennessee's captive law was the right choice. It sounds like they're committed to the industry now."

Count on the risk professionals of Towner Management to keep you updated on Tennessee's new captive law as regulations evolve. For more information about Tennessee, another domicile or how we can help you meet your risk financing challenges, please feel free to contact us.