

PRESS RELEASE

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Arizona Captive Insurance Open For Business

On July 1, 2002 the Arizona Captive Insurance Act will go into effect, and the Arizona Department of Insurance Captive Division will begin accepting applications to establish captive insurers in the state.

The Department has a new dedicated division to promote the development and regulation of captives in Arizona. "We were fortunate to find a very experienced Administrator to head the Captive Insurance Division and run the Arizona program," said Charles R. Cohen, Director of Insurance. In February, Richard P. Marshall joined the Department as its Captive Insurance Administrator. "Mr. Marshall is a seasoned professional, who understands the benefits of captive insurance to commercial enterprises and appreciates the importance of sound, quality programs. His will be a sure hand on the tiller as we develop this exciting new Arizona industry."

Mr. Marshall has been directly involved with captive insurance company development as an executive with major insurance groups since 1981.

Captive insurers are generally formed by commercial enterprises as a mechanism to self-insure their commercial risk exposures. They do not transact insurance at-large, but rather serve as risk management financing vehicles for their parent organizations. Typically, captives retain portions of each loss, and then purchase reinsurance above their retentions. Captives provide an alternative funding mechanism when cost, coverage availability or capacity in traditional insurance markets do not meet the insured's needs. They can also provide cash flow benefits, tailored loss prevention and specialized claims service. Most importantly, the profits generated by underwriting and investment income go to the captive owners, instead of to a traditional commercial insurer.

An Arizona captive insurer must maintain a principal place of business and hold at least one board of directors meeting in Arizona each year. The insurer must also engage a "captive manager" that resides in Arizona, and must establish any necessary business relationships with accountants, banks, attorneys, and other professionals doing business at a location in Arizona.

“Other captive insurance domiciles have experienced positive impact on employment opportunities and tourism. We expect the same thing to happen in Arizona,” said Director Cohen. “At the same time, we are focused on making this a sound regulatory program too.”

Two private associations have already been formed to promote the development of captive insurance in Arizona, the Arizona Captive Insurance Association and the Arizona Captive Insurance Council. “We expect to work closely with the private associations, and with the Arizona Departments of Commerce and Tourism, to get captive insurance in this state up and running,” said Director Cohen.

"As anyone who has visited Arizona can tell you, this is a beautiful and distinctive place to do business," said Mr. Marshall. "There are many advantages of establishing a captive in Arizona, among them a pro-business regulatory environment, no premium taxes and reasonable minimum capitalization requirements." Applications and related materials can be obtained by calling Dick Marshall at (602) 912-8420, extension 4209 or sending an email to rmarshall@id.state.az.us. Visit the Arizona Captive Insurance Program web page at www.state.az.us/id/captives.

The Arizona Captive Insurance Association can be reached by calling (480) 563-2315, or visiting www.azcia.org. The Arizona Captive Insurance Council can be reached at (602) 788-0161 or www.captive.com/assoc/acic/index.html.

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