2015: Another Record Year for Delaware’s Captive Insurance Growth

Commissioner Stewart Lauds Captive Bureau’s Performance

DOVER, DE (February 12, 2016) – Insurance Commissioner Karen Weldin Stewart today announced another record year of captive insurance formations in Delaware. In 2015, Delaware licensed 74 pure captive insurers, 3 special purpose captive insurers, and 112 series captive insurers, for a total of 189 captive entities. “The growth of Delaware’s captive insurance program reflects the fact that Delaware is a business friendly environment that applies a firm but fair method of regulation,” said Stewart.

As of December 31, 2015, the number of active captive insurers of all types in Delaware is 1,060. That total consists of 242 pure captive insurers, 740 series captive insurers, 45 special purpose captive insurers, 5 special purpose financial captive insurers, 1 agency captive insurer, 2 industrial insured captive insurers, 2 association captive insurers, and 3 sponsored captive insurers. When Commissioner Stewart formed the captive bureau in July 2009, Delaware had only licensed 38 captive insurers. Delaware’s first captive insurance company was licensed in the 1980s and since then the First State has issued 1,279 captive insurance company certificates of authority.

“I continue to be pleased with the growth of the captive insurance program. This program continues to provide economic opportunities for my constituents and much-needed revenue for the state” said Stewart.

In 2015, Delaware amended its captive insurance laws to codify the licensing of series, which included creation of a new type of captive insurer - a series captive insurance
company. This change in the law has resulted in a significant increase in the total number of captive insurance companies in Delaware.

Delaware pioneered the licensing of series as captive insurers in 2010. Series are sometimes incorrectly confused with protected cells. The difference between a protected cell and a series is that a protected cell is typically a financial account instead of a business organization and, as a creation of a state’s captive insurance laws, lacks the features of a separate legal person. In contrast, a series is the creation of Delaware’s business organization laws and has many features of a separate legal person. Series are primarily formed pursuant to the Delaware Limited Liability Company Act. Unless the governing document provides otherwise, a series of a Delaware limited liability company has the power and capacity, in its own name, to contract, hold title to assets, including real, personal, and intangible property, grant liens and security interests, and sue and be sued. Because a series is a form of business organization, Delaware law now provides it the opportunity to obtain its own certificate of authority as a captive insurance company. For example, a series can be licensed in Delaware as a series captive insurance company or as any other type of captive insurance company including a special purpose captive insurance company. Stewart added, “When I pioneered the use of the series as a captive insurer, I did so with the goal of maximizing flexibility in the use of Delaware business organizations as risk bearing and transfer vehicles. I am delighted that the captive insurance industry has so readily accepted the series as a captive insurance company.”

Captive insurance companies are owned by the entities that they insure, and are formed by businesses who wish to better manage the cost and administration of their own risk. Today Delaware is the world’s sixth largest and the country’s third largest captive domicile. Delaware’s sophisticated corporate laws, financial infrastructure and respected judiciary make it the preeminent jurisdiction for business. These benefits are extended to captive insurance companies through Delaware’s Bureau of Captive and Financial Insurance Products.

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