



DELAWARE PRIMES CAPTIVE INSURANCE DEAL PUMP

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Delaware's legislation, which was passed in July this year, is said to be more flexible than legislation currently in place in Vermont and South Carolina. Until now, South Carolina has been the most active state in captive insurance deals, and the leader in proactively developing legislation facilitating securitizations, said **Doug McBeth**, managing director and head of the insurance products group at **Lehman Brothers**. "The market is welcoming Delaware's legislation as a very positive move," said McBeth. "It's good for the market to have more states in order for there to be more timely transactions, and it's also good for there to be a number of different regulators looking at the sector."

Michael Teichman, an attorney at **Parkowski, Guerke & Swayze** in Delaware, who helped draft the new legislation, said there has been a high level of interest from market-makers in New York. "Delaware is a very good alternative for them because other jurisdictions are becoming saturated with captives," he said.

McBeth agreed. He said the fact that insurance securitization is a big area of focus and being proactively grown in a developing area, highlights the level of interest on both the issuer and investor side," said McBeth. "The combination of good legislation, New York market makers being familiar with the regulatory framework and the state's geographic location will be the driving factors behind the growth of Delaware's captive insurance securitization market."

Baumstein said he has seen some level of interest from hedge funds in captive insurance securitizations. He noted that the deals present a diversified asset class and an opportunity for high relative returns.

--Cathy Cunningham

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