



UTAH: A WESTERN CHAMPION

Following the wildly successful 2002 Winter Olympics, Utah gained enhanced international exposure. The state enjoyed new Olympic-quality facilities, an updated transportation infrastructure and a worldwide reputation for the ‘best snow on earth’. The residents of the state were elated and shared a contagious excitement for the future. Optimism was high, unemployment was low, the economy was on a roll, and the future was bright.

Then-Governor Jon Huntsman had a vision to capitalise on these elements as he designed and spearheaded an aggressive economic development initiative. The results of his initiative are impressive. The transportation infrastructure, including freeways and public transit, has been extensively upgraded. Numerous large corporations were attracted to Utah by the low cost of doing business, a young and highly educated workforce, diverse recreational opportunities and a business-friendly government.

Utah has since been recognised several times by prominent institutions. In 2010 *Forbes* placed Utah in the top spot on its 2010 Best States for Business list. The rigorous study measured six key categories—costs, labour supply, regulatory environment, current economic climate, growth prospects and quality of life—drawn from 33 primary data points.

Furthermore, the state’s pro-business regulatory climate earned it a number two ranking on the Pacific Research Institute’s index of regulatory issues in its 2010 *US Economic Freedom Index*. In addition, Utah has a AAA debt rating from Moody’s, S&P and Fitch. In 2011, *Forbes* crowned Utah the country’s most fiscally fit state government. The *ALEC-Laffer State Economic Competitive Index* also ranks Utah the number one state for ‘economic outlook’, based on its ‘conscientious efforts’ to maintain a best-in-class environment for businesses in the state.

Ross Elliott of the Utah Insurance Department outlines Utah’s strengths as a captive domicile and the factors that have enabled the state to achieve enviable growth in recent years.

Governor Gary Herbert continues to set the tone for the relationship between business and government. During his 2011 State of the State address, he reiterated the intention to “keep government off the backs and out of the wallets” of business. The objective is to continue the creation of new jobs in the state economy without increasing the role of the government.

Business-friendly regulatory environment

In 2002, under the direction of deputy commissioner Neal Gooch, extensive research and coordination resulted in the passage of the Utah Captive Insurers Act in 2003. The act provides for the creation and regulation of several types of captive insurance structures, including pure, association, branch, sponsored, industrial insured (risk retention groups), reinsurance, and special purpose. Separate legislation in 2008 added special purpose financial captives to the list.

Reflecting Utah’s business-friendly culture, the stated purpose for the captive legislation is the creation of professional job opportunities, employment growth, and risk management opportunities for Utah’s burgeoning businesses. With that purpose in mind, Utah opted to bypass the traditional funding for captive insurance regulation. Instead of



levying a premium tax on the new insurers, a flat licence renewal fee was instituted. The revenue from the fee is dedicated to funding a new captive division in the Insurance Department, ensuring that the department has sufficient resources to respond to the needs of captives—be it new formations, business plan changes, and other communications.

The captive division continues to enjoy unparalleled support from the governor's office, the legislature, and an experienced and engaged insurance commissioner.

As the number of captives licensed in Utah has grown, professional staff have been added to meet the regulatory needs. These individuals, who are exclusively dedicated to the captive division, are impressively qualified. Advanced degrees are common, including Master's degrees in accountancy and business administration, and substantial tax and insurance operations experience. Once they are on board, employee education and training has been a constant focus. New insurance industry credentials are valued and are being actively sought. We are pleased to add the following designations to the captive division: CFE, AFE, FLMI, PIR, and APIR. Three more individuals are currently completing their Associate in Captive Insurance (ACI) courses. The benefit to the captive insurance industry is obvious. Utah is open for

business: we know what we are doing and are dedicated to ensure the success of captive companies.

As Utah's captive industry matures, the state's regulatory infrastructure continues to grow and develop to provide the necessary support services required to respond to captive companies' needs. Rather than review and approve all types and sizes of captives, Utah has followed a strategic development path where experience has been developed with single-parent, pure captive structures before transitioning to more complex facilities such as sponsored captives or special purpose vehicles. This specific direction has resulted in Utah's development of niche expertise in pure captive structures.

Quality of life ... and business

Annual board meetings, as well as other company functions, are easily accommodated for all, whether they want a quick in-and-out meeting or they plan to stay and enjoy all Utah offers.

Utah's strategic geographic location in the heart of the American West means that its moniker, 'the crossroads of the West', is more than just a catchphrase. By road, rail and air, the state is optimally positioned



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as a distribution hub. The state capital, Salt Lake City, is central to all major western US markets. Utah businesses, residents, and visitors all benefit from the state’s superb transportation infrastructure and its highly efficient systems for moving people and goods. Salt Lake City and the Wasatch front constitute the major population centre for the state. The Salt Lake City international airport is located about 15 minutes’ northwest of the city centre and is a delta hub. It offers 48 scheduled daily flights serving more than 90 cities with non-stop flights. More than half of the entire US population can reach Salt Lake City within a two-and-a-half hour flight.

For those who choose to spend some extra time there, Utah offers extraordinary vacation and tourist venues. Eleven major ski resorts and 50 golf courses are within an hour’s drive of the Salt Lake City airport. The state is home to five national parks, seven national monuments, two national recreation areas, six national forests and 43 state parks. There are also rich artistic and cultural resources including symphony orchestras, and opera and ballet companies. The Sundance Film Festival, Utah Shakespearean Festival, and Mormon Tabernacle Choir are Utah treasures.

Southern Utah contains the greatest concentration of national parks in the US. The state’s five national parks—Arches, Bryce Canyon, Canyonlands, Capitol Reef and Zion—are regularly recognised as among the most spectacular and beloved national parks by visitors in the US and from around the world. Moab is a popular destination for mountain biking, hiking, and outdoor recreation in some of the most scenic venues in the world.

How many captives are licensed in Utah?

Initial growth was slow but consistent. The first captive was licensed in 2003. Another one received its certificate of authority in 2004. Since then, the number of licences issued has accelerated. In 2008, 32 licences were issued, followed by another 33 in 2009 and 54 in 2010. But in 2011 a new record was set, with 69 new captive licences issued.

The number of captives actively writing business is now 239. Another 14 are currently pending review and licensing.

How responsive is the captive division to requests?

The captive division recognises the need to process information as

quickly as possible to meet the dynamic needs of the businesses we serve. To that end, technology tools are being constantly improved to provide consistent, accurate, and timely responses. We use a customer relationship management system to follow events for each captive, an electronic archival system for document storage, electronic filing (annual statements, formation applications, business change requests), and extensive emails for communications.

These tools allow us to review and respond to new captive applications usually within two weeks. Most business plan changes, distribution/dividend requests, treaty and contract changes can be reviewed within one or two days, depending on the complexity of the documents.

Where are the parent companies located?

The parent organisations of our captive insurers are located in 28 of the 50 states. About two-thirds of the parents are located in the western region of the US. The companies represent a wide diversity of industries. The largest industry segments in Utah are real estate, healthcare and manufacturing. The majority of the companies are from the middle market tier, in terms of annual revenue and number of employees. One of the most fascinating aspects of working with these companies is the opportunity to meet them periodically and discuss their business operations and concerns.

What is Utah’s vision for the future?

We are extremely optimistic about the future opportunities for growth in the captive industry. Most of the largest companies in the US have already formed captives to supplement their commercial coverage and directly manage their risk portfolios. As the experience and number of service providers continue to expand, these same captive opportunities are being presented to thousands of additional companies in the middle market.

Our future challenge as a regulatory partner in this industry is to grow and develop the necessary expertise and capacity to meet the needs of those who will look to us for solutions to the concerns that would, otherwise, keep them awake at night. ●

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Utah - more than just another captive domicile...

Hundreds of captive insurance companies have discovered that the best part of calling Utah home is playing in its 85,000 square mile backyard. Find out how our diverse environment plus a vibrant business climate can work for you.



Utah Insurance Department

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