

## Market Focus

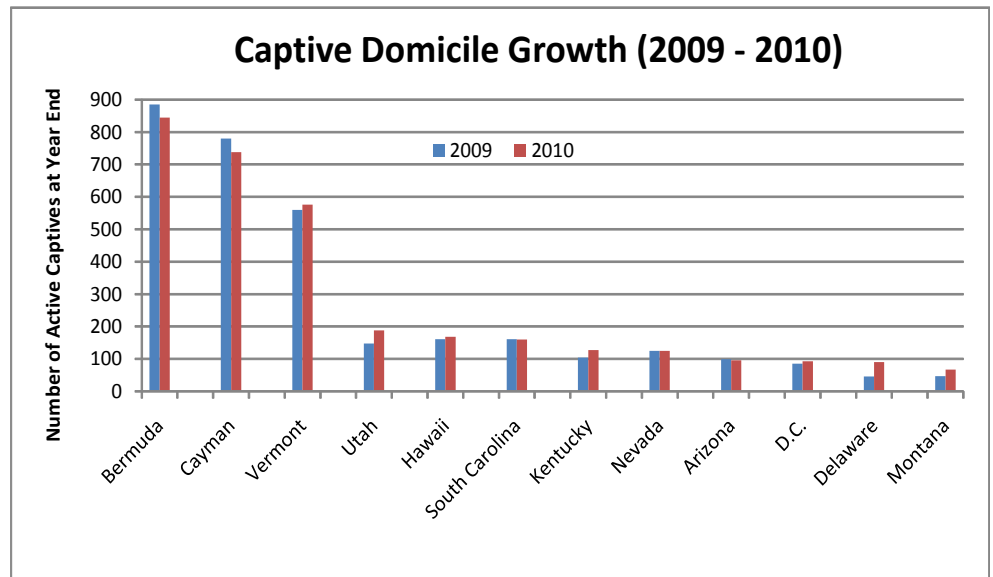
In this issue, we look at recent trends in growth, formation, and industry utilization for captive insurance companies (captives) and risk retention groups (RRGs).



Bermuda and Cayman remain strong domiciles, and there was solid growth in Delaware, Utah, Montana, Kentucky, and D.C.

## Market Focus: Captives and RRGs

The number of active captives was up 2.2% in 2010 despite difficult market and economic conditions. The rankings among the leading domiciles were largely unchanged, with Bermuda remaining number one. Onshore domiciles continued to grow in 2010, with the most significant growth in Delaware, Montana, and Utah (which now ranks second behind Vermont in terms of number of active captives).



Source: Strategic Risk Solutions 180° Newsletter

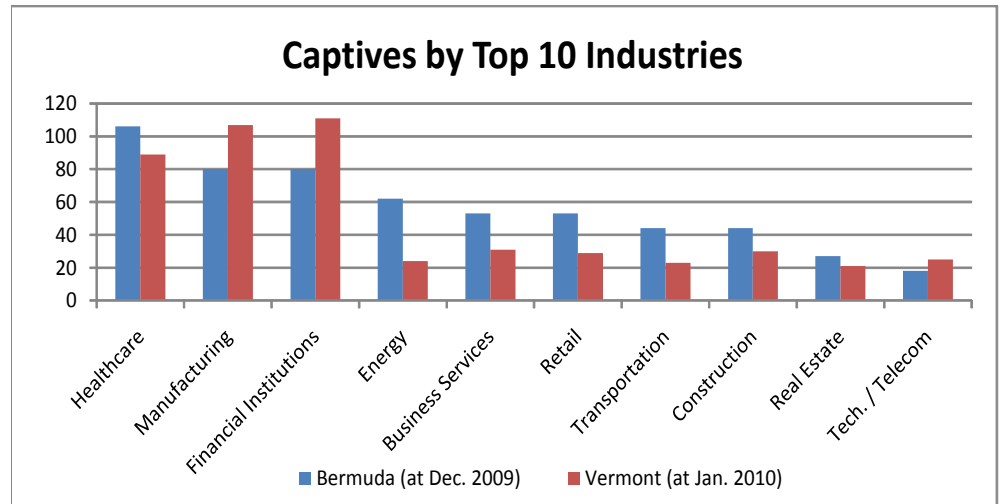
Despite declines, Bermuda and Cayman remain strong domiciles. The declines in Bermuda were mainly due to mergers and consolidations of their main captive segments (Fortune 500 companies and multinationals; association and group captives). Cayman's decline was due to the closure of special purpose captives underwriting catastrophe bonds that were created with a finite lifetime.

Strong growth in Delaware, Utah, Kentucky, and D.C. was due to tax opportunities provided by new 831(b) companies and interest in cell captives, which contributed to relatively flat growth or declines for several other onshore domiciles as they faced increased competition.

The following graph shows the number of captives by parent industry for the largest on-shore (Vermont) and off-shore (Bermuda) domiciles.

## Market Focus: Captives and RRGs (continued)

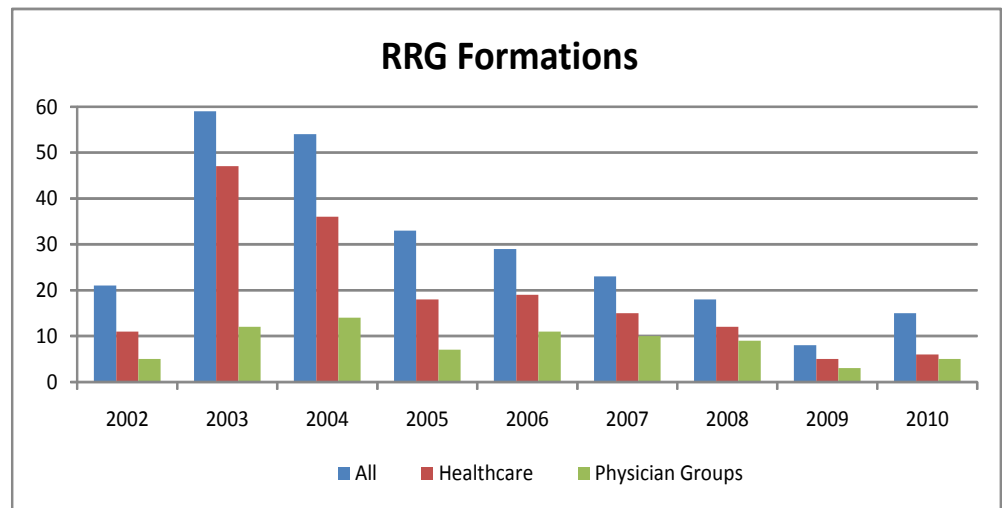
Parent companies of Bermuda and Vermont captives operate in a wide variety of industry groupings, led by healthcare, manufacturing, and financial institutions.



Sources: Vermont Captive website and a recent Bermuda Monetary Authority Captives report

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Source: Strategic Risk Solutions 180° Newsletter

There was rapid growth in the number of active RRGs, particularly in the hard market period of 2002-2005. The number of RRGs continued to increase through 2008 in spite of the soft market, with the first decline in the last decade occurring between 2008 and 2009.

Formations of RRGs were up over 2009. However, closures mostly offset formations, with a total of 254 active RRGs at the end of 2010 (up from 252 in 2009).

Unlike the past several years, the healthcare sector saw a decline in active RRGs in 2010. Most new formations in 2010 came from sectors other than healthcare.