

Column in South Carolina Captive Insurance Association "Palmetto Journal".

By W. Allen Taft

All of us associated with the South Carolina captive insurance industry believe it's going to do big things for the state's economy – but one among us thinks it's going to do really big things.

"I believe our captive insurance industry is going to be as important for our future economy as the BMW (and other) plants of the 90's," Mike Molony told me as we were ruminating during a break in the action at the South Carolina Captive Insurance Association Educational Conference and Membership Meeting in Charleston.

As an old hand in the Bermuda captive market and a more recently established captive company manager in the Palmetto state, I well understand the value to a domicile of a thriving roster of captive insurance companies. But still, as valuable as a Beemer plant? That could be a stretch even for Molony, who's expected to be enthusiastic in his role as SCCIA chairman.

"Look at it this way," he said. "An automobile factory reaches its maximum value in jobs and economic development soon after it opens. If we can manage it right, our captive insurance industry will keep growing indefinitely into the future.

"In Vermont, with its hundreds of captive companies, that must mean billions of dollars flowing through the state.

"I'll never say anything bad about another domicile," he said with a lawyer's straight face, "but we've got all the same advantages in South Carolina, along with lots better weather."

He had a point. We scheduled a golf tournament at our conference in December, while in Vermont they were shoveling snow.

Of course, captive insurance companies are among those "clean" industries that every state covets. They don't have smokestacks or pollute waterways, and they don't worry the environmentalists. It doesn't take as long to build a captive as it does to build, say, an auto plant.

"And just like bricks-and-mortar factories, the captive insurance business can provide economic stability into the future," Molony said. "Look at what the captive insurance business did for Bermuda."

Molony cited a multiplier effect for growth in our industry. "In order to serve these new companies coming into South Carolina, we've had to attract an infrastructure of managers and professional advisors – people like yourself who have brought external experience to help us create a new industry."

Mike didn't notice that I was blushing with the sudden praise as he continued extolling the merits of the South Carolina captive industry.

"You know, it's always more fun building something than running it. We're now in the process of developing an industry rather than just monitoring it as in a mature domicile."

Molony, a partner in the Charleston law firm Young, Clement, Rivers & Tisdale LLP, credits a proactive state government for the sudden growth of the captive industry.

"Our present and prior governors have been the anchors of the effort," he said. "Governor John West got things moving and Governor Jim Hodges is maintaining the commitment and the momentum.

"Governor West, of course, is a member of our SCCIA board, and he's still the one everyone listens to.

"And the person who makes things happen is (state director of insurance) Ernie Csiszar. He's a Canadian with both Wall Street and insurance experience, speaks five languages and the important thing is that we call him the Lou Holtz of the captive insurance industry."

Even out-of-staters know that Holtz is the evangelistic football coach of the South Carolina Gamecocks. The parallel is that Holtz, also, came from outside the state to enhance one of its greatest assets.

"Ernie is a true visionary who wants to help people get a job done, not just follow the bureaucratic forms," Mike said. "I don't think his office has a rubber stamp that says 'rejected.' They want to meet with people to learn what they want to accomplish, and then they see to it that companies applying here get all the resources and help they need.

"Ernie calls the captive division the alternative risk transfer section – ART for short, which is the insurance industry term. That's just an example of how he thinks like a businessman while running the regulatory agency."

Mike points out three practical advantages to captives who are forming for the first time or redomiciling to South Carolina.

"First, the South Carolina Department of Insurance web site www.state.sc.us/doi is extremely comprehensive, and is backed up by the SCCIA site www.sccia.org.

"Second, there's what they call the 'Ernie rule' at the department: priority attention to applications. I believe turnaround is better in South Carolina than in any other domicile, domestic or offshore.

"Third, the department has the depth of capability with a professional actuary, Leslie Jones, who

is a very quick study and helps clarify any issues. Other departments have to send applications out for actuarial analysis.”

Molony foresees the day when the captive insurance industry in South Carolina could become the counterpart to the Research Triangle in the other Carolina. “If we could get one of those big reinsurance companies to relocate down here....do you know any of their top executives who like to play golf?”

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