The following is an edited version of a news release by A.M. Best Company:

The market for captives will continue to grow in 2001 according to a recent A.M. Best Company report. The primary driver is the hardening market in commercial lines.

In A.M. Best Company's 2001 edition of Best's Captive Directory, analysts say that price firming trends have not yet triggered a widespread migration of insureds to self-insure through alternative markets, though "sustained price increases will only increase the likelihood that sophisticated insurance buyers will more seriously consider an alternative market solution over the mid-term." Best's Captive Directory lists captive insurance companies worldwide utilizing a variety of sources. 4,458 captives are listed in the 2001 directory, up 2.4% over last year.

Growth rates for captive insurance companies have been between 4.5% and 5.5% over the past several years with an acceleration of growth in 2000. In 1999, the alternative insurance market accounted for nearly 40% of the total commercial market in the United States, and according to A.M. Best estimates, market share will approach 50% in 2003.

Regulators are seeing steady growth among new captives concentrating in workers' compensation, general liability, and auto liability. Additional trends that are developing include accelerating captive growth in Europe and Asia and offshore captives becoming more transparent to fend off presure from governments to level the tax playing field. Health care captives are moving toward insuring medical malpractice for on-staff physicians while the market for individual doctors tightens.

It is likely more companies in the United States will utilize alternative market vehicles such as captives for their life and health benefits due to a U.S. Department of Labor ruling allowing Columbia Energy Corp. to insure employee benefits in their captive (Columbia Insurance Corp. Ltd., domiciled in both Bermuda and Vermont).