

# Rent-a-Captive Designed to Take Advantage of DC's Incorporated Protected Cell Structure

By Dick Goff

With the new advanced protected cell captive regulation now in effect in the District of Columbia, can a new form of rent-a-captive be far behind?

Actually, at least one new rent-a-captive is in the application process at this time. Its viability and prospects for market appeal were strengthened with enactment this spring of DC's new protected cell captive regulations.

The regulatory difference, of course, is that cells may now be incorporated as legally separate entities. That provides the domestic alternative risk transfer industry's strongest firewall protecting the assets of each cell from all others.

When the protected cell captive concept may at some point in the future be challenged in a court case, it is the commonly held view in our industry that separately incorporated cells will stand up best.

The new rent-a-captive, whose identity will be protected until it is approved, is intended to provide a new facility for ART and serve as a significant economic development vehicle for the District.

As we expected, the rent-a-captive will demonstrate to the ART world the benefits and efficiencies of the most forward-thinking domestic captive legislation to enhance the flexibility and operation of incorporated protected cell captives. It hopes to attract many new outside entities that will be required to do business and employ professional services within the District, which in turn will enhance DC economic development.

While most rent-a-captives have historically been located offshore, the proposed DC company will offer the legal and regulatory advantages of a domestically-domiciled captive along with the financial benefits and flexibility of a rent-a-captive structure.

Initially the new company plans to assume no risk of its own. Cells will be fully collateralized to equal or greater of their actuarially determined financial risk exposures. At a point in the future the company may amend its business plan for the purpose of participating in the risk of its incorporated cells on a selective basis.

Of course, all owners of incorporated cells of the rent-a-captive will apply for DISB approval, as any normal new captive facility would be required to do. Those cell owners who own offshore captives will find this facility's ease of access attractive. Those owners that have never participated in an ART funding structure will be able to test the waters at a significantly lower

threshold of financial commitment.

The company will be aggressively marketed nationally to attract participation and financial investment in the District.

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