



May 1, 2018

Representative Bill Botzow, Chair
House Committee on Commerce and Economic Development
The State House
Montpelier, VT 05602

Dear Chairman Botzow and Members of the House Commerce Committee:

Thank you for this opportunity to address the Vermont Captive Insurance Association's view on the proposed amendment to H.719 regarding affiliated reinsurance companies.

As most of you know, the VCIA is the largest trade association for captive insurance in the world. Established in 1985, the Association has grown to provide support on both the state and federal levels for its over 400 member companies. In addition, it hosts and supports professional education opportunities for the industry at large.

An affiliated reinsurance company (ARC) is an insurance or reinsurance company that reinsures risks only from its parent or affiliates, and is subject to a financial solvency regulatory system separate from that generally applicable to traditional insurers and/or reinsurers in the ceding entity's domestic jurisdiction.

This proposed change to the captive statute will offer an onshore affiliated reinsurance alternative to insurance companies affected by the recent imposition of the Base Erosion Anti-Abuse Tax on reinsurance ceded to offshore affiliates. Nearly all the sections of this amendment reflect sections from other parts of Title 8 with little or no substantive modification. It is expected that these companies will qualify as "multi-state" companies and will be subject to NAIC accreditation standards. However, we understand that it makes sense to amend the captive statutes for this line of business, as it provides the requisite flexibility for regulation as well as tax structure that will benefit both the ARCs and the State of Vermont.

VCIA supports this amendment for two reasons. First, the bill highlights the regulatory sophistication of Vermont's Department of Financial Services in the international insurance marketplace. DFR has already shown its sophistication and regulatory abilities in the captive insurance industry as well as with Special Purpose Financial Insurance

companies domiciled here. This amendment will further Vermont's reputation in this endeavor, which is a primary reason captive insurance companies want to domicile in our state.

Second, this bill could open up new business opportunities for captive insurance service providers based in Vermont, including captive insurance attorneys, accountants, auditors, and captive managers, as well as secondary providers such as banks and asset managers.

I want to applaud Commissioner Pieciak, Deputy Commissioner Provost, and their team for their continuous efforts to keep Vermont in the vanguard in the national and international insurance industry.

Thank you for this opportunity once again.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Smith". The signature is fluid and cursive, with the first name being more prominent.

Richard Smith
President

cc: Dave Provost
Deputy Commissioner, DFR

Ian Davis
Director of Financial Services, DED