

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

December 18, 2012

The Honorable Jeb Hensarling (R-TX)
Chairman-elect
Committee on Financial Services
129 Cannon House Office Building
Washington, DC 20515

The Honorable Maxine Waters (D-CA)
Ranking Member-elect
Committee on Financial Services
2344 Rayburn House Office Building
Washington, DC 20515-0535

Chairman-elect Hensarling and Ranking Member-elect Waters:

Congratulations on your roles as the Chairman and Ranking Member of the House Financial Services Committee in the 113th Congress. Your roles on this Committee will be crucial to the ongoing economic recovery facing our Country and I have no doubt you will both continue to carry out the important work this Committee has historically performed. As you begin to develop an agenda for the upcoming Congress, I wanted to make you aware of an unintended consequence of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) that I am just learning about that has created uncertainty across the captive insurance industry.

As you know, Dodd-Frank included the bi-partisan Nonadmitted and Reinsurance Reform Act (NRRA) that I strongly supported as stand-alone legislation and supported it being included in Dodd-Frank. This provision was intended to create certainty in the tax treatment and regulation of the surplus lines and in the reinsurance industry. Despite this very specific purpose, a couple of states are misinterpreting the application of the NRRA's definition of "Nonadmitted." This incorrect interpretation has left the entire captive insurance industry unsure of how to react to new tax requirements from states.

As a supporter of NRRA and an advocate for its inclusion and passage as part of Dodd-Frank, I can tell you unequivocally that the NRRA was never intended to include the captive insurance industry. Unfortunately, the varying interpretations from different states are having a detrimental impact on the industry. In order to address the problems created, a technical amendment might be needed to reinforce the Congressional intent of this legislation. I would encourage you and your staff to consider such a non-controversial amendment. Captive insurance companies serve a vital role in the financial services industry and it is important that their industry not be negatively impacted by an incorrect interpretation of Congressional intent.

Thank you for your consideration of this issue and congratulations again on your new roles with the Committee.

Sincerely,



JUDY BIGGERT

Chairman

Subcommittee on Insurance, Housing
and Community Opportunity