



March 20, 2015

Via e-mail to: jgarber@naic.org

Director John M. Huff, Chair
Financial Regulation Standards and Accreditation (F) Committee
National Association of Insurer Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Revisions to Part A Preamble Regarding Captive Life/Health Reinsurers

Dear Director Huff:

The Vermont Captive Insurance Association (VCIA) appreciates this opportunity to comment on the proposed revisions to the Part A Preamble, dated February 24, 2015. The VCIA is composed of nearly 500 member companies and is the largest captive insurance trade association in the world. The VCIA recognizes the intention behind the efforts of the Committee members and National Association of Insurance Commissioners (NAIC) staff to study and clarify the definition of “multi-state reinsurer.” In general, the VCIA supports efforts to eliminate inconsistencies and provide guidance regarding the use of captives and special purpose vehicles (SPVs). There are, however, still a number of concerns.

First, VCIA understands from the commentary accompanying the revisions to the Part A Preamble that the intent, other than covering traditional life, health, and property and casualty companies, is to include captive reinsurers of life/health insurance companies but not other captive insurers. The language defining the scope of the Part A standards covering life/health and property/casualty insurers conflicts with the stated purposes because some categories identified are so broad that they could reasonably be read to include captives other than captive life/health reinsurers. Clarification is needed with respect to the scope of the Part A Preamble to avoid any confusion.

One way to address the confusion in the section titled “Life/Health and Property/Casualty Insurers” is to revise the first sentence as follows: The following standards apply to a state’s domestic insurers licensed as life/health and property/casualty insurers **and not licensed under a state’s captive laws**, but only if the insurer is a multistate insurer. We believe that this statement is consistent with the proposed revisions to the Part A standards.

Second, VCIA is concerned with the process that the NAIC is using to amend the accreditation standards. The proposed accelerated effective date for including captive reinsurers under the multi-state reinsurance accreditation requirements is far too short to allow states and affected entities time to prepare for these significant changes, if they are ultimately adopted. The process contravenes established practices by the NAIC designed to permit adequate review prior to adoption of material changes to accreditation standards. The “fast track” process for implementing the changes in the Preamble is not consistent with the NAIC’s established accreditation procedures.

Finally, changes in the definition of multi-state insurers adopted for this purpose should be prospective to avoid confusion and to not create an undue hardship for organizations that have formed their captives under current laws.

VCIA appreciates the opportunity to provide these comments on behalf of its members.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard Smith". The signature is written in a cursive, somewhat stylized font.

Richard Smith
President