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November 15, 2012

For Immediate Release

Coalition Launched to Address NRRR Confusion on Captive Insurers

Captive Insurance Industry to Back a Legislative Solution

MONTPELIER, VT -- A new coalition of the captive insurance industry has been formed under the leadership of the Vermont Captive Insurance Association (VCIA) to push for legislative language that would clarify that the intent of the new federal Nonadmitted and Reinsurance Reform Act (NRRR) was never intended to apply to captive insurance.

NRRR, a subsection of the Dodd-Frank legislation, has caused some confusion over whether it is applicable to captive insurance. This newly formed coalition, called the Coalition for Captive Insurance Clarity (CCIC) is seeking legislative language that will clarify that captive insurance companies are not part of NRRR.

Vermont Governor Peter Shumlin said the confusion could be damaging to the captive insurance industry. "The captive insurance industry expects and desires strong regulation. Companies need to have the choice of where they domicile based on regulatory strength, not based on tax ambiguity. Vermont has consistently proven itself as the 'gold standard of domiciles.' This fix is needed to ensure that companies continue to have a choice of where they domicile," he said.

Richard Smith, president of the VCIA agreed. "The NRRR language in Dodd-Frank is a top concern of our members and has created apprehension industry-wide. While there are ambiguities in the law, it is clear that there was no intent to have it apply to captive insurance, and I am optimistic that we can be successful seeking clarification."

"There is a tremendous amount of misinformation being shared about NRRR that is clearly trying to take advantage of the ambiguous language of the Act," said Dan Towle, Vermont's Director of Financial Services. "This does a disservice to the captive insurer and to the industry and it's apparent that we need to add language that puts a stop to this situation. The State of Vermont is proud to partner with the VCIA in this coalition for clarity on what is an important industry-wide issue."

The CCIC welcomes industry members to join in the effort to amend the law to provide clear and definitive language in the NRRR and will work with members of Congress to affect the necessary changes. The VCIA has hired the firm of FaegreBD Consulting to help seek a legislative change. FaegreBD was one of the architects of the NRRR and will be working in partnership with VCIA's long time lobbying firm McIntyre & Lemon PLLC to seek a legislative remedy. "We have had tremendous interest from other domiciles and leading consultants in the captive industry to join CCIC and we expect to have many members sign on to the coalition," said Smith.

Captive insurance is a regulated form of self-insurance that has existed since the 1960's, and has been a part of the Vermont insurance industry since 1981 when Vermont passed the Special Insurer Act. Captive insurance companies are formed by companies or groups of companies as a form of alternative insurance to better manage their own risk. Captives are typically used for corporate lines of insurance such as property, general liability, products liability, or professional liability. Growth sectors of the captive insurance industry include professional medical malpractice coverage for doctors and hospitals, and the continued trend of small and mid-sized companies forming captive insurance companies.

VCIA is the largest trade association in the world for captive insurance. Established in 1985, the association has grown to provide programs that support the captive insurance industry on both the state and federal levels for its 450-plus member companies.

For more information on the Coalition for Captive Insurance Clarity contact Richard Smith at the Vermont Captive Insurance Association at 802.658.8242 or email smith@vcia.com.

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