

PRESS RELEASE
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The Captive Insurance Companies Association (CICA) and the Vermont Captive Insurance Association (VCIA) announced today the formation of the Coalition for Fairness to Captive Insurers (CFCI). VCIA and CICA are the two largest and represent the most diverse membership of the captive insurance industry in the world.

They have hired the firms of McDermott Will & Emery LLP, Dewey & LeBoeuf LLP, and McIntyre Law Firm, PLLC to develop their coordinated response to the proposed regulation of the Internal Revenue Service issued on September 28, 2007. The proposal, related to captive insurance and the rules of consolidated reporting, would significantly alter the landscape for captive insurers should it become final.

According to AM Best, more than 50% of the commercial insurance market in the US is in the alternative market. Captive insurance accounts for at least 15% of that amount. The use of captive insurance by corporations and associations has grown exponentially during the last 30 years in the US. The use of captives has reduced overall commercial insurance costs through making the global reinsurance market directly accessible resulting in stabilizing overall insurance costs making this a vital risk management tool.

Confidence in the US regulatory environment at the State and Federal level has encouraged the formation of new captive insurance companies and has resulted in the redomestication of several captives from foreign locations. This has resulted in a vibrant US captive insurance marketplace featuring 1,200 companies in 26 states throughout the country. Should this proposed regulation be implemented that environment would be changed dramatically.

According to CICA President, Dennis Harwick, "Captive insurance companies pay taxes just like commercial insurance companies, but this proposed regulation would suddenly penalize legitimate, fully regulated captive insurance companies." Molly Lambert, President of VCIA added, "A change in the IRS rules of this magnitude creates uncertainty in the federal regulatory environment. Businesses may continue to use the captive insurance tool, but the US industry would be significantly affected if this proposed regulation were implemented."

Both Associations have determined that achieving the withdrawal of this proposal by the IRS is critical to their missions of promoting the strength of the captive insurance industry and the members that they serve. Many additional stakeholders have already expressed interest in joining CICA and VCIA in this effort.

VCIA and CICA officials noted that they have hired the best minds in the country to work with them in achieving the goal of preserving fairness to captive insurers and promoting the strength of this critically important industry. The work of the Coalition will begin immediately. Those interested in supporting its efforts are urged to contact Molly Lambert of the VCIA or Dennis Harwick of CICA.