VT and SC Legislators Target NRRA Clarity for Captives

Richard Cutcher, 8/12/2014

Cross-party politicians have introduced two pieces of legislation to the United States' Senate and House of Representatives in a bid to clear up the confusion surrounding the implications on captives as an effect of the Non-Admitted Reinsurance Reform Act (NRRA).

The NRRA was signed into law as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act in July 2010 and created confusion within the captive industry as to whether it was applicable to those entities in the US.

It was feared, by domain domiciles such as Vermont and South Carolina, that by inadvertently encompassing captives the NRRA would force owners to seek re-domiciliation to their home state to avoid an added tax burden.

This resulted in the Coalition for Captive Insurance Clarity (CCIC), established by the Vermont Captive Insurance Association (VCIA) in November 2012, calling on the wider captive industry to begin lobbying for fresh legislation to clear up any confusion.

"Congress never intended the NRRA to include captive insurers, and the legislation I have introduced with Senator Graham would simply clarify congressional intent," said Senator Patrick Leahy (D-VT), who introduced the latest legislation with Senator Lindsay Graham (R-SC) to the Senate.

"It is a straightforward, common sense clarification that will give needed assurance to the captive insurance industries in Vermont, South Carolina, and across the country."

Graham said: "The legislation I have introduced with Senator Leahy will enable organizations to have a choice in where they domicile their captive. Our legislative fix will create opportunities for this emerging industry and I hope Congress will push it into law."

Congressman Peter Welch (D-VT), who has introduced companion legislation to the House of Representatives, said he was pleased to work with the senators on the issue and hope that, if passed, it would ensure there was a "practical fix to an unintended consequence."