

Business Insurance

Coalition to seek clarification on Nonadmitted and Reinsurance Reform Act

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A coalition is seeking legislative clarification of ongoing uncertainty about the application of the Nonadmitted and Reinsurance Reform Act to captive insurers.

The Coalition for Captive Insurance Clarity has been formed under the leadership of the Vermont Captive Association and aims to push legislative language clarifying that the NRRRA never was intended to apply to captives, the State of Vermont and VCIA said Thursday in a statement.

Whether the federal law, which was intended for surplus lines insurers, affects the captive insurance industry has been a longtime source of confusion, experts say.

“The captive insurance industry expects and desires strong regulation,” Vermont Gov. Peter Shumlin said in the statement. Such confusion could damage the captive industry. “Companies need to have the choice of where they domicile based on regulatory strength, not based on tax ambiguity,” he said.

VCIA President Richard Smith said the language in the NRRRA and its effect on captives is top of concern for VCIA members.

“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,” Mr. Smith said in the statement.

The coalition said it expects many leading captive industry players, such as brokers, leading domiciles and accounting firms, to join the coalition, which will work with Congress to provide definitive language in the NRRRA surrounding captives.

“We have had tremendous interest from other domiciles and leading consultants in the captive industry,” Mr. Smith said, “and we expect to have many members sign on to the coalition.”