



## Captive Insurance Update



### INTRODUCTION

This edition of the Downs Rachlin Martin PLLC ("DRM") Captive Insurance Update covers a variety of recent state and federal developments affecting the captive insurance industry. If you have any questions about this update or any other captive insurance developments, please contact **Kathy Davis** or **Kevin Moriarty**.

### DEVELOPMENTS IN VERMONT

#### New DFR Commissioner

Earlier this year, Governor Peter Shumlin announced the appointment of Susan L. Donegan as Commissioner of the Vermont Department of Financial Regulation to replace Commissioner Stephen W. Kimbell, who retired at the end of 2012. Before the appointment, Ms. Donegan served as Deputy Commissioner of (traditional) Insurance at the Department. Ms. Donegan has a law degree from Vermont Law School, a master's degree in Banking and Financial Services Law from Boston University School of Law, and a master's degree in European Union and International Trade Law from Amsterdam Law School.

#### 32 New Vermont Captives Licensed in 2012

In 2012, 32 new captives were licensed in Vermont, of which 28 are pure captives, nearly a record number. As of year-end, there were a total of 984 captive licenses issued by the DFR, with 588 active Vermont-based captive insurance companies.

#### 2012 Captive Legislation Enacted

The DFR's annual "housekeeping" bill has been enacted as 2011 (Adj. Sess.) Act 78, and it includes the following provisions impacting captives, all of which took effect on April 2, 2012:

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■ **Sponsored Captives.** The options for organization of protected cells of a sponsored captive insurance company have been extended to include mutual and nonprofit membership corporations, in addition to business corporations and limited liability companies as approved in 2011.

■ **Capitalization.** Statutory minimum capital may be in the form of a trust, of which the Commissioner is the sole beneficiary.

■ **Association Captives.** Association captives are no longer required to file the National Association of Insurance Commissioners (“NAIC”) Annual Statement, but may file the shorter Vermont Annual Report form instead.

■ **Risk Retention Groups.** Risk retention groups may be participants in a sponsored captive, and the Commissioner has the specific authority to limit the net retention per individual risk of RRGs (this is not a substantive change).

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### 2013 Proposed Captive Legislation

The DFR's annual “housekeeping” bill for 2013 has been introduced as 2013 H. 513, and it includes the following proposed amendments regarding captive insurers:

■ **Reciprocal Insurers.** Amends Sections 4838(b)(4) and 4840(b) of the reciprocal insurer statute (Chapter 132, title 8 of the Vermont Statutes) to provide for a contingent assessment liability on assessable policies issued by the reciprocal, where the amount of potential assessment is approved by the Commissioner rather than the current statutory requirement that any assessment be no less than the premium charged and no more than ten times the premium charged for the assessable policy.

■ **Special Purpose Financial Insurance Companies.** Amends the captive insurance statute (Chapter 141, title 8 of the Vermont Statutes) generally such that what was a “special purpose financial captive insurance company” is now a “special purpose financial insurance company.”

Amends Section 6002(d) of the captive insurance statute to establish a \$5,000 certificate of authority application fee for special purpose financial insurance companies, rather than the \$500 fee payable by all other captives, and an annual, non-refundable license renewal fee of \$5,000 for special purpose financial insurers rather than the \$500 annual licensing fee for all other captives.

Amends Section 6048g to require a special purpose financial insurance company to maintain at least \$5 million in unimpaired paid-in capital and surplus, instead of \$250,000.

Adds Section 6048o to establish confidentiality requirements with respect to examinations of special purpose financial insurance companies.

■ **Captives Establishing Separate Accounts.** Adds Section 6006(p) to the captive insurance statute to allow any captive to establish separate accounts to allocate assets and liabilities of insurance written by the captive. This provision is similar, but not identical, to the existing provisions of the captive insurance statute applicable to protected cells of sponsored captive insurance companies.

■ **Transactions Involving Separately Incorporated Protected Cells.** Adds a new Section 6034a(b) of the captive insurance statute to clarify that a protected cell of a sponsored captive insurance company, which is organized as a separate corporation or limited liability company, is “entitled to enter into contracts and undertake obligations in its own name and

for its own account,” and the recourse of any counterparty to such contract is limited to the assets of such protected cell.

■ **Branch Captives.** Amends Section 6041 of the captive insurance statute to allow branch captives to write any insurance business approved by the Commissioner and consistent with the captive insurance statute, rather than limit branch captives to reinsurance of employee benefits.

■ **Premium Tax.** Section 6014(e) of the captive insurance statute is amended to allow two or more captive insurance companies that are under common ownership and control to be taxed as if they were one captive insurer. This removes the existing provision of Section 6014(e) that did not allow special purpose financial captives to be consolidated with any other captive.

■ **Insurance Holding Companies.** Vermont-domiciled risk retention groups are subject to the provisions of Vermont’s Insurance Holding Company Act, and the DFR has adopted regulation C-2012-2 to implement the holding company statutory provisions as applied to RRGs. H. 513 would amend various provisions of the Holding Company Act with respect to: (i) acquisitions and divestitures of control of an insurer; (ii) annual registration statements filed by insurers; and (iii) significant transactions involving an insurer and its affiliates.

DFR has issued exemptions to many RRGs with respect to the Holding Company Act annual registration requirement, but absent DFR action RRGs that are subject to registration will be required to comply with these amendments. For example, an RRG subject to annual registration:

- must file an “enterprise risk” report with respect to the ultimate controlling person of the RRG;
- unless the DFR authorizes a waiver, the RRG’s governing board must include at least 1/3 independent members;
- unless the DFR authorizes a waiver, the RRG’s governing board must establish a committee of independent governing board members, which is responsible for nominating individuals for election to the governing board, evaluating the performance of the RRG’s “principal officers,” and making recommendations to the governing board regarding the selection and compensation of principal officers.

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## CAPTIVES AS PART OF EMPLOYER HEALTH PLANS

Interest continues in the use of captive insurance companies as part of employer health benefit plans. Under guidance issued by the U.S. Department of Health and Human Services in 2011, most of the provisions of the Patient Protection and Affordable Care Act of 2010 will not apply to self-insured plans that qualify for exemption from state health insurance regulation under Section 514 of the Employee Retirement Income Security Act of 1974 (“ERISA”).

### U.S. Department of Labor Suspends ExPro Review for Captive Programs Exemptions

In September 2012, the U.S. Department of Labor announced that it was suspending the fast-track Expedited Process for ERISA prohibited transaction exemptions as applied to captive insurance programs. The ExPro process, which has been available to captive programs since 2002, enabled captive owners to obtain review of their proposed programs at lower cost and in significantly shorter period of time than the standard exemption review process.

The DOL announcement of the suspension of ExPro indicates that they are focusing review of the program on two key criteria for approval of a prohibited transaction exemption: enhancing participants' benefits and retaining an independent fiduciary to ensure the transaction is in the interests of participants.

## **NAIC Activity with Respect to Medical Stop Loss Insurance**

In the past 5 years, there has been a considerable uptick in interest in using captive insurers as part of an employer's self-insured employee benefit program. A typical such arrangement involves the employer establishing an ERISA-qualified self-insured plan, which qualifies for exemption from state health insurance regulation and mandates under ERISA Section 514. The employer is responsible for the full amount of benefits payable under the self-insured plan (though the plan may be funded through a combination of employer and employee contributions). Typically, employers sponsoring self-insured plans have purchased commercial stop loss coverage, which reimburses the employer for the cost of benefits payable under the plan on a specific and/or aggregate basis. A specific attachment point requires the insurer to reimburse the employer once the benefits paid to a single plan participant exceed an annual threshold, and an aggregate attachment point provides coverage once the total benefits amounts payable by the employer for all participants exceeds a specified amount during the plan year. Key to this arrangement is that the medical stop loss coverage qualify as property-casualty insurance under applicable state law, rather than more heavily regulated health insurance.

In 1995, the National Association of Insurance Commissioners ("NAIC") promulgated the Stop-Loss Insurance Model Act, which includes specific criteria for qualification of stop loss coverage with respect to an employer self-insured benefit plan as property-casualty insurance. These criteria include the requirement that the employer be the sole insured/beneficiary under the stop loss coverage, and that the stop loss attachment points be no less than \$20,000 per plan participant for specific cover and no less than \$4,000 times the number of plan participants for aggregate cover. A number of states, including Vermont, have adopted some version of the NAIC Model Act (as statutes or regulations). The Vermont regulation, H-09-02, specifically applies to domestic and foreign captives that provide stop loss insurance.

Since the Model Act was promulgated, the NAIC has continued to monitor stop loss coverage, and in recent years an NAIC working group has drafted an updated model act that would significantly increase the minimum specific and aggregate attachment points (\$60,000 specific attachment and \$15,000 times the number of plan participants aggregate attachment).

The ERISA Working Group has been looking into the idea of amending the NAIC's Stop-Loss Insurance Model Act, which was approved in 1995, to increase the per-employee attachment point to \$60,000, from \$20,000, and the whole-plan deductible to \$15,000 times the number of people in the plan, from \$4,000 times the number of people in the plan. Such changes, if adopted by the NAIC and implemented by the states, could significantly change the financial viability of a captive medical stop loss program for many employers.

In its November 2012 meeting, the NAIC's ERISA Working Group, which was charged with developing the revised stop loss model act, voted not to proceed with the revisions. Instead, the current plan is for the Working Group to draft a white paper focused on the potential impact of small employer self-insurance on the small group market beginning in 2014.

## **Medical Stop Loss Insurance as Third-Party Insurance for Federal Tax Purposes**

An increasing number of employers are exploring, or have implemented, the use of captives to provide medical stop loss insurance with respect to the employer's employee medical plan. As noted above in the discussion of the NAIC's ongoing review of model medical stop loss laws, many states (including Vermont) have adopted statutes or regulations that define insurance that qualifies as property-casualty stop loss insurance rather than health insurance. One important question related to writing medical stop loss coverage through a captive is the effect on the captive's federal insurance company tax position, i.e., is such coverage "third-party business" for purposes of determining whether the captive qualifies as an insurance company for tax purposes.

The key ruling regarding the effect of insurance of employee benefits on the tax position of the insurer is Revenue Ruling 92-93. At issue in the ruling was the federal tax treatment of premiums paid by a parent company to its wholly owned insurer for group-term life insurance coverage. The employer paid the premiums for the coverage at no cost to the employee, and the parent company was not an insured under the policy issued by the insurer. The Service concluded that the insurer (which also offered life insurance and annuity contracts to the general public) was not "self-insurance" for tax purposes because the coverage was of the employee as a third-party with respect to the insurer, and as a result the parent company could deduct the premiums paid as business expenses under Code Section 162.

Some owners of captives writing medical stop loss have taken the position that such coverage is insurance of third-party risk, citing Revenue Ruling 92-93 as precedent, and thereby supports the

position of the captive as an insurance company for federal tax purposes. We understand that one of these captive owners has filed a request with the Internal Revenue Service for a ruling as to whether medical stop loss insurance of an employee medical benefit program qualifies as third-party risk. We'll provide an update if such a ruling is issued.

### **Still Waiting IRS Ruling for Red Re, Inc.**

We have been monitoring the progress of Coca Cola Company regarding its plan to use its South Carolina domiciled captive, Red Re, Inc. to reinsure employee life and accidental death and dismemberment benefits. Specifically, a voluntary employee benefit association (VEBA) established by Coca Cola in 2006 would purchase the life and AD&D insurance from a qualified traditional insurer, which would reinsure these benefits through Red Re. If premiums exceed the actual cost of the benefits, Red Re would retain the net premium.

In 2010 the U.S. Department of Labor issued an ERISA prohibited transaction exemption with respect to this proposed arrangement. Red Re also filed a request with the Internal Revenue Service for a private letter ruling regarding the arrangement, specifically that the reinsurance by Red Re does not violate the provisions of the Internal Revenue Code of 1986 and the related Treasury Regulations regarding use of VEBA funds. Industry observers believe that the Service will issue a ruling during 2013, though if the Service proposes to deny the requested ruling, it is possible that Red Re will withdraw the ruling request, such that a negative ruling is not officially issued.

We welcome any inquiries regarding the use of captive insurance to fund employee health benefits and other benefit plans.

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## **TERRORISM RISK INSURANCE PROGRAM – POTENTIAL EXTENSION**

The federal Terrorism Risk Insurance Act was enacted in 2002 ("TRIA"), in response to a retraction of property and casualty terrorism risk coverage in the commercial insurance market. The Act established the Terrorism Risk Insurance Program, which requires property and casualty insurers to offer terrorism risk insurance, and which provides for a partial reimbursement to a participating insurer if a covered terrorism loss occurs, which would be funded by an assessment on all participating insurers. TRIA was originally scheduled to sunset in 2007, but the U.S. Congress extended the program through December 31, 2014.

The Terrorism Risk Insurance Act of 2002 Reauthorization Act of 2013, H.R. 508, has been introduced in the House of Representatives. If enacted, the bill would extend the Terrorism Risk Insurance Program through December 31, 2019, with no other substantive changes to the existing statute.

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## **RISK RETENTION GROUPS**

### **Victory for RRGs in the Ninth Circuit Court of Appeals**

In 2010, the Nevada Department of Insurance issued a cease-and-desist order against Alliance of Nonprofits for Insurance, Risk Retention Group ("ANI"), a Vermont-domiciled RRG, requiring ANI to discontinue offering first-dollar automobile liability coverage to member nonprofit organizations in Nevada. The Nevada DOI contended that under insurance laws governing auto liability insurance, only "authorized insurers" can provide such coverage, and that ANI, as a registered risk retention group in Nevada, was not an "authorized insurer." ANI filed suit in the U.S. District Court for the District of Nevada, contending that Nevada's application of its automobile liability insurance laws was a violation of the federal Risk Retention Act, which prohibits non-domicile states from regulating the operations of RRGs or to discriminate against RRGs. In July 2011, the District Court ruled in

favor of ANI, finding that the term “authorized insurer” in the Nevada statute includes an RRG registered in Nevada.

Nevada appealed the ruling to the U.S. Court of Appeals for the Ninth Circuit, which heard oral arguments on the case in February 2013. The Ninth Circuit issued its ruling on April 8, 2013, finding that the Nevada law violated the “non-discrimination” provision of the Risk Retention Act, which preempts state laws that “discriminate against a risk retention group of any of its members.” Citing its 2000 decision in *National Warranty Insurance Co. v. Greenfield*, the Court concluded that the Nevada law, which limited acceptable first-dollar automobile liability insurance to “authorized insurers,” impermissibly discriminates against risk retention groups, which are registered to transact insurance in Nevada under the Risk Retention Act but which are not considered “authorized insurers.” The Ninth Circuit noted that state laws can draw distinctions between risk retention groups and authorized insurers, but only if the state can demonstrate the different treatment is justified to “protect those who would benefit from the purchase of insurance.”

The State of Nevada can request a review of the ruling by a larger panel of the Ninth Circuit, and if such review is denied it may petition the U.S. Supreme Court to review the Ninth Circuit’s decision. It is possible the Supreme Court would take the case, as the Courts of Appeal in the Seventh and Eleventh Circuits have ruled that a showing of impermissible discrimination requires proof of state intent to discriminate. We’ll continue to follow this case in the event of further review.

### **NAIC Still Finalizing Revisions to the Model Risk Retention Act**

The NAIC has not yet adopted the Model Risk Retention Act, but expects to do so soon. In the meantime, DFR and most RRGs are viewing the corporate governance standards contained in the draft Model Risk Retention Act to be examples of “best practices” in areas including:

- Independent directors
- Audit Committee role
- Service-provider contracts
- Business ethics
- Reporting non-compliance

There is some confusion about the applicability of these corporate governance standards, because differing versions are set forth in the proposed federal legislation described above and in the draft NAIC Model Risk Retention Act. The DFR position is that the draft NAIC Model Risk Retention Act should be followed as a “best practice.”

### **New Vermont Regulation for RRGs Licensed as Captive Insurers**

The Vermont DFR has implemented three key statutory and regulatory changes with respect to the regulation of Vermont-domiciled risk retention groups:

- **Insurance Holding Company Act Compliance.** Section 6052 of Title 8 was amended in the 2011 legislative session to subject RRGs to the provisions of the traditional Insurance Holding Company Act (the “Holding Company Act”). The provisions of the Act apply to each of the following: (i) an insurer’s acquisition or organization of a subsidiary; (ii) acquisition of control of or merger with a domestic insurer; (iii) registration of insurers that are members of holding company systems; and (iv) insurer reporting of material transactions with affiliates and certain dividends and distributions. (See above regarding proposed amendments to the holding company act in the 2013 Vermont Legislative Session.) DFR has issued Regulation C-2012-2 to implement the provisions of the Holding Company Act as applied to RRGs.

For more on the holding company registration requirements and an in-depth discussion of exemptions from registration, please see the DRM Bulletin.

- **Credit for Reinsurance Ceded by RRGs.** The rules regarding financial statement credit for reinsurance ceded by RRGs have been revised, as part of an amendment and restatement of DFR Regulation 81-2.

- **Model Audit Rule.** DFR has adopted the NAIC Model Audit Rule as applicable to annual RRG audits, as DFR Regulation C-2012-1.

## FEDERAL TAXATION

### Is the IRS Laying the Groundwork for a New Approach to Qualification for Insurance Company Status and 501(c)(3) Exemption for Captive Insurers?

We're keeping an eye on two ongoing developments in the Internal Revenue Service's administration of the tax laws as applied to captive insurance companies.

**Third-Party Risk.** During 2011 the Service issued a number of rulings disallowing the 501(c)(15) small insurance company exemption to a number of offshore insurance companies. In each case, the putative insurer insured risks of a small number of affiliated entities, and the insurer also participated in a reinsurance pool, whereby the company ceded some of the risks insured to the pool and in turn reinsured a portion of the risks ceded by other pool participants. See, e.g., Priv. Ltr. Rul. 201126036 (July 1, 2011); Priv. Ltr. Rul. 201121029 (May 27, 2011). The Service ruled that these arrangements do not qualify as "insurance" because each had insufficient risk distribution; in each case, despite the fact that the third-party risk was 30% or more of the total of risks insured, the related party risk was concentrated in one or two insureds.

The Service's reasoning in these rulings appears to be squarely at odds with long-established precedent, including *Harper Group v. Commissioner*, 979 F.2d 1341 (9th Cir. 1992), and the Service's safe harbor ruling for captives writing third-party risk in Revenue Ruling 2002-89. These decisions affirmed that a captive insurance company can meet the risk distribution requirements with sufficient third-party risk, without regard to whether the related-party risk insured was attributable substantially or solely to one related party.

**"Commercial-Type" Insurance.** Captive insurance companies can qualify as 501(c)(3) exempt organizations, but in addition to satisfying the usual requirements for 501(c)(3) status, under Code Section 501(m) to qualify for exemption a substantial part of a captive's activities cannot be providing "commercial-type insurance."

Until recently, the key court case examining what qualifies as "commercial-type insurance" was a 1994 Tax Court decision, *Paratransit Insurance Corp.*, which was affirmed by the 11th Circuit. The Tax Court took the very broad view that "commercial-type insurance" is any insurance available in the commercial market. This created a stir, and in 2003 Treasury announced it was going to draft regulations defining "commercial-type insurance" and requested public comments. To date no draft regulations have been issued.

As part of obtaining 501(c)(3) exempt status for a number of our captive insurance clients over the past 10 years, our understanding has been that the Exempt Organizations Division of the Internal Revenue Service has used a "desk drawer rule" to determine what qualifies as "commercial-type insurance." Specifically, if a captive is owned and operated by an integrated, nonprofit health system, and the captive insures only the members organizations of the health system and its employees, such insurance is not "commercial-type insurance" for purposes of Section 501(m).

To our knowledge this "desk drawer" rule is still in effect. It should be noted, however, that in a decision issued March 22, 2012 in *Florida Independent Collected and Universities Risk Management Association, Inc. v. United States* (D.D.C. 2012, Civ. No. 09-1930 (RCL)), the U.S. District Court for the District of Columbia denied 501(c)(3) exemption to an "insurance pool" of exempt educational organizations based on the commercial-type insurance exception of 501(m). The Association was formed as a Florida corporation, to qualify under a Florida statute that allows accredited, independent, non-profit colleges, universities, and secondary schools in Florida to form self-insurance funds "for the purpose of pooling and spreading liabilities of its group members in any property or casualty risk or surety insurance." The program included the group purchase of commercial insurance, and the retention and sharing of members' deductibles under the commercial insurance. The Association applied to the Service for recognition of exemption as a 501(c)(3) organization, and was denied based on the Service's position that the Association's program included substantial, commercial-type insurance. The Association appealed to the D.C. District Court,

which concluded that the Association's program was substantially similar to the program reviewed in Paratransit. As such, the Association was engaged in "commercial-type insurance" that precluded 501(c)(3) exempt status.

### **Proposed Treasury Regulations Regarding Protected Cells as Separate Taxpayers**

In November 2010, the U.S. Department of Treasury issued a notice of proposed rulemaking that would classify a qualified "series" of a "series organization" as a separate taxable entity for purposes of the Internal Revenue Code of 1986 and the Treasury Regulations. The comment period for these proposed regulations ended in December 2010, and it is not certain when the regulations will be finalized. Consistent with federal tax practice, however, the proposed regulations stand as valid guidance for series organizations in treating a series as a separate taxable entity pending adoption of the final regulations.

A "series organization" is a legal entity organized under a statute of a U.S. or foreign jurisdiction, which is authorized to maintain one or more separate series, where the assets, liabilities and obligations of one series are not subject to the series organization's general liabilities or obligations, or the liabilities and obligations of any other series. A series organization would include a series limited liability company, a protected cell company and a segregated account company under foreign law. A "series" would include a series of an LLC, a segregated account of a segregated account company, or a protected cell of a protected cell company or sponsored captive insurance company.

The proposed regulations outline the provisions of a U.S. or foreign series organization statute that are required for a series to be treated as a separate entity, and the requirements regarding ownership of the series' assets and liabilities. If the series organization is a U.S. entity, each qualified series of the organization will be treated as a separate entity for federal tax purposes. If the series organization is a foreign entity, a series of that organization can qualify for separate entity treatment only if the series qualifies as an insurance company for federal tax purposes.

If a series qualifies as a separate entity, the usual rules apply for classification of the series for federal tax purposes:

- if the series has a single owner, it will be a disregarded entity that is considered part of its owner for federal tax purposes, unless the owner elects to treat the series as a corporation for federal tax purposes;
- if the series has more than one owner, by default it will be treated as a partnership for federal tax purposes, unless an election is made to treat the series as a corporation.
- a series treated as a partnership or corporation must obtain its own federal EIN; as before the proposed rules, a series treated as a disregarded entity can obtain an EIN without losing its disregarded entity status.

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## **STATE TAXATION AND REGULATION OF CAPTIVES**

### **Nonadmitted and Reinsurance Reform Act of 2010: The Saga Continues**

The federal Nonadmitted and Reinsurance Reform Act of 2010 ("NRRA") was enacted as Title IX, subtitle B of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203. NRRA includes significant changes to the state regulation and taxation of "non-admitted insurance," specifically surplus lines insurance and insurance independently procured by an insured from an unlicensed insurer without the use of an insurance producer. These provisions went into effect with respect to unauthorized insurance contracts issued or renewed after July 20, 2011.

Since that time, there has been considerable discussion and concern about the impact of NRRA on the U.S. captive insurance industry if NRRA applies to captive insurance as "non-admitted



insurance.” Industry leaders have also identified legislative history indicating NRRA was not intended to apply to captives, and they are exploring options for amending NRRA accordingly.

As part of this effort, in November 2012, the Coalition for Captive Insurance Clarity was launched by the Vermont Captive Insurance Association to focus on legislative and regulatory changes to NRRA that would exempt captives from the ambit of NRRA, consistent with the position that NRRA was never intended to apply to captives. The Coalition’s members include VCIA, the captive insurance trade associations of Delaware, Missouri and Connecticut, the Captive Insurance Companies Association (“CICA”) and the State of Vermont. FaegreBD consulting, which was involved in the drafting of NRRA, has been retained to work with VCIA’s legislative counsel, McIntyre & Lemon PLLC, on these lobbying efforts.

A full briefing on NRRA is available in our **June 2011 Captive Insurance Update News Flash**.

In December 2011, DRM conducted a **webinar on the subject of Compliance Issues for Captives** raised by NRRA, which is available to download from the DRM website.

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## DRM'S CAPTIVE INSURANCE GROUP

Vermont is the leading U.S. domicile for captive insurers and RRGs, and DRM has been at the forefront of the U.S. captive insurance industry since the mid 1980s. DRM is a regional law firm, with offices in Burlington, Brattleboro, Montpelier, and St. Johnsbury, Vermont; and Lebanon, New Hampshire. The firm has been serving individuals, businesses, and institutions for more than half a century.

DRM’s insurance team informs clients about choice of entity, operational issues, developments under legislation, such as the Federal Risk Retention Act and the Terrorism Risk Insurance Act, and complex coverage, claims-handling, or defense issues that can arise.

Our insurance clients seek advice on all aspects of their operations, including organizational matters for start-up companies, how to adapt or take full advantage of changes in federal and state regulations, and sophisticated risk transfer matters for established entities. Using the right resources drawn from the comprehensive legal services offered by DRM, we help clients solve both simple and complex problems involved in all aspects of the insurance industry:

- tax, regulatory and legislative matters
- corporate governance
- entity selection: stock, mutual and non-profit corporations; LLCs; reciprocal exchanges
- securities laws
- domicile selection
- reinsurance matters
- coverage and defense matters
- policy language
- claims-handling procedures
- reciprocal formation and the role of the attorney-in-fact
- sponsored captives with segregated cells
- other routine issues involving alternate risk transfer mechanisms

To explore how **DRM's Insurance group** can help with your captive insurance matters, please contact Practice Group Chair Kathy Davis or Kevin Moriarty at (802) 863-2375, or at **www.drm.com**.

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