



February 9, 2009

The Honorable
United States Senate
Washington, D.C. 20510

Dear Senator:

The Captive Insurance Council of the District of Columbia (CIC-DC) would like to express our deep concern over a recently re-circulated proposal that would disallow a deduction for certain reinsurance premiums paid by a U.S.-based insurance subsidiary to its international parent. Such a move would essentially act as a tax increase on foreign domiciled reinsurance companies. We fear that enactment of this proposal would impose higher business costs on our members as well as other policyholders and create insurance capacity shortfalls in catastrophic-prone areas.

CIC-DC represents hundreds of businesses, including captive insurance companies, risk retention groups and other small businesses that look to the global insurance marketplace to provide solutions to their risk management needs. The captive insurance industry has been a great economic development success story for the District of Columbia. It has created a new source of jobs, revenue and investment for the area, including more individual taxpayers and many dollars in new premium tax revenue.

If Congress were to pass a tax increase on non-U.S. reinsurers, the results would be very damaging not only to our members, but the entire risk/insurance community. It is estimated that over half the reinsurance purchased each year by business is from non-U.S. reinsurers. We are convinced that a tax increase on these companies would increase costs for our members and reduce competition in the overall insurance market, further worsening current capacity shortfalls. In short, increasing taxes on non-U.S. reinsurers will have a counterproductive effect in the U.S. economy.

CIC-DC urges you to oppose any measure that would significantly destabilize the global insurance markets and result in increase costs for U.S. companies that already face innumerable competitive pressures. We thank you for the opportunity to provide our comments and would be more than happy to discuss with you in greater detail.

Sincerely,

Larry Smith
Chairman, Legislative Committee,
Captive Insurance Council of the District of Columbia