

## HSBC Insurance Management (USA)\* Client Bulletin

February 12, 2007

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### **Vermont Securitization Bill Expected in March**

The State of Vermont is expected to introduce captive legislation to the legislative assembly within the next month specific to reinsuring life insurers. Commonly referred to as “Triple X” facilities, these Triple X captives assist life insurers with reserve liability issues and typically involve the captive accessing the capital market through a securitization process.

Although Vermont has already licensed Triple X captives in the past, the pending legislation is designed to provide a clear outline of the Triple X captive process in Vermont. The draft legislation may be found at:

<http://www.bishca.state.vt.us/Captive/capindex.asp>

### **DC Captive Legislation – SPFCs and Protected Cells**

As anticipated, outgoing District of Columbia Mayor Tony Williams signed two proposed amendments to the Washington, DC captive legislation. The two bills are designed to both refine existing provisions and add new features to DC captive laws.

The Special Purpose Financial Captives bill sets forth specific requirements for securitization of risk and is designed to allow captives access to capital markets. The bill provides for a streamlined application and review process.

The Protected Cell Captive Insurers bill revises and strengthens the segregated cell structure. Under the new bill, cells may be established as separately incorporated entities and may transact with other cells. The bill even permits for the transfer of a cell between captives.

The DC captive insurance division website may be accessed at:

<http://disb.dc.gov/disr/site/default.asp>

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\* **HSBC Insurance Management (USA)** is the marketing name for HSBC’s onshore captive and risk retention group (RRG) management operations. Captive and RRG management services are provided by HSBC Insurance Agency (USA) Inc., a wholly owned subsidiary of HSBC Bank USA, National Association and an indirectly wholly owned subsidiary of HSBC Holdings plc.

## **Insurance Commissioner Changes in SC, VT and NY**

As of February 9, 2007, the key domiciles of South Carolina, Vermont and New York have all appointed new heads of their insurance regulatory bodies.

In South Carolina, Governor Mark Sanford named State Senator Scott Richardson (R-Beaufort) as the new director of the state Department of Insurance. Eleanor Kitzman, who previously held the position, has agreed to remain for a transitional period following her resignation. Senator Richardson served on the Senate Banking and Insurance Committee and is deeply familiar with the insurance issues facing the state and its residents.

In Vermont, Paulette Thabault was appointed Commissioner of the Department of Banking, Insurance, Securities and Health Care Administration. Ms. Thabault steps into the position upon the retirement of John Crowley, who served as BISHCA commissioner since 2003. Ms. Thabault is a small business owner, independent consultant, and former Deputy Commissioner for Health Care Administration at BISHCA from 2003 through 2005 and has many years of experience working in the field of health care consulting. She assumed her new duties on January 22<sup>nd</sup>.

In New York, Governor Spitzer has appointed Eric R. Dinallo to be the new Superintendent of Insurance. Mr. Dinallo, who worked with Governor Spitzer from 1999 to 2003 heading an investigation into Wall Street investment research firms, is the acting Superintendent pending Senate confirmation. Prior to this position, Mr. Dinallo was the general counsel for global insurance broker Willis Group Holdings Ltd., and member of Willis Partners Group. He is a former managing director and head of regulatory affairs at Morgan Stanley.

There have been no significant changes to the Captive Insurance regulatory units within the South Carolina, Vermont and New York insurance departments and all jurisdictions remain enthusiastic supporters of the captive insurance industry.

## **TRIA Update**

The latest reports out of Washington suggest that House Financial Services Committee is considering a ten-year reauthorization package with some significant changes. One important change being evaluated is adjusting the high incident trigger which has hurt both small insurance companies and captive insurers by raising deductibles. More to come on this issue.