

Carol Robertson

From: Sean Tarwater
Sent: Thursday, February 13, 2025 10:28 AM
To: House Insurance; Carol Robertson
Cc: Kevin M. Doherty
Subject: FW: Captive Bill Draft

Carol,

Please see below for testimony on HB2334 tomorrow. This gentleman will be online and oral testimony. Confrere contact info:

Past President and current board member of Tennessee Captive Insurance Association (TCIA)



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From: Kevin M. Doherty <KDoherty@dickinson-wright.com>

Sent: Wednesday, February 12, 2025 6:10 PM

To: Sean Tarwater <Sean.Tarwater@house.ks.gov>

Cc: Michael.Corbett@PNFP.com; Bill Sutton <Bill.Sutton@house.ks.gov>

Subject: RE: Captive Bill Draft

Sean,

I am out of pocket all day tomorrow at meetings, but available on Friday. The following can serve as a brief outline of what I would say. Michael may want to include additional language.

1. Every successful captive domicile needs what we refer to as the “three-legged stool.” This consists first and foremost of a cutting edge law that values the creativity of the business community and its effort to provide alternative insurance solutions like captives. The best law will take the best aspects of the laws in other

successful domiciles and tailor them to the needs of the particular state. It is also helpful to identify some areas where Kansas can distinguish itself and be a leader by offering something that other state cannot. This could be a focus on a certain type of coverage, such as cyber, AI, or other current needs. Or it could be simply an effort to respond to businesses in Kansas and help them find a viable solution to their risk management needs in a convenient and close location that also helps them avoid unnecessary self-procurement taxes or other expenses. Also, from a political standpoint, in almost every case captives are not a partisan issue and usually receive unanimous votes when presented to legislatures.

2. The second leg of the stool is the Governor and the executive branch, in particular the Commissioner of Insurance, who will be tasked with regulating captives and growing the captive insurance business in Kansas. It is very helpful to have a Governor or a Commissioner (or both) who recognize the benefits of captives and are willing to commit resources to attract businesses to Kansas. In particular, this would include hiring a small, but sophisticated group of professionals at the Insurance Department who will focus on captives, understand their unique characteristics, and be able to interface effectively with the captive insurance industry.
3. Finally, the third leg of the stool is the private sector. It is also essential that Kansas has sufficient qualified professionals to handle the business that comes in. This includes, actuaries, accountants, attorneys, bankers, captive managers, and other related professionals. Some of these can come in from out of state, but it is always better to have a strong a private sector as possible to make this successful. Ideally, the executive branch and the private sector will be on the same page and want their captives to succeed. It will be important to have qualified people on both sides in order to weed out any unworthy participants.

I will also talk about the economic benefits that captive can bring to the state, such as tourism (hotel nights), growth of high-paying white collar jobs, influx of capital into Kansas banks. In almost all cases, the revenue from the captive industry will far outweigh the cost the state incurs to hire a regulatory staff.

Thanks for including us!

Kevin

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