

Commerce Committee

March 2, 2010

Raised Bill No. 5357: An Act Concerning the Repeal of
Certain Underutilized Tax Credits

Testimony Submitted by:

Stephen C. Williams
President
Centre Reinsurance (U.S.) Limited

and

Dennis Kerrigan
Executive Vice President and General Counsel
Zurich North America-Commercial

Centre Reinsurance (U.S.) Limited ("Centre") and Zurich North America-Commercial ("Zurich"), both within the Zurich Financial Services group, appreciate the opportunity to offer testimony to the Commerce Committee on Raised Bill No. 5357. The bill, as proposed, could have the effect of nullifying tax credits, which have already been earned by investments in Connecticut insurance companies to the extent those tax credits would be utilized on tax returns filed on or after January 1, 2010. If, in fact, this is the intent and effect of the bill, for the reasons set forth below, Centre and Zurich firmly believe that the bill, if enacted, will have serious negative consequences for the State of Connecticut, including seriously diminishing the business community's and insurance industry's willingness to make future investments in Connecticut's programs. Accordingly, we urge you to defeat the bill in its present form or, in the alternative, strike Section 5 from the bill in order to eliminate the potential harmful impact that this bill could have on the business and investment community.

Centre is an insurance and reinsurance company. It is also an investor and has invested over \$30 million in Connecticut via its interests in insurance investment funds created under the auspices of Connecticut's Insurance Reinvestment Program. Centre's investments in those funds have yielded valuable tax credits awarded by Connecticut in return for its investments in Connecticut, all pursuant to the provisions of Connecticut General Statute §38a-88a.

Zurich is a leading commercial property-casualty insurance provider in North America. It has approximately 8,900 employees in North America serving the global corporate,

large corporate, middle market, small business, specialties and programs sectors in the United States and Canada. Zurich has purchased a certain amount of credits initially acquired by Centre and may choose to acquire additional credits from Centre to fully utilize the credits consistent with Connecticut's Insurance Reinvestment Program.

Centre invested these tens of millions of dollars in Connecticut insurance investment funds more than a decade ago. Centre found the investments attractive due, among other things, to the promise of earning tax credits to be used to offset premium and income tax liabilities. While Centre understood that providing seed money and funding to start-up and small insurance companies was undoubtedly a risky venture, Centre willingly undertook that risk in reliance on Connecticut's representations and commitments to provide tax credits.

Section 5 of the proposed bill is of greatest concern to Centre and Zurich since our interpretation leads us to conclude that the proponents of the bill are proposing to eliminate, in a wholesale manner, the Insurance Reinvestment Tax Credit Program. There are numerous concerns regarding the potential ramifications of nullifying valuable tax credits which have already been earned by, and awarded to, Centre and Zurich to the extent such tax credits would be utilized on or after January 1, 2010. We submit that the investment community would find it very unsettling if indeed such a commitment made by the State over a decade ago was effected by actions of the General Assembly nearly 15 years after Centre and Zurich made their investments.

We expect our concerns will be echoed by others similarly situated. As members of the business and insurance communities in Connecticut, we can see only negative outcomes for Connecticut if Raised Bill No. 5357 becomes law. An unintended consequence of passage of the bill will be a serious mistrust of the State of Connecticut and its intentions vis-à-vis investment and insurance interests in the State. We appreciate the economic circumstances which the State finds itself in at this time and the difficult task ahead for policymakers to develop a balanced budget; however, it is extremely important for the State to be well-positioned when the economic environment improves and actions such as those contemplated in Raised Bill No. 5357 would serve as a deterrent to the business community.

For the reasons stated above, we strongly urge you to defeat Raised Bill No. 5357.

Centre and Zurich express their appreciation for the opportunity to provide this testimony to the Committee in opposition to Raised Bill No. 5357. We urge you to consider the implications for Connecticut before voting.