
From: Darrel Thompson

Sent: Friday, September 10, 2021 12:44 PM

To: Ji.prichard@mail.house.gov; Bell, Beth <Beth.Bell@mail.house.gov>; Winnick, Daniel <Daniel.Winnick@mail.house.gov>

Subject: Darrel Thompson Calling / Bermuda Letter to Rep. Plaskett and CC: Chairman Neal

Good afternoon Ji, Beth, and Dan, and I hope you all are well in the face of Reconciliation.

I'm writing on behalf of my colleagues in the Government of Bermuda to share a copy of a letter to Rep. Stacey Plaskett from the Premier of Bermuda, the Honorable E. David Burt.

The letter discusses the long relationship between the United States (U.S.) and Bermuda. It highlights the significant contribution of Bermuda's re/insurance industry to the U.S. in recovery and rebuilding efforts after natural disasters like Hurricane Ida and other storms. Most importantly, the letter highlights Bermuda's concern with the proposed global minimum tax and how it will raise insurance costs for U.S. policyholders, especially those in coastal states like South Carolina, North Carolina, Georgia, and Florida. Finally, the letter offers policy proposals Congress could take to spare U.S. businesses and homeowners from pending increased insurance costs.

I welcome the opportunity to revisit these issues with you in greater detail as the Budget Reconciliation debate continues.

Sincerely,

Darrel Thompson

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Premier of Bermuda

September 9, 2021

The Honorable Stacey Plaskett
U.S. House of Representatives
Washington, DC 20515
USA

Dear Honorable Ms. Plaskett:

The United States (U.S.) and Bermuda have a long history of cooperation and partnership as far back as the American Revolution to the present day. The U.S. is Bermuda's largest trading partner, and Bermuda's re/insurance industry plays a major role in providing economic relief and recovery efforts from U.S. natural disasters.

Today, Bermuda re/insurers are providing claims-paying capital in Louisiana and other impacted states such as New York and New Jersey to assist in recovery from Hurricane Ida. According to commercial market claims data collected by the Bermuda Monetary Authority (BMA), from 1997 to 2020, Bermuda re/insurers paid out over \$400 billion to U.S. policyholders and cedants for large catastrophes, property and casualty losses, and life insurance claims. More recently, between 2016 to 2020, \$210 billion was paid by Bermuda re/insurers to Americans in claims from hurricanes in the East, wildfires in the West, flooding and tornado recovery in the Midwest, and last year, \$2.7 billion from winter storm Uri. This reflects the continued significance of the Bermuda re/insurance industry's contribution to the U.S. Equally important, Bermuda's re/insurance industry employs over 43,000 people in the U.S., and economic activity related to U.S. exports to Bermuda and Bermuda multinational investment in the United States produced more than 315,000 U.S. jobs. [*"Economic Data - Ludolph Report 2019 - Bermuda's Economic Relations United States, Canada, Europe, and Asia: 2010-2017(Jan 2019)"*]

The Government of Bermuda is concerned about aspects of the work at the Organisation for Economic Cooperation and Development (OECD), which are also supported by the current Administration, to establish a minimum global corporate income tax. The minimum global corporate income tax proposal, as currently formulated, will directly increase insurance costs for U.S. policyholders and cedants, by making it more costly for all re/insurers outside the U.S. to operate, including Bermuda re/insurers. Many refer to this pending increase as "the Hurricane Tax", because the global re/insurance industry, including Bermuda, historically provides relief to coastal states that often experience hurricanes, like Florida, Georgia, North and South Carolina, and many others. An analysis by the R-Street Institute estimates the international tax proposals

under consideration in the Budget Reconciliation Act, will result in increased insurance consumer costs of between \$8.9 to \$19 billion each year to Americans.

As the U.S. Congress prepares to debate the Budget Reconciliation Act, it should consider the impact that the OECD proposed minimum global corporate income tax, as currently constructed, will therefore have on U.S. insurance costs. Congress has an opportunity to take several steps that could spare U.S. businesses and homeowners from pending increased insurance costs.

In this regard, given the beneficial impact that such actions would have on the US consumer, we would ask the following:

- Congress should exempt Bermuda re/insurance companies from the proposed increases in the U.S. tax rate, because of the vital contribution of Bermuda's re/insurance industry in assisting the U.S. economy after nearly every natural disaster.
- Congress should minimize the costs on U.S. insureds from certain international tax rules and proposals by:
 - Limiting the impact of certain base erosion provisions (e.g., BEAT/SHIELD), such that only transactions with affiliates are considered. Also, for any legislative base erosion proposals, it is important to give due consideration to a number of relevant factors. These include coordination of base erosion/income inclusion rules; base erosion tax rates; foreign taxes paid; profit shifting; nontax motivated affiliate transactions and the impact of OECD Pillar Two proposals.
 - Limiting the impact of income inclusion rules (e.g., GILTI, subpart F), by providing for an appropriate substance-based benefit for financial services companies. Such a benefit would ensure that legitimate profits, consistent with normal financial services industry returns, are not subject to U.S. income inclusion.

Together, these actions will stabilize insurance costs for Americans during a time when natural disasters are becoming more frequent, catastrophic, and more costly to the U.S. economy.

We would further note that, during this year, senior Administration officials incorrectly described Bermuda as a jurisdiction where U.S. companies operate to avoid taxes. In fact, many U.S. - based multinational shareholders of insurers and reinsurers operating in Bermuda already pay U.S. taxes at an effective tax rate of 21%, pursuant to the current subpart F income inclusion rules. Additionally, companies operating in Bermuda also pay taxes through customs duties, corporate registration fees, and payroll tax to the Government of Bermuda.

The Government of Bermuda has taken significant actions to ensure that Bermuda is not a jurisdiction where U.S. companies or individuals can shelter income. In 1986, Bermuda signed its first Tax Information Exchange Agreement (TIEA) with the U.S. Government, thereby creating financial transparency between the respective governments. Bermuda was an early adopter of the

OECD Common Reporting Standard (CRS) and Country by Country (CbC) automatic reporting regimes. Any official governmental tax authority can request and receive information from Bermuda, under 100-plus tax-transparency relationships, including TIEAs and other multi-lateral agreements. Also, Bermuda is recognized by the Financial Action Task Force (FATF), the global money laundering and terrorist financing oversight organization, as a global leader in financial transparency, and in the effectiveness of its regulatory and money-laundering regimes. Moreover, Bermuda has never been listed as a money-laundering jurisdiction in the U.S. State Department's annual listing.

As the debate in U.S. Congress unfolds, I urge you and your colleagues to consider the policy recommendations outlined above, as well as the long-standing relationship and history of cooperation and partnership between Bermuda and the U.S. Acting on these recommendations will collectively enhance the relationship between both countries and maintain our respective ability to raise revenue without undermining each other's long-term interests.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Burt', with a stylized flourish at the end.

The Hon. E. David G. Burt, JP, MP
Premier

CC: The Honorable James Clyburn
The Honorable Richard Neal
The Honorable Maxine Waters
The Honorable Gregory Meeks
The Honorable G. K. Butterfield
The Honorable Emanuel Cleaver
The Honorable Yvette Clarke

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