

# Vermont Gov. Dean's captives now an issue in presidential race

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MONTPELIER (AP) — Former Gov. Howard Dean is being criticized by Missouri Rep. Dick Gephardt for providing tax breaks to corporations that set up captive insurance companies in Vermont.

Gephardt said Dean gave tax breaks to large corporations like Enron while cutting health care and education in Vermont.

"Gov. Dean has been engaging in gross hypocrisy," said Gephardt, one of Dean's opponents in the Democratic primary race. "While he was attacking President Bush's special treatment of Enron, he's been hiding the fact that he turned Vermont into a tax shelter for that very same corporate criminal."

Gephardt said that he would provide a different kind of leadership for the country.

"I approached budgets in the very same time period in a very different way," Gephardt said. "At the same time he was trying to get these tax breaks to Enron and trying to make Vermont into another Bermuda, I was fighting with Bill Clinton to balance the budget the right way and it led to the greatest economic expansion in decades."

Dean campaign officials make no apologies for the former governor's support for Vermont's captive insurance industry. They say there is no contradiction between Dean's criticism of Bush tax breaks and the former governor's support of the captive insurance industry.

"The comparison here is apples and oranges. It's about the president's irresponsible tax cuts that favored the wealthiest Americans over regular Americans," said Dean campaign spokesman Jay Carson.

"Gov. Dean was a good governor for this state and created a strong economy. He is not going to make any apologies for that."

A central point of Dean's campaign has been his criticism of what he says are President Bush's practice of giving tax breaks to corporations such as Enron, which used to own a captive insurance company in the state of Vermont. Enron's captive insurance company was taken over by the state last year when the parent corporation went bankrupt.

Vermont got into the captive insurance business in 1981 under the leadership of the late Gov. Richard Snelling, a Republican. Over the last two decades the state has become the third largest home in the world to captive insurance companies, after Bermuda and the Cayman Islands.

## Vermonters Proud

Vermont officials are proud of the industry, which they say provides about \$20 million a year in direct tax revenue to the state and pumps hundreds of millions of dollars into the state through indirect benefits.

"It is a major industry in the state of Vermont. It is one we cherish and hope it continues into the future," said Michael Smith, the secretary of Administration to Gov. James Douglas, a Republican. Before he went to work for the Douglas administration, Smith was the chief operating officer for Yankee Captive Management, a company that serves the captive insurance industry.

The only direct tax break given to the captive insurance industry by the state during Dean's 11 years as governor came in 1993 when the state reduced the state tax on premiums paid by the companies by 5 percent, said Len Crouse, Vermont's deputy commissioner of captive insurance.

Enron incorporated its captive insurance company in Vermont on Dec. 12, 1994, a year after the Dean-supported tax break to the industry, Crouse said.

In 1996 Dean wrote Clinton a letter opposing a plan that would have taxed offshore captive insurance companies. The industry felt that would have hurt the onshore captive insurance industry, most of which is in Vermont, said Ken Horseman, director of communications with the Department of Economic Development.

"Dean was speaking for the state of Vermont. He really represented the views of the industry in the U.S. as a whole," Horseman said.

Gephardt said the Clinton tax proposal on the captive industry was never voted on in Congress, but he would have voted in favor.

"I think that was the right approach," Gephardt said.

Vermont is attractive to corporations seeking to set up captive insurance companies because it has set up the infrastructure that allows them to do business, Crouse said.

"Very few states have laws as good as ours. We regulate them properly, we govern them properly," Crouse said. "It's a win-win situation. There is nothing but jobs, nothing but money in Vermont banks."

But University of Connecticut Law School Professor Richard Pomp said that by setting itself up as a haven for captive insurance companies, Vermont was taking money out of the coffers of other states.

"It's this whole tax haven mentality of beggar thy neighbor," Pomp said. "When you do it within the U.S. you are, in a time of increasing deficits, shuffling the deck chairs on the Titanic as we all sink together." □