



discussion during a June 9, 2001, public hearing in New Orleans. At the June 9, 2001, hearing, oral and written comments were considered, and the draft act was modified and released once again for public comment. The Committee considered comments received during a July 26, 2001, conference call and agreed to additional revisions. Finally, the Committee voted 10-2 to adopt the act.

Tax: Although the income statement of an SPRV would be a wash, its viability does depend critically on being able to deduct the interest payments to securitization investors as interest. There is some concern that there could be reclassification of the interest to dividends under some IRS interpretations, and hence the proponents of onshore SPRVs would intend to ask Congress to provide the same certainty that pass-through tax treatment would be allowed as Congress has done with mortgage securitizations. This would of course require an act in Congress. The Reinsurance Association of America (RAA) is very opposed to such potential legislation claiming that it provides a tax advantage and that it is inherently unfair. The proponents' viewpoint is that it provides no advantage, merely guarantees against a disadvantage. In fact, they say that were a domestic reinsurer to do exactly what an SPRV is expected to do, the reinsurer would already receive the tax treatment that the SPRVs want to receive. The academic paper regarding onshore SPRVs concluded, *inter alia*, that "the issues involved with the proposed federal tax treatment of onshore SPRVs should not be used to impede the development and use of these vehicles" and that the authors did "not believe that proposed tax treatment of onshore SPRV transactions would have a detrimental impact on other forms of and vehicles for risk transfer."

Competition: Major industry associations of direct and primary insurers are firmly supportive of the act, while