

**From:** Darrel Thompson  
**Sent:** Monday, October 28, 2024 7:13 AM  
**To:** Fierro, Alia <Alia.Fierro@mail.house.gov>  
**Cc:** Lister, Cheryl <clister@gov.bm>; metregan@gmail.com  
**Subject:** RE: Darrel Thompson Calling / Follow-up Question on Bermuda-OECD

Hi Alia

You are correct, the two Bermuda CIT transitional measures being discussed at the OECD are in regards to the opening loss "tax loss carryforward" and the "economic transition adjustment". These provisions are maintained in Section 6 and 33 of the Bermuda CIT.

The FAQs issue specific questions and fact patterns regarding the various provisions of the Bermuda CIT. The tax loss carryforward FAQs are on pages 23-33 of the FAQs and the economic transition adjustment FAQs are on pages 41-53 of the FAQs. I am not sure how helpful the FAQs will be for you because as I mention they address specific questions and fact patterns, not necessarily the general parameters of those provisions.

In terms of where the US Treasury sits on the OECD proposal, they are fully supportive of the opening tax loss carryforward being respected for Pillar 2 tax purposes so our focus is not on this matter.

The US Treasury is currently not supportive of the economic transition adjustment being respected for Pillar 2 although they clearly are supportive of us incorporating this adjustment into our local law (consistent with what the US has done in the past).

You are correct that the economic transition adjustment is what we discussed the other day. This adjustment basically allows Bermuda taxpayers to establish their opening tax basis for assets and liabilities for purposes of the Bermuda CIT at fair market value. Bringing in a fair market value basis corrects for the impact of a mid-cycle enactment of a CIT, ensuring that non-economic results which can occur in the post CIT period are not subject to the CIT. Given the significant distortive period to period effects which can occur for the (re)insurance industry if a CIT is incorporated mid-cycle, we believed this was an appropriate measure to take for the Bermuda CIT. We also believe it should be respected for Pillar 2, especially for a jurisdiction which adopted its CIT to ensure the goals of the Pillar 2 tax are adhered to.

It should be noted that not respecting the economic transition adjustment for Pillar 2 has the effect of reversing the transitional benefits Bermuda believed were appropriate for its (re)insurance industry.

Please let us know if you have any further questions.

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**From:** Darrel Thompson

**Sent:** Thursday, October 17, 2024 1:04 PM

**To:** Finkel, Adam (Warnock) <Adam\_Finkel@warnock.senate.gov>; Whiting, Ethan (Warnock) <Ethan\_Whiting@warnock.senate.gov>

**Subject:** Darrel Thompson Calling / Bermuda Follow-Up

Good afternoon, Adam and Ethan. I hope this message finds you well. Thank you for meeting with Ms. Cheryl Lister and me last week to discuss the U.S. / Georgia insurance crisis and its relation to the Bermuda insurance and reinsurance industry.

As you requested, please see below for key points necessary for any follow-up discussion between your office and the Department of the Treasury.

We welcome the opportunity to revisit these matters in greater detail at your convenience.

Darrel Thompson

Darrel Thompson

Partner

**theGROUP**

1730 Pennsylvania Ave., NW

Suite 500

Washington, DC 20006

202-386-7282 office

202-557-9388 cell

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SIGNIFICANT CONSIDERATIONS FOR DISCUSSIONS WITH TREASURY INCLUDING IMPACT OF BERMUDA (RE)INSURANCE COVERAGE OF US NATURAL DISASTERS

1) Introduction

- a. Bermuda is a member of the Inclusive Framework (body that approved the Global Minimum Tax Agreement), and is committed to compliance with international standards (FATCA, CRS, Exchange of Information, Economic Substance, etc.).
- b. Bermuda has a reputation as a quality international financial centre (well regulated, strong (re)insurance sector, etc.).
- c. Historically Bermuda has funded itself through consumption taxes - most appropriate for a small island given economic dependence on an industry with volatility in returns.

d. Bermuda adopted a corporate income tax (CIT) in 2023 in response to the Global Minimum Tax Agreement.

e. As noted below, the jurisdiction is a significant provider of risk capital.

f. As these matters address issues relating to current OECD discussions, they are both politically sensitive and time-sensitive.

2) Facts/Issue

a. OECD developments and Bermuda's response.

i. As a result of OECDs BEPS 2.0 initiative adopting Pillar 2 (P2), Bermuda enacted a CIT effective 1/1/25.

ii. As part of the CIT enactment, certain transitional provisions to provide for the appropriate transition into a CIT mid-cycle were incorporated. Similar provisions, which largely correct for the distortive effects of adopting a CIT mid-cycle and allow for a fair and equitable transition into a CIT, have been previously enacted by other jurisdictions when making similar domestic tax law changes. This was recognized by certain IF members including US in recent written and verbal comments regarding a current on-going OECD administrative guidance project.

iii. It should be noted that in the development of the CIT, Bermuda conducted three public consultations where the transitional adjustments were fully disclosed and discussed.

iv. The administrative guidance project noted above is targeting certain of the CIT transitional provisions which if not permitted to apply in the P2 environment will reverse the proper transitional results accorded to Bermuda local MNE companies. This would have a significant effect on Bermuda's local economy and in particular the (re)insurance industry.

v. In Bermuda's view, this 11th hour administrative guidance project, being proposed on a retroactive basis (Bermuda's CIT is aligned with the latest published and approved guidance), could compromise the integrity of the goal of broad enactment of a minimum corporate income tax and, at best, will be disruptive.

b. Current view of US Treasury

i. We understand that the US Treasury believes the transitional provisions adopted within the Bermuda CIT are wholly appropriate for Bermuda to enact as part of its domestic tax legislation.

ii. Bermuda also understand that the US Treasury are considering whether one of the transitional provisions adopted within the Bermuda CIT is appropriate for transition into P2. This provision has significant impact on the property and casualty industry in particular.

3) Request to Treasury

Understanding the general impact to Bermuda as well as the US, and the potential disruption and impact to American jobs, consumers, and markets, would ask the following:

a. The US support the transitional provisions contained within the Bermuda CIT being respected for transition into the P2 environment.

b. To the extent the OECD insists on limiting the application of certain transitional provisions for P2 purposes, we ask that the US support that the disallowance of such transitional provisions by the OECD only be done on a prospective basis such that the Bermuda CIT transitional provisions are respected for P2.

4) Bermuda/US Considerations

a. Since 1997, the Bermuda re/insurance market has provided over a half a trillion US recovery dollars to American consumers, businesses, and communities, much of it after natural disasters. The five (5) states impacted by Hurricanes Helene and Milton –Florida, Georgia, North Carolina, South Carolina, and Tennessee - will rely upon a strong & stable global reinsurance market to assist in private sector recovery.

b. Bermuda re/insurance market is the largest provider of natural disaster reinsurance capacity to the US market - including substantial capital in Lloyd's (ABIR members alone provide over 44% of capacity at Lloyd's)

c. US Treasury – through the Federal Insurance Office (FIO) and the Financial Stability Oversight Council (FSOC) for example – have expressed concerns of adequate capital and capacity

to combat the growing severity and frequency of natural disasters caused by climate change. Near term disruption in the market will impact US consumers.

d. The Bermuda market is also a significant provider of terrorism/political risk coverage globally and proudly serves a leading role in providing mortgage insurance for first-time home buyers in America.

e. The Bermuda market is also a significant market in terms of life and annuity coverage, \$242 billion in Long Term claims were paid to US cedents between the 2019 and 2023

f. The Bermuda regulatory regime is world leading with US Reciprocal Jurisdiction status (highest designation) and EU Solvency II equivalent designation. The market is well regulated.

g. The re/insurance industry is the largest private sector employer and single largest contributor to Bermuda's economy.

h. The transitional provisions contained within the Bermuda CIT are critical to advancing Bermuda from a 400-year consumption tax regime to a corporate income tax environment.

i. Maintaining market confidence in the transition to a CIT is crucial to success.

j. The Bermuda government is fully supportive of the transitional provisions and cautions against an 11th hour disruption.

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**From:** Darrel Thompson  
**Sent:** Thursday, October 24, 2024 5:05 PM  
**To:** Fierro, Alia <Alia.Fierro@mail.house.gov>  
**Cc:** Lister, Cheryl <clister@gov.bm>; metregan@gmail.com  
**Subject:** Darrel Thompson Calling / Follow-up Question on Bermuda-OECD

Hello Alia. Please see below in response to your questions from earlier today.

- 1) What is the exact implication of the OCED/Treasury's resistance to Bermuda's CIT proposal?
  - Implication is twofold:
    - This will require an abrupt transition into a new CIT for the Bermuda insurance/reinsurance industry, such a shock event to this long-term cyclical/complex industry will inevitably create disruption in the Bermuda market which will spill over to US consumers seeking insurance, and
    - There will be less capital available in the insurance/reinsurance market resulting in higher costs of obtaining insurance for US consumers (i.e., supply and demand concept).
  - Estimates project that the Bermuda insurance capital capacity, industry-wide, will likely be reduced by \$5Bn - \$10Bn.
  
- 2) What is the exact request from Bermuda for the phase-in, and how would it help alleviate concerns for Bermuda and the U.S. insurance industry?
  - The transitional measures allow for a proper transition into a new tax regime to minimize disruption and ensure that Bermuda companies are not disadvantaged.
  - The ask is that the Bermuda transitional measures be allowed to be accepted within the Pillar 2 regime.

My colleagues and I look forward to conversation.

Darrel Thompson

Darrel Thompson  
Partner  
**theGROUP**  
1730 Pennsylvania Ave., NW  
Suite 500

Washington, DC 20006  
202-386-7282 office  
202-557-9388 cell

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**From:** Darrel Thompson  
**Sent:** Friday, October 4, 2024 2:13 PM  
**To:** scott.levine@treasury.gov; beth.bell@treasury.gov  
**Cc:** Lister, Cheryl <clister@gov.bm>; Lightbourne, Alexa N. <alightbourne@gov.bm>  
**Subject:** Government of Bermuda / Thank you & Follow Up

Hello, Scott and Beth. Thank you for taking the time to meet with my colleagues from the Government of Bermuda.

As we discussed, Bermuda is a global leader in the reinsurance industry and plays a significant role in recovery and rebuilding efforts in the United States after natural disasters like hurricanes, tornadoes, and floods.

Since 1997, the Bermuda re/insurance market has provided over a half a trillion U.S. recovery dollars to American consumers, businesses, and communities.  
(<https://business.abir.bm/resources/Details/2021-abir-fact-sheet-8253>).

I've also included articles below illustrating the growing insurance crisis impacting home and business owners across the United States.

As the U.S. Department of the Treasury studies changes to global tax policy, my colleagues in the Government of Bermuda encourage you to consider the ramifications and unintended consequences to the insurance and reinsurance industry and the rising insurance costs for U.S. taxpayers.

We look forward to continuing this conversation.

Sincerely,

Darrel Thompson

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Partner  
**theGROUP**  
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Insurance crisis that started in Florida, California is spreading. Your state could be next  
<https://www.cnbc.com/2024/07/02/florida-california-insurance-crisis-spreading-your-state-next.html>

Is the insurance crisis spreading to North Carolina?

<https://www.policygenius.com/homeowners-insurance/news/is-the-insurance-crisis-spreading-to-north-carolina/>

Homeowners insurance is rising across Georgia and South Carolina. Here's why, and what you can do

<https://www.wjcl.com/article/homeowners-insurance-georgia-south-carolina/45790074>

Louisiana homeowners insurance crisis: What you need to know

<https://www.insurance.com/home-and-renters-insurance/louisianas-property-insurance-crisis>

Climate Change, Disaster Risk, and Homeowner's Insurance

<https://www.cbo.gov/publication/59918>

Climate Change and U.S. Property Insurance: A Stormy Mix

<https://www.cfr.org/article/climate-change-and-us-property-insurance-stormy-mix>

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**From:** Darrel Thompson

**Sent:** Tuesday, October 22, 2024 7:49 AM

**To:** Fierro, Alia <Alia.Fierro@mail.house.gov>

**Cc:** Lindholm, Danielle <Danielle.Lindholm@mail.house.gov>; Ouertatani, Charla <Charla.Ouertatani@mail.house.gov>

**Subject:** RE: Darrel Thompson Calling / Bermuda Follow-Up

Good morning, Alia. Thank you for the response and I welcome a brief call today. I'm available anytime this morning before 11:30 am, then again from 1:00 pm – 3:00 pm.

I want to revisit Bermuda's relationship to the U.S. insurance industry crisis.

Since 1997, the Bermuda re/insurance market has provided over a half a trillion U.S. recovery dollars to American consumers, businesses, and communities.

(<https://business.abir.bm/resources/Details/2021-abir-fact-sheet-8253>).

I've also included articles below illustrating the growing insurance crisis impacting home and business owners across the United States.

Insurance crisis that started in Florida, California is spreading. Your state could be next

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Is the insurance crisis spreading to North Carolina?

<https://www.policygenius.com/homeowners-insurance/news/is-the-insurance-crisis-spreading-to-north-carolina/>

Homeowners insurance is rising across Georgia and South Carolina. Here's why, and what you can do

<https://www.wjcl.com/article/homeowners-insurance-georgia-south-carolina/45790074>

Louisiana homeowners insurance crisis: What you need to know

<https://www.insurance.com/home-and-renters-insurance/louisianas-property-insurance-crisis>

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I look forward to continuing this conversation.

Sincerely,

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Washington, DC 20006

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202-557-9388 cell

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**From:** Darrel Thompson

**Sent:** Wednesday, October 23, 2024 4:39 PM

**To:** Jabbar, Angeline <Angeline.jabbar@mail.house.gov>; Clarke, Paige <Paige.Clarke@mail.house.gov>

**Subject:** Bermuda Follow Up / US Insurance Industry Crisis

The articles below illustrate the extent of the U.S. insurance industry crisis.

Since 1997, the Bermuda re/insurance market has provided over a half a trillion U.S. recovery dollars to American consumers, businesses, and communities.

(<https://business.abir.bm/resources/Details/2021-abir-fact-sheet-8253>).

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**From:** Darrel Thompson

**Sent:** Thursday, October 17, 2024 1:13 PM

**To:** Fierro, Alia <Alia.Fierro@mail.house.gov>

**Cc:** Lindholm, Danielle <Danielle.Lindholm@mail.house.gov>; Ouertatani, Charla <Charla.Ouertatani@mail.house.gov>

**Subject:** Darrel Thompson Calling / Bermuda Follow-Up

Good afternoon, Alia and Team Financial Services. I hope this message finds you well. Thank you for meeting with Ms. Cheryl Lister and me last week to discuss the U.S. insurance crisis and its relation to the Bermuda insurance and reinsurance industry.

As you requested, please see below for key points necessary for any follow-up discussion between your office and the Department of the Treasury.

We welcome the opportunity to revisit these matters in greater detail at your convenience.

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- c. Historically Bermuda has funded itself through consumption taxes - most appropriate for a small island given economic dependence on an industry with volatility in returns.
- d. Bermuda adopted a corporate income tax (CIT) in 2023 in response to the Global Minimum Tax Agreement.
- e. As noted below, the jurisdiction is a significant provider of risk capital.
- f. As these matters address issues relating to current OECD discussions, they are both politically sensitive and time-sensitive.

2) Facts/Issue

- a. OECD developments and Bermuda's response.

- i. As a result of OECDs BEPS 2.0 initiative adopting Pillar 2 (P2), Bermuda enacted a CIT effective 1/1/25.

- ii. As part of the CIT enactment, certain transitional provisions to provide for the appropriate transition into a CIT mid-cycle were incorporated. Similar provisions, which largely correct for the distortive effects of adopting a CIT mid-cycle and allow for a fair and equitable transition into a CIT, have been previously enacted by other jurisdictions when making similar domestic tax law changes. This was recognized by certain IF members including US in recent written and verbal comments regarding a current on-going OECD administrative guidance project.

- iii. It should be noted that in the development of the CIT, Bermuda conducted three public consultations where the transitional adjustments were fully disclosed and discussed.

- iv. The administrative guidance project noted above is targeting certain of the CIT transitional provisions which if not permitted to apply in the P2 environment will reverse the proper transitional results accorded to Bermuda local MNE companies. This would have a significant effect on Bermuda's local economy and in particular the (re)insurance industry.

- v. In Bermuda's view, this 11th hour administrative guidance project, being proposed on a retroactive basis (Bermuda's CIT is aligned with the latest published and approved guidance), could compromise the integrity of the goal of broad enactment of a minimum corporate income tax and, at best, will be disruptive.

b. Current view of US Treasury

i. We understand that the US Treasury believes the transitional provisions adopted within the Bermuda CIT are wholly appropriate for Bermuda to enact as part of its domestic tax legislation.

ii. Bermuda also understand that the US Treasury are considering whether one of the transitional provisions adopted within the Bermuda CIT is appropriate for transition into P2. This provision has significant impact on the property and casualty industry in particular.

3) Request to Treasury

Understanding the general impact to Bermuda as well as the US, and the potential disruption and impact to American jobs, consumers, and markets, would ask the following:

a. The US support the transitional provisions contained within the Bermuda CIT being respected for transition into the P2 environment.

b. To the extent the OECD insists on limiting the application of certain transitional provisions for P2 purposes, we ask that the US support that the disallowance of such transitional provisions by the OECD only be done on a prospective basis such that the Bermuda CIT transitional provisions are respected for P2.

4) Bermuda/US Considerations

a. Since 1997, the Bermuda re/insurance market has provided over a half a trillion US recovery dollars to American consumers, businesses, and communities, much of it after natural disasters. The five (5) states impacted by Hurricanes Helene and Milton –Florida, Georgia, North Carolina, South Carolina, and Tennessee - will rely upon a strong & stable global reinsurance market to assist in private sector recovery.

b. Bermuda re/insurance market is the largest provider of natural disaster reinsurance capacity to the US market - including substantial capital in Lloyd's (ABIR members alone provide over 44% of capacity at Lloyd's)

- c. US Treasury – through the Federal Insurance Office (FIO) and the Financial Stability Oversight Council (FSOC) for example – have expressed concerns of adequate capital and capacity to combat the growing severity and frequency of natural disasters caused by climate change. Near term disruption in the market will impact US consumers.
  
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**From:** Darrel Thompson

**Sent:** Wednesday, October 23, 2024 4:44 PM

**To:** Jabbar, Angeline <Angeline.jabbar@mail.house.gov>; Clarke, Paige <Paige.Clarke@mail.house.gov>

**Subject:** Bermuda Follow Up

Hello Angie and Paige. Please see below. This provides more information and background on Bermuda's insurance and reinsurance industry and its relationship with the U.S. insurance industry.

Darrel

###

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**From:** Darrel Thompson  
**Sent:** Thursday, October 17, 2024 1:07 PM  
**To:** Mahoney, Christina <Christina.Mahoney@mail.house.gov>; Ndikum, Alex <Alex.Ndikum@mail.house.gov>  
**Subject:** Darrel Thompson Calling / Bermuda Follow-Up

Good afternoon, Christina and Alex. I hope this message finds you well. Thank you for meeting with Ms. Cheryl Lister and me last week to discuss the U.S. / Georgia insurance crisis and its relation to the Bermuda insurance and reinsurance industry.

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  - a. Bermuda is a member of the Inclusive Framework (body that approved the Global Minimum Tax Agreement), and is committed to compliance with international standards (FATCA, CRS, Exchange of Information, Economic Substance, etc.).
  - b. Bermuda has a reputation as a quality international financial centre (well regulated, strong (re)insurance sector, etc.).
  - c. Historically Bermuda has funded itself through consumption taxes - most appropriate for a small island given economic dependence on an industry with volatility in returns.

d. Bermuda adopted a corporate income tax (CIT) in 2023 in response to the Global Minimum Tax Agreement.

e. As noted below, the jurisdiction is a significant provider of risk capital.

f. As these matters address issues relating to current OECD discussions, they are both politically sensitive and time-sensitive.

2) Facts/Issue

a. OECD developments and Bermuda's response.

i. As a result of OECDs BEPS 2.0 initiative adopting Pillar 2 (P2), Bermuda enacted a CIT effective 1/1/25.

ii. As part of the CIT enactment, certain transitional provisions to provide for the appropriate transition into a CIT mid-cycle were incorporated. Similar provisions, which largely correct for the distortive effects of adopting a CIT mid-cycle and allow for a fair and equitable transition into a CIT, have been previously enacted by other jurisdictions when making similar domestic tax law changes. This was recognized by certain IF members including US in recent written and verbal comments regarding a current on-going OECD administrative guidance project.

iii. It should be noted that in the development of the CIT, Bermuda conducted three public consultations where the transitional adjustments were fully disclosed and discussed.

iv. The administrative guidance project noted above is targeting certain of the CIT transitional provisions which if not permitted to apply in the P2 environment will reverse the proper transitional results accorded to Bermuda local MNE companies. This would have a significant effect on Bermuda's local economy and in particular the (re)insurance industry.

v. In Bermuda's view, this 11th hour administrative guidance project, being proposed on a retroactive basis (Bermuda's CIT is aligned with the latest published and approved guidance), could compromise the integrity of the goal of broad enactment of a minimum corporate income tax and, at best, will be disruptive.

b. Current view of US Treasury

i. We understand that the US Treasury believes the transitional provisions adopted within the Bermuda CIT are wholly appropriate for Bermuda to enact as part of its domestic tax legislation.

ii. Bermuda also understand that the US Treasury are considering whether one of the transitional provisions adopted within the Bermuda CIT is appropriate for transition into P2. This provision has significant impact on the property and casualty industry in particular.

3) Request to Treasury

Understanding the general impact to Bermuda as well as the US, and the potential disruption and impact to American jobs, consumers, and markets, would ask the following:

a. The US support the transitional provisions contained within the Bermuda CIT being respected for transition into the P2 environment.

b. To the extent the OECD insists on limiting the application of certain transitional provisions for P2 purposes, we ask that the US support that the disallowance of such transitional provisions by the OECD only be done on a prospective basis such that the Bermuda CIT transitional provisions are respected for P2.

4) Bermuda/US Considerations

a. Since 1997, the Bermuda re/insurance market has provided over a half a trillion US recovery dollars to American consumers, businesses, and communities, much of it after natural disasters. The five (5) states impacted by Hurricanes Helene and Milton –Florida, Georgia, North Carolina, South Carolina, and Tennessee - will rely upon a strong & stable global reinsurance market to assist in private sector recovery.

b. Bermuda re/insurance market is the largest provider of natural disaster reinsurance capacity to the US market - including substantial capital in Lloyd's (ABIR members alone provide over 44% of capacity at Lloyd's)

c. US Treasury – through the Federal Insurance Office (FIO) and the Financial Stability Oversight Council (FSOC) for example – have expressed concerns of adequate capital and capacity

to combat the growing severity and frequency of natural disasters caused by climate change. Near term disruption in the market will impact US consumers.

d. The Bermuda market is also a significant provider of terrorism/political risk coverage globally and proudly serves a leading role in providing mortgage insurance for first-time home buyers in America.

e. The Bermuda market is also a significant market in terms of life and annuity coverage, \$242 billion in Long Term claims were paid to US cedents between the 2019 and 2023

f. The Bermuda regulatory regime is world leading with US Reciprocal Jurisdiction status (highest designation) and EU Solvency II equivalent designation. The market is well regulated.

g. The re/insurance industry is the largest private sector employer and single largest contributor to Bermuda's economy.

h. The transitional provisions contained within the Bermuda CIT are critical to advancing Bermuda from a 400-year consumption tax regime to a corporate income tax environment.

i. Maintaining market confidence in the transition to a CIT is crucial to success.

j. The Bermuda government is fully supportive of the transitional provisions and cautions against an 11th hour disruption.

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