To: Michael T. McRaith
Federal Insurance Office
1500 Pennsylvania Ave. NW
Washington DC 20220
United States of America

From: Economics & Finance department

Date: 27 August 2012

Reference: IAR-12-241

Subject: Insurance Europe input on the Report to Congress on the U.S. and Global Reinsurance Market

Dear Director McRaith,

Insurance Europe, European insurance and reinsurance federation, based in Brussels, represents through its 34 member bodies — the national insurance associations — insurance and reinsurance undertakings, which account for around 95% of total European premium income and European reinsurers which together account for over 56%[1] of global reinsurance premiums, of which a significant proportion are for risks assumed from US cedents. We, therefore, await the upcoming Congressional report on the US and Global Reinsurance Market with interest and welcome the opportunity to provide our input in advance.

Reinsurance is one of the most globalised industries in the world today. Reinsurer's unique ability to pool risks and pay claims on a global scale produces all the same welfare-enhancing effects for business and consumers as free trade – helping to stimulate economic growth, jobs and foster stability. As a global risk transfer mechanism designed to diversify risk, reinsurance is most effectively conducted as an international business transaction in open markets free from unnecessary regulatory constraints. In this respect, we believe that improvements can be made to the regulatory environment for non-US reinsurers in the US:

- Greater reliance on robust supervision of reinsurers domiciled elsewhere – the sophisticated nature of reinsurance counterparties together with the global nature of the business transaction make the reinsurance sector especially suitable for enhanced mutual recognition.

- Removal of statutory collateral requirements – progress has been made by the NAIC to amend the discriminatory requirement whereby non-US reinsurers must post 100% collateral for US cedents to take balance sheet credit for their reinsurance, however, the revised Model Law is deficient and relies on consistent implementation across the US or much of its potential benefit will be lost.

- One clear point of contact for international reinsurers doing business in the US - Insurance Europe would ultimately like there to be one supervisory authority with the ability to have oversight and decision making power over an entire insurance groups operations in the US.

For this reason, we believe the FIO's responsibility to 'coordinate Federal efforts and develop Federal policy on prudential aspects of international insurance matters' and to 'pre-empt state insurance measures which are inconsistent with a covered agreement which treat non-US insurers less favourably' are particularly suited to taking a special focus on the reinsurance sector.

[1] *Standard and Poor's Global Reinsurance Highlights 2011 – based on premium figures reported by top 40 global reinsurers*

Olav Jones • Director Economics & Finance
Insurance Europe aisbl • rue Montoyer 51, B-1000 Brussels
Tel: +32 2 894 30 13 • Fax: +32 2 894 30 01
E-mail: jones@insuranceeurope.eu
www.insuranceeurope.eu

1. Purpose of reinsurance

The purpose of reinsurance is to spread a risk amongst a number of insurers and in doing so provide protection and stability to the primary insurance market. Through absorbing the losses that are not retained by primary insurers, reinsurers limit the earnings volatility of primary insurers and make insurance more affordable. In doing so, reinsurers contribute to the global diversification of risk and to an efficient allocation of capital and improved risk management on the side of primary insurers. In addition, through the global pooling of risk reinsurers play an essential role in the global economy as a shock absorber enhancing financial stability in individual countries and reducing local risk concentrations.

Demand for reinsurance can be influenced by many factors but in its recent report on Reinsurance and Financial Stability[2] the IAIS noted the following two trends with respect to the purchase of reinsurance:

- Small primary insurers with limited portfolio diversification possibilities and geographic constraints tend to cede a higher premium volume (i.e. purchase more reinsurance), than globally active primary insurers with large portfolios that diversify over many line of business and geography.

- Primary insurers with large exposures to a particular peak catastrophe risks such as earthquake or tropical storms, tend to purchase more reinsurance than primary insurers with lower catastrophe risk exposure.

With respect to providing support in the event of a catastrophic event, the extraordinary support provided by the global reinsurance market to insurers and ultimately their policyholders in 2011 is worthy of special mention. The 2011 global insured catastrophe losses were the highest ever recorded with catastrophic events occurring in Australia, New Zealand, Japan, Thailand and Chile and $105 billion in total insured losses recorded. The table below taken from a joint submission by the world's leading associations of reinsurers (Association of Bermudan Insurers and Reinsurers, Insurance Europe and the Reinsurance Association of America) to the IAIS Reinsurance subcommittee summarises the jurisdiction, the type of loss and the insured and reinsured amounts.

Jurisdiction	Insured Losses (Mega Cats)	Reinsured Losses (Mega Cats)	Estimated Reinsured Share	Non-Domestic Reinsured Share
Australia:[3]	$ 8 B	$ 3.5 B	44%	90%
New Zealand[4]	$17 B	$12.5 B	73%	100%
Japan[5]	$35 to $40 B	$12 to $14 B	40%	98%
Thailand[6]	$15 to $20 B	$12 B	60%	95%
Chile[7]	$ 8.5 B	$ 8 B	95%	100%
2011 Summary:	$75 to 85 B	$40 to 42 B	54% average	96% average
Summary (with Chile 2010):	$83.5 to 93.5B	$48 to 50 B	62% average	97% average

Reinsurers of large events such as these rely on the principles of diversification in underwriting the risk in which they assume. Through pooling the risk, from varying jurisdictions, from perils which are not interconnected reinsurers are able to offer not only a more financially secure coverage but a much more competitive pricing on

---

[2] *IAIS Reinsurance and Financial Stability 19 July 2012*

[3] *Holborn, 2012 Reinsurance Market Outlook, January 2012; Australian flooding in Queensland and Victoria; Cyclone Yasi; other loss events included in aggregate global cat loss total but not in this table*

[4] *Aon Benfield Reinsurance Market Outlook, Sept. 2011; Insurance Insider Analysis. Jan. 2012/1, Issue 468; AM Best Special Report, Nov. 7. 2011*

[5] *Aon Benfield Reinsurance Market Outlook, Sept. 2011; Various investor reports Barclays, Stifel Nicolaus, Moody's, Insurance Insider Report Jan. 2012/1, Issue 468; Research notes memo Aon, Jan. 2012*

[6] *Insurance Insider Report, Jan. 2012/1, Issue 468, Insurance Insider Reports Nov. 8, 2011 and Nov. 24, 2011*

[7] *Aon Benfield Reinsurance Market Outlook, Sept. 2011; Insurance Insider Chilean Loos Tracker Report.*

risk than would have been possible if capital had to be held only to support a specific risk, or a specific jurisdictions exposures. This is why balkanisation of capital through requiring ring fencing, government funds or collateralisation leads to higher reinsurance costs and less capacity when viewed over the long term.

2. The breadth and scope of the global reinsurance market

The global reinsurance market has the following key characteristics:

- About 200 companies offering reinsurance; most are specialised reinsurers
- USD 200 billion annual premium marketplace
- Large primary insurance companies also write reinsurance business
- The vast majority of reinsurance business originates from ceding insurers located in North America (47%) and Europe (38%).[8]
- In 2009 the class structure of the global reinsurance market, in gross premium terms, was about one-third life reinsurance and two-thirds non-life reinsurance. In net premium terms, however, life reinsurance increased its part from 26% in 2008 to 29% in 2009. [7]
- Approximately 5% of global primary insurance premiums ceded to reinsurers.[9]
- The top 10 reinsurers account for over 70% of the global reinsurance market. These reinsurers are domiciled in 6 following jurisdictions – Bermuda, US, France, Germany, Switzerland, and the UK.[10]
- If the list is expanded to the top 30 reinsures (after which there is a significant drop-off in premium written) only 5 additional jurisdictions are added -- Australia, India, Japan, Korea, and Spain. [8]
- Since 1970 there has been a marked increase in the volume and frequency of significant claims paid out by international reinsurers – a number of factors have been cited as being responsible for driving this including increased frequency and magnitude of natural disasters and higher insurance penetration.

For a more detailed breakdown of some of the key characteristics listed above please see the appendix which contains a number of charts/tables from which these facts were taken.

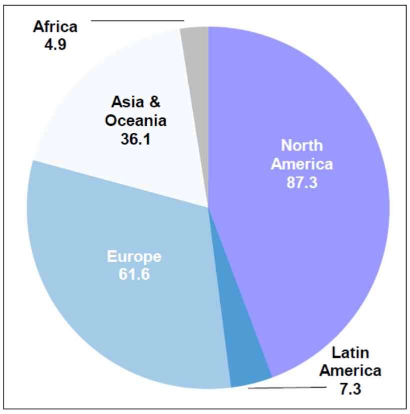
3. The role that the global reinsurance market plays in supporting insurance in the United States

The global reinsurance market plays a considerable role in supporting insurance in the United States. This is neatly demonstrated by comparing global distributions of reinsurance premiums ceded/assumed which show that based on the (re)insurers sampled for the IAIS Global Reinsurance Market Report North American (re)insurers (which includes those domiciled in Bermuda) cede substantially more risks than they assume. In 2010 North American (re) insurers ceded US$ 9 billion more risk than they assumed i.e. when looking at the market as a whole North American (re)insurers purchase US$ 9 billion more reinsurance capacity than is provided globally by US domestic reinsurers. In contrast, European entities are net risk takers assuming US$ 37 billion more risks than the risks ceded[11],
Further reinforcing these figures are the figures relating to support provided by non-US reinsurers to US domestic insurers in the event of a catastrophe. Two thirds of the reinsurance for protection of US homes and businesses against hurricane and earthquake is provided by non-US reinsurers. Foreign (re)insurers paid more than 60% of the claims after the 2005 hurricanes (Katrina, Rita and Wilma ('KRW') caused US$90 billion in US insured catastrophe losses of which approximately US$59 billion were paid by international reinsurers) and the 11 September ('9/11') tragedy[12] (US$17.2 billion)

---

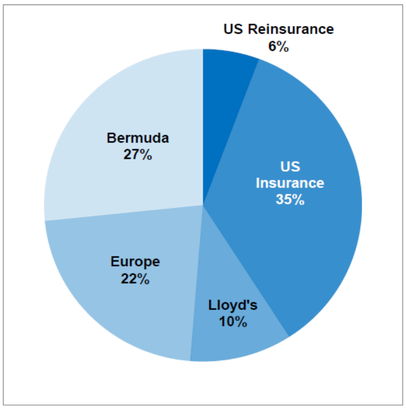
[8] *IAIS's Global Reinsurance Market Report (GRMR) 2010 end year edition*
[9] *Swiss Re sigma (primary & reinsurance business), Munich Re*
[10] *Standard and Poor's Global Reinsurance Market Report 2010*
[11] *IAIS's Global Reinsurance Market Report (GRMR) 2010 end year edition*
[12] *IAIS's Reinsurance and Financial Stability Report*

Fig. 1: The global reinsurance market (US$ bn)



Source: Industry data

Fig. 2: Distribution of 2005 KRW hurricane payments



Source: Cummins[7]

In words of the IAIS as noted in their recent report 'Reinsurance and Financial Stability', *"without access to global reinsurance the claims burden arising from this exceptional sequence of natural catastrophes would have fallen on US domestic (re)insurers and US subsidiaries of non-US parents. The access to global reinsurance and the reinsurance recoverables obtained from the global and domestic reinsurance by primary insurers mitigated the financial impact these catastrophes would have had on US primary insurers and by extension also on US policyholders".*

World Trade Center Losses

By Company headquarters	USD million
U.S. Reinsurers	4 109
U.S. Primary Insurers	5 659
Europe Reinsurers	5 506
Europe Primary Insurers	3 865
Bermuda Companies	2 479
Lloyd's	2 844
Japan Companies	2 338
Total announced	**26 799**

International (re)insurers paid 64% of 9/11 related claims

Domestic reinsurers paid more than 35% of 9/11 related claims

Source: Dowling & Partners

The two examples above of international reinsurers providing support to the US market following the occurrence of both man-made disasters and natural disasters are not just isolated examples and are nothing new. Indeed, in addition to KRW and 9/11 international support is known to have contributed significantly to the recovery efforts following events such as the 1906 San Francisco earthquake, hurricanes Betsy 1965, Andrew 1992, Floyd 1992, Charley 2004, and Gustav and Ike in 2008, and also the Northridge earthquake in 1994.

Through providing coverage international reinsurers are not only helping to support individual US homeowners and businesses but the US economy more widely through supporting the considerable rebuilding and recovery efforts following the occurrence of catastrophic events. However, it is vitally important that the important role that reinsurers play in providing financial support and stability is not misunderstood as in itself posing a risk to

financial stability or indeed being a 'systemic risk'. Extensive work has been carried out by the industry and insurance supervisors to carefully understand the role that reinsurers play in financial stability, and in conclusion both are agreed that *"traditional reinsurance is unlikely to cause, or amplify, systemic risk"*[13]. This is in line with the G30 (2006) study 'Reinsurance and International Financial Markets' which also concluded that reinsurance should not be considered systemically relevant. Insurance Europe, therefore, encourages the FIO to use its seat in the US Financial Stability Oversight Council (FSOC) to ensure not only are international implications of any decision taken by the FSOC given adequate attention but also that the reinsurance sector is properly understood.

4. The effect of domestic and international regulation on reinsurance in the United States;

European reinsurers already provide substantial support to US insurers as highlighted in this letter, however, Insurance Europe believes that this coverage could be provided on even more competitive terms and more capacity could be made available through certain changes being made to the US regulatory environment for foreign reinsurers.

US Collateral Requirements

For many years Insurance Europe has opposed the discriminatory statutory collateral requirements in the US which have required non-US reinsurers to post 100% collateral in order for US cedents to take balance sheet credit for their reinsurance. Collateral requirements limit the risk bearing capacity of international reinsurers and impede the insurability of significant risks such as severe natural disasters which do frequently occur particularly in the US. The pledging of assets increases the capital costs of reinsurers and makes the premiums for reinsurance cover more expensive.

The revised credit for reinsurance model law and regulation, as adopted by the NAIC in November 2011, has fallen short of expectations. It is particularly disappointing that once a jurisdiction is deemed to be 'qualified', reinsurers from that jurisdiction will still find themselves subject to a collateral rating scale in stark contrast to US domestic reinsurers. Insurance Europe strongly believes that once a jurisdiction is deemed to be a 'qualified' jurisdiction, reinsurers from that jurisdiction should be treated the same as US domiciled reinsurers.

In any event, uniform implementation of the revised Model law and regulation across the US is very important and unless this occurs, in a timely manner, much of their potential benefit will be lost. In this respect, progress so far has been disappointing with only 11 states having adopted reform legislation, of which only two New York and Florida have actually implemented it.. This leaves the vast majority, 40 states, with no reform legislation pending and as implementation of the model law is voluntary it seems unlikely that many will decide to enact changes. Even in those states that have moved ahead the model itself gives state regulators broad discretion in determining how the law applies in the cedent's state. For example, individual state regulators may:

- vary the percentage of collateral required under ratings given to non-US reinsurers;
- vary the types of business to which the Model applies;
- make their own subjective judgment on the reputation of the reinsurer for the prompt payment of claims, the business practices of the reinsurer, and its 'compliance with terms and conditions';
- demand any further information they deem relevant in assessing a reinsurer's suitability; and
- remove recognition of a 'Qualified Jurisdiction' at any time.

In practice this has resulted in significant variations in those states that have taken steps to implement reform, for example Florida only applies the benefits of its new regulations to property and casualty business whilst retaining the 100% collateral requirements for all other lines of business. Also both New York and Florida have differing mandatory collateral requirements.

The pre-emption powers of the newly formed FIO provide a potential avenue through which uniform collateral reform could be achieved. As per the Dodd-Frank Act (Subtitle A, Sec. 313 (r), Sec. 314.) the US Secretary of the Treasury and the US Trade Representative (US TR) must first negotiate international 'covered agreements' regarding prudential measures with other (non-U.S.) regulators. Based on these agreements the 'FIO' has the ability to pre-empt any conflicting state laws which are deemed to treat non-US reinsurers less favourably. We believe, therefore, that both the US TR and FIO's engagement in the collateral reform discussions is key to

[13] *IAIS Reinsurance and Financial Stability Report, 19th July 2012*

achievement of meaningful reform. In this respect, we welcome their involvement in the EU-US dialogues, be it as part of the EU-US High Level Working group's jobs and growth initiative established under the auspices of the Transatlantic Economic Council, or through engagement in the insurance regulatory dialogues and hope this leads to successful negotiation of a covered agreement.

To conclude, in the short term, we would like the FIO's support in getting important changes made to the NAICs revised model law and regulation and also encouraging consistent implement by individual states. However, our long term goal remains equal treatment for both financially secure well regulated reinsurers regardless of their place of domicile with collateral requirements removed. This would be in-line with the treatment of US reinsurers doing business in the EU if the US is deemed 'equivalent' as part of the Solvency II equivalence assessments.

Solvency II equivalence – Article 172

The Solvency II regime provides that the equivalence of third countries' regulatory regimes will be judged in respect of Solvency II's provisions for the following three areas: (1) reinsurance, (2) group solvency and (3) group supervision. For each of these areas, there are separate assessments with different objectives and different requirements. The equivalence provisions on reinsurance are set out in Article 172 of the Directive.

With respect to Article 172 a positive equivalence finding allows reinsurance contracts concluded with third country (re)insurers to be treated in the same manner as contracts concluded with EEA (re)insurers. It also prohibits Member States of the EEA from requiring the pledging of assets to cover unearned premiums and outstanding claims provisions (collateral). This is likely to increase the attractiveness for EEA insurers of entering into reinsurance arrangements with undertakings in third countries whose solvency regime has been deemed equivalent.

Although the US is not one of the countries taking part in the first wave of equivalence assessments the Omnibus II directive currently under discussion foresees the option for countries meeting certain criteria to be found 'transitionally equivalent' and thus for a time limited period companies from that country are allowed to receive the same benefits as insurance companies from 'fully' equivalent countries. However, in order for the assessments to be carried out commitment from third country policy leaders is important, and in this respect we believe FIO engagement in the EU-US insurance dialogues is critical.

US affiliated tax proposals

A proposal to limit the deductibility of reinsurance premiums to non US-affiliates was included in Obama's 2013 budget proposal released on February 13th 2012. This proposal is similar to the companion Bills which were introduced into the US House of Representatives and the US Senate in October 2011 which would limit the tax deductibility of certain affiliated reinsurance transactions. These proposals would result in unequal treatment of European insurers whose affiliate transactions would effectively become subject to double taxation. It would also potentially place the US in violation of its General Agreement on Trade in Services (GATS) agreements under the World Trade Organisation (WTO) and is at odds with the non-discrimination provisions of income tax treaties between the US and certain member states.

If such proposals were to be introduced we believe they would result in the following negative effects on the US reinsurance market:

- More expensive reinsurance premiums – If foreign reinsurers are not allowed to reinsure with their affiliates, the available capacity in the reinsurance market will decrease and prices for reinsurance will increase. As a result, the insurance premium prices paid by US consumers will be substantially higher. Estimations based on similar proposals show that insurance prices could increase by as much as 16% in some lines of business, costing consumers billions per year and placing a particular burden on disaster-prone states[14].
- Reduced capacity for disaster cover – the introduction of the proposed discriminatory tax would prevent companies from making efficient use of capital by penalising the centralisation of uncorrelated risks in an arbitrary manner. This would likely result in the availability of these coverages decreasing drastically and, if available, they would be more expensive for US citizens and businesses.

---

[14] See The Brattle Group "The Impact on the US Insurance Market of a Tax on Offshore Affiliate Reinsurance: An Economic Analysis", May 2009

- Lower employment – in response to the punitive effects of the proposal, foreign-controlled insurance companies would have to adapt their business models to minimise costs as much as possible. It is to be expected that such cost cutting exercises would include jobs.

5. The role and impact of government reinsurance programs; and

Active public-private partnerships can help to ensure that the conditions of insurability are met or improved, thereby helping to make the cost of insurance more commercially acceptable. However, legally binding public-private partnerships or state-owned pools can also impair the adaptive capacity of insurance. To avoid this problem, such partnerships should only be introduced where the economic risks of the possible natural catastrophes exceed the financial capacity of the private insurance market. This could be the case for instance where the premium necessary to build enough financial capacity to cover a risk is high, leading to low demand for cover and an inability to build a sufficient pool for spreading the risk. Public-private partnerships can be of great value in these situations. However, their target should be to enlarge the pool of insured to help build insurance availability and capacity at commercially affordable premium rates. There are a number of examples in the US, where Insurance Europe believes such a mutually beneficial public private partnership has been achieved, for example, the privately financed California Earthquake Authority works with the private insurance sector in providing competitive coverage to US citizens against the risk of earthquakes in the state of California.

Unfortunately, this is not always the case and government involvement has often resulted in an undercutting of the private market, and coverage provided at unsustainable rates as they are not actuarially sound and not reflective of the level of risk. Where this occurs the risk then sits on the tax payers' balance sheet, inadvertently subsidising a small number of policyholders at the expense of many others. (Re)insurers have a great wealth of experience in underwriting and appropriately pricing risk and a well-diversified capital based, backing up a wide portfolio of uncorrelated risks, therefore, it is far preferable that the risk of a catastrophic event is left in the hands of international reinsurers rather than the US taxpayer. Any state solution (i.e. pool) would alone not be able to provide diversification beyond national boundaries and many of these solutions therefore experience, or have experienced, severe troubles in the aftermath of major catastrophes. This is why policymakers should work closely with the private sector in the design and implementation of public-private partnerships to ensure they are designed to best fit the long term needs of the US consumer and US financial stability.

6. The coordination of reinsurance supervision nationally and internationally

Insurance is a business to business transaction conducted between sophisticated counterparties frequently on a global basis. For this reason, we believe it is particularly suited and would benefit substantially from enhanced mutual recognition between supervisors. Through greater recognition of equivalent supervisory regimes and the removal of unnecessary and duplicative supervision it will reduce frictional costs for reinsurers thus enabling them to provide coverage at lower prices whilst at the same time facilitating greater global diversification of risk. In fact, the IAIS published a Guidance Paper on the Mutual Recognition of Reinsurance Supervision in October 2008[15] in which they explicitly acknowledged the suitability of the reinsurance sector for enhanced supervisory recognition. In addition, the paper highlighted the following benefits of greater mutual recognition:

- *An effective system of supervisory recognition could reduce duplication of efforts by those supervisors. This could bring about reduced compliance costs for the (re)insurance industry, including fewer requirements placed on cedents. In this sense, a system of supervisory recognition can be seen as a mechanism to facilitate market access and, in turn, enhance market efficiency (e.g. through an increase in capacity at an economic price).*

- *As part of a system of supervisory recognition, licensing systems could be developed that would more easily facilitate market participation of reinsurers in individual jurisdictions, mitigating the administrative costs to supervisors. Regulators could devote less resources to supervise reinsurance*

[15] *IAIS Guidance Paper 3.5 'Guidance Paper on the Mutual Recognition of Reinsurance Supervision, October 2008*

placed with foreign companies if there is assurance that such activities would be adequately supervised by the other regulator under a supervisory recognition agreement. This would allow regulators to reallocate such resources to more effectively supervise entities operating within their jurisdictions.

- *As the reinsurance market becomes more complex and international in nature, there is an increased need for supervisors to facilitate the exchange of information pertinent to the prudential supervision and regulation of such entities. Enhanced information sharing among supervisors resulting from supervisory recognition would reduce the risk of regulatory arbitrage and encourage effective risk management and measurement.*

For this reason, we would like to encourage the FIO to explore ways in which it can use its statutory powers to support and facilitate greater supervisory recognition by the US of well-regulated foreign jurisdictions and thus provide financially strong reinsurers from those jurisdictions with improved market access to the US domestic market. One area where improved supervisory recognition and reliance would be particularly welcomed is with respect to group supervision.

Group supervision

The financial crisis in 2008 underlined the need for supervisors to communicate more effectively internationally to ensure mismatches do not occur between a company's global reach and the scope of its regulatory and supervisory environment. As supervisors increasingly look beyond their national boundaries to ensure the financial stability of their domestic markets improved international coordination and cooperation are more important than ever. Otherwise, the increased desire for regulators to have oversight of all entities in an insurance group will result in the regulatory burden on groups operating globally increasing significantly. The largest international reinsurers typically operate through a group structure writing business through subsidiaries, branches and cross border; therefore, efforts to improve group supervision such as the NAIC's Holding Company System Regulatory Act and Model Regulation and at the international level the IAIS's initiative to establish a Common Framework for supervision of internationally active insurance groups (ComFrame) are of real interest and importance to international reinsurers.

In fact, group supervision was one area that was identified in the US Financial Services Assessment Program (FSAP) Assessment as needing significant improvement.

"U.S.supervisors do not currently make a comprehensive and consistent assessment of the financial condition of the whole group of which a licensed insurance company is a member. Risk-focused examinations are not yet generally focusing on group issues; and supervisory colleges are not meeting for all U.S.-based international groups"[16].

Subsequently the NAIC have made revisions to their Holding Company System Regulatory Act and Model Regulation to try and address some of these concerns and expand the reach of domestic supervisors of US subsidiaries to affiliates and other parts of the holding company system. Such a desire to have a more complete understanding of an insurance group is understandable. However, it is important that, where information is already required and affiliates are robustly supervised elsewhere, duplications and contradictions in supervisory and regulatory requirements do not occur.

In addition, for improvements to group supervision resulting from changes to the revised Holding Company In addition, for improvements to group supervision resulting from changes to the revised Holding Company System Model Law to be realised it is important that these changes are consistently implemented in individual states. In this respect progress is disappointing; so far only 10 states have implemented the new regulation and implementation has been in-consistent, For example, Pennsylvania has included language in their revised holding company law, which would allow the Pennsylvanian state department to act as 'group-wide supervisor' not only to holding companies domiciled in its state but also for international insurance groups with 'subsidiaries' domiciled in Pennsylvania but where the ultimate controlling person is domiciled outside of Pennsylvania. In contrast, Connecticut has reserved itself the power to convene a supervisory college for a domestic insurance company within an insurance company system that has international operations, but without assuming the role of group-wide supervisor.

[16] *US FSAP Assessment, IMF Country Report No. 10/126*

Insurance Europe, therefore, believes group supervision is an important area for the FIO to be involved in and welcomes the increased involvement of the FIO in recent discussions at the IAIS and bilaterally with the EU. We believe the FIO can provide one voice and once clear point of contact for the US in these discussions. In addition, with respect to supervisory colleges while recognising that the FIO does not have the regulatory authority to directly participate; Insurance Europe believes the FIO should coordinate US state regulators participation providing the industry with one clear point of reference for any questions/issues which may arise.

Streamlining state based regulation

For international (re)insurers doing business in a number of US states, differences in state based requirements significantly add to the cost of doing business which in turn increases the price of insurance coverage for US consumers. Any moves to streamline differences between state implementation of prudential regulatory requirements, therefore, would make the US market a more attractive place to do business while at the same time help to improve the competitiveness of the US insurance market. Insurance Europe would, therefore, like to see greater uniformity in state insurance regulation in particular with respect to US reinsurance collateral requirements, group supervision and also the regulation and taxation of placements by surplus line insurers as further detailed in our response to the FIO's modernisation report.

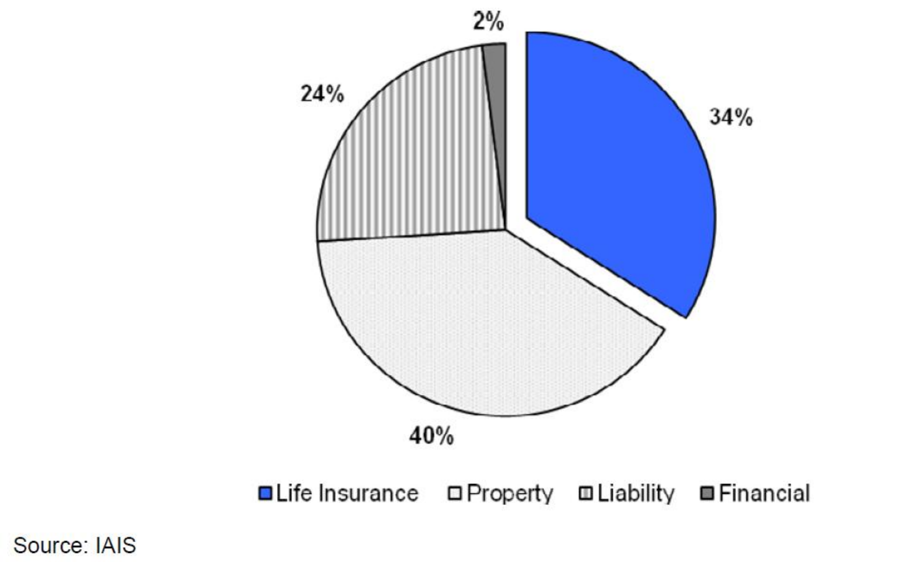
Insurance Europe appreciates the opportunity to provide these comments and looks forward to further dialogue with the FIO.

Yours sincerely,

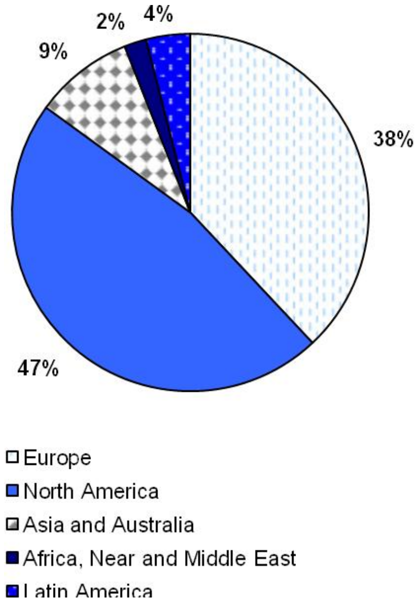
Olav Jones
Director Economics & Finance/Deputy Director General

Appendix

Gross reinsurance premiums assumed by line of business[17]



Gross Premiums Assumed by Region of Ceding Insurer[18]



Gross reinsurance premiums assumed/(ceded) by region

Data in the table below, show gross reinsurance premiums assumed and ceded by, and net positions of the reporting entities, by region of domicile.

---

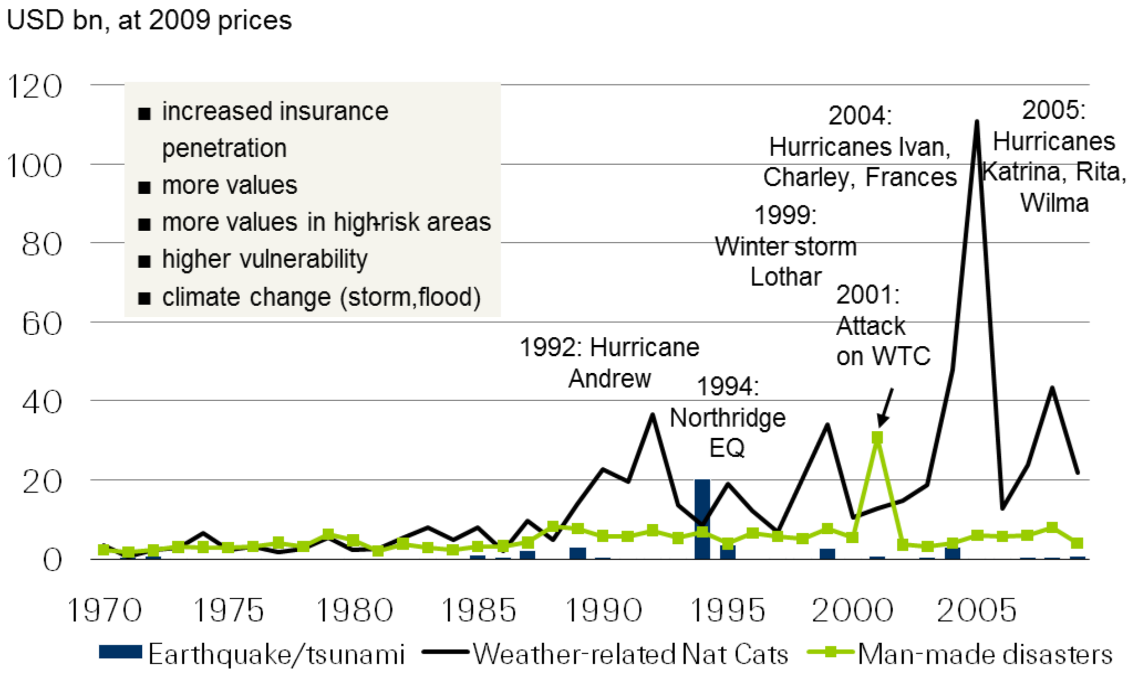
[17] *IAIS Global Reinsurance Market Report 2010*

[18] *IAIS Global Reinsurance Market Report 2010*

	(1) Gross assumed by reporting entities US$M	(2) Gross ceded to reporting entities US$m	(1)– (2) Net position US$m
Europe	97,268	(60,143)	37,125
North America	63,927	(72,941)	(9,014)
Asia and Australia	2,201	(14,569)	(12,368)
Africa, Near and Middle East	-	(3,419)	(3,419)
Latin America	-	(5,825)	(5,825)

Source: IAIS
* Based on the latest available (2009) data generated for 2010 report

Significant reinsurance claims payments between 1970 and 2010



Source: Swiss Re, sigma No 1/2010, Figure 3