December 17, 2012

Chairman J. Hari Narayan
Insurance Regulatory and Development Authority
Parishram Bhavan, 3rd Floor
Basheer Bagh
Hyderabad 500004
INDIA

**Global Industry Comments on the “Proposed (Life Insurance-Reinsurance) Regulations, 2012”**

Dear Mr. Chairman,

The Canadian, European and U.S. life insurance and reinsurance industries wish to provide you with our comments on the “Proposed (Life Insurance-Reinsurance) Regulations, 2012”. We appreciate the opportunity to comment and hope that given the depth of our concerns, it would be possible to arrange an in person meeting in Hyderabad within the next month where the affected foreign invested companies operating in India as well as global life reinsurers can sit with your staff to highlight why we believe this proposal will be harmful to the Indian life insurance market and the Indian economy as a whole.

Our general message is that while the short-term goal of attempting to keep life reinsurance premiums within India (via mandatory cessions and domestic retention requirements) is certainly understandable from a nationalist standpoint, we believe those short-term benefits are outweighed by the serious long-term ramifications of the implementation of this regulation. We believe that it would increase costs to consumers, concentrate risk, cause increased sector unemployment as companies scale back their risk exposure, and harm India’s reputation as a regional financial center and innovator. Specifically, we urge IRDA to undertake a qualitative and quantitative cost benefit analysis of the following:

- Impact of higher capital and retention limits on small and medium sized company’s growth and solvency.

- Effect of creating a barrier to the creation of new insurance companies, especially specialty lines, such as living benefits providers as India’s population has increased life expectancy.

- Effect of concentrating risks, by sector and geographically, contrary to IAIS Insurance Core Principles (ICP13) which would be identified in India’s FSAP.

- Harming India’s reputation as a safe jurisdiction for global insurers to invest in, resulting in companies limiting capital dedicated to growth, job creation etc.

We thus respectfully suggest that the IRDA maintain its current principle based regulatory framework for the establishment of retention limits by life insurers, and intervene on a case by case basis with those insurers who do not have a prudentially sound reinsurance plan.

We have always valued and appreciated the openness and transparency of IRDA to consult with industry while major changes are being considered. The IRDA Act of 1999 recognized the fundamental differences between life and non-life reinsurance and did not establish mandatory life insurance cessions or domestic retention requirements. We agree with this approach and believe this demonstrated the wisdom of the IRDA founders in recognizing the importance of supporting a deep and liquid global life reinsurance industry to support quality and yet low cost life insurance products for India's nationals and their families.

We would be pleased to assemble a group of representatives over the next thirty days to come to Hyderabad discuss our thinking in person. Please let us know at your convenience when would be most convenient for scheduling such a meeting and thank you again for your consideration.

Sincerely,

American Council of Life Insurers
Canadian Life Insurance and Health Insurance Association
German Insurance Association
Insurance Europe
Reinsurance Association of America