



March 16, 2017

The Honorable Steven T. Mnuchin  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, DC 20220

**Re: Insurance Industry Support for the U.S.-EU Covered Agreement**

Dear Secretary Mnuchin:

This letter is submitted by the undersigned U.S. insurance trade associations: the American Council of Life Insurers, the American Insurance Association, the Council of Insurance Agents and Brokers, and the Reinsurance Association of America. Collectively, we represent U.S. life insurance, property and casualty insurance, and reinsurance companies, and U.S. insurance agents and brokers. Many companies represented by these groups are international and provide products around the globe, including the European Union. Equally important, all of our respective member companies have substantial U.S. operations and employ thousands of individuals in this country. We strongly support the “Covered Agreement” that was recently negotiated by the United States and the European Union, resolving several significant prudential insurance and reinsurance matters. For the reasons set forth below, we urge you to support the Agreement, provide the certification it requires in a timely manner, and move forward with implementation.

- **The Covered Agreement officially affirms the U.S. integrated system of insurance regulation, including the state role and approach as the primary regulators of the insurance business.** This benefit cannot be understated for all U.S. based insurers (without regard to whether they also operate in the EU): for the first time, the EU has acknowledged and accepted our state based regulatory system. These “wins” were achieved in exchange for something the state regulators have already been working on since 2011: reducing the amount of collateral that non-U.S. reinsurers must post on their U.S. obligations. The Covered Agreement builds on the states’ work, and establishes financial strength and market conduct conditions that EU and U.S. reinsurers must first meet, including robust capital and solvency standards and maintaining a record of prompt claims payment.
- Without the Covered Agreement, U.S. based reinsurers would be forced to create branches in numerous EU Member States to conduct any future business, including the renewal of existing business. This would require capital and potentially personnel to be moved to the EU and would subject these companies to unnecessary EU Member State regulation. **With the Agreement, U.S. reinsurers can conduct business on a cross-border basis throughout the EU from their U.S. operations.**
- Without the Agreement, U.S. based companies with EU intermediate holding companies would be subject to Solvency II’s onerous requirements for capital, governance and reporting on a worldwide basis (not just on their EU operations). **With the Agreement, the EU will not attempt to subject U.S. holding companies (or other U.S. entities) that are “upstream” to Solvency II’s standards.**

The benefits to U.S. based companies are immediate upon certification by the U.S. and the EU. The Covered Agreement is clearly a significant win for U.S. based insurers and reinsurers because it clarifies and solidifies the terms upon which they can do business in the EU. While negotiations concluded only recently, the covered agreement achieves competitive benefits that industry has sought for nearly two decades. We encourage you to sign the Agreement.

We appreciate your consideration of this matter. Preserving the domestic and international benefits of the Covered Agreement will enhance the competitiveness of the U.S. insurance industry to the benefit of consumers, and provide the basis going forward to reinforce the strength and capability of our member companies, the U.S. insurance industry, and the U.S. state based regulatory system.

Respectfully submitted,



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President and CEO  
American Council of Life Insurers



LEIGH ANN PUSEY  
President and CEO  
American Insurance Association



KEN CRERAR  
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The Council of Insurance Agents and Brokers



FRANK NUTTER  
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Reinsurance Association of America

*The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with approximately 280 member companies operating in the United States and abroad. ACLI advocates in state, federal, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing 95 percent of industry assets.*

*Celebrating its 150th year in 2016, The American Insurance Association (AIA) is the leading property-casualty insurance trade organization, representing approximately 320 insurers that write more than \$125 billion in premiums each year. AIA member companies offer all types of property - casualty insurance, including personal and commercial auto insurance, commercial property and liability coverage, specialty, workers' compensation, homeowners' insurance, medical malpractice coverage, and product liability insurance.*

*The Council of Insurance Agents & Brokers is the premier association for the top regional, national and international commercial insurance and employee benefits intermediaries worldwide. Council members are market leaders who annually place 85 percent of U.S. commercial property/casualty insurance premiums and administer billions of dollars in employee benefits accounts. With expansive international reach, The Council fosters industry wide relationships around the globe by engaging lawmakers, regulators and stakeholders to promote the interests of its members and the valuable role they play in the mitigation of risk for their clients. Founded in 1913, The Council is based in Washington, D.C.*

*The Reinsurance Association of America (RAA) is a national trade association representing reinsurance companies doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the US and those that conduct business on a cross border basis. The RAA also has life reinsurance company affiliates.*