



June 11, 2010

Dear Mr. President:

As you prepare for the upcoming G20 Summit, the undersigned U.S. insurance industry trade associations extend our best wishes to you and the G20 leaders in your efforts to address the issues regarding the global financial crisis. The attached letter to you and the other G20 leaders, endorsed by our U.S. industry associations and representatives of twenty two national and regional insurance associations collectively representing over seventy markets in Europe, the Americas and Asia, extends our support for your joint work. It also highlights the significant differences of the global insurance and reinsurance industry from other financial services and requests the G20 leaders and deputies not harm our industry unintentionally and thereby harm the billions of customers whom we protect.

As you read the letter, we would like to highlight the following points:

1. The global insurance industry plays an important social and economic role in ensuring sustainable economic growth and stability while protecting the well-being of populations. Our industry indemnifies risk, provides compensation for loss, supports infrastructure development as a significant investor in government securities, and provides a source of savings for economic and social development.
2. The global insurance industry as a whole entered the financial crisis in a position of relative strength. And, with limited exceptions, the unique characteristics of its existing business and regulatory model have protected the industry from the worst impacts. The insurance sector operates on a different business model from banking. These differences should be recognized and the G20 should take them into account in the application of any new or corrective regulations, consistent with the approach taken in the Joint Forum's January 2010 *Review of the Differentiated Nature and Scope of Financial Regulations*.
3. Although non-traditional activities of a handful of insurers may have contributed to systemic risk, the core activities of insurers did not and do not generate systemic risk. This fact has been acknowledged in the IAIS paper of November 2009 and the Geneva Association paper of February 2010 on systemic risk. The regulatory framework needs to be updated to avoid these types of non-traditional activities avoiding regulatory scrutiny in the future. In its April report on the impact of the crisis on the insurance sector, the OECD noted that the traditional life and general insurance sectors have largely been "bystanders" in the crisis. Indeed, insurance provides stability to the financial system. Consequently, any measures requiring insurers to pay for the cost of failures in other sectors would, in our view, be inappropriate and harmful to our policyholders. This is particularly the case given the existence in a number of jurisdictions of mandatory insurer funded policyholder protection schemes. In particular, Insurance should not be included in any levy, as suggested in the IMF's draft advice to the G20, to pay for the fiscal cost of government support to the financial services industry. If this levy were ever introduced, it should apply only to those sectors that receive the support. Instead of a levy, we urge the G20 to develop choices in terms of how countries within an internationally consistent framework could regulate to safeguard the stability of their financial sectors.

4. The industry believes that new insurance regulation should be coordinated at the international level to encourage the growth of well regulated private insurance markets, as well as regulation that is both effective and efficient. On this note, we would like to draw attention to the activities of the International Association of Insurance Supervisors (IAIS) and its recent *Common Framework for the supervision of internationally active insurers* (ComFrame) proposal. We are optimistic that the ComFrame can create the basis for more effective group supervision and greater consistency and cooperation between regulators. We look forward to working closely with the IAIS on this initiative. The insurance industry supports strong prudential regulatory standards that are consistent with a risk- and principles-based approach. Again, we would draw attention to the resilience of most insurers through the global financial crisis, which is testimony to the strong risk management and prudential regulatory regimes already operating in many jurisdictions. We would urge regulators at the national and international level to be mindful of the effect excessive capital requirements might have on insurers, as well as on their ability to meet the needs of policyholders.
5. The industry would also like to stress the value in making sure that any new regulations should, to the greatest extent possible, be streamlined and pro-competitive across all major jurisdictions. Regulators' efforts to establish greater consistency and cooperation across jurisdictions should limit the creation of new compliance burdens for internationally active insurers. In this regard, the G20 should take note and recommend compliance with the OECD's Policy Framework for Effective and Efficient Financial Regulation and related guidance and checklist, issued in December, 2009.
6. The industry continues to support high quality and robust standards on accounting that are in line with the insurance business model. We hope that the international accounting community will be sensitive to the impact any changes in relation to fair value accounting may have on the industry.
7. Lastly, we would urge the G20 to strongly reiterate its commitment to growth in trade and liberalization through the work of the WTO. We believe the WTO has a valuable role to play in ensuring that regulations adopted by any country are in keeping with the principle of being least-trade restrictive and non-discriminatory. The G20 should again call upon all members of the WTO to redouble their efforts to making meaningful commitments as part of the Doha Round and to come to a conclusion as soon as possible.

In conclusion, we would like to reinforce our commitment to working with you and the G20 governments, regulators, and agencies to improve financial services regulation. We hope that any new regulations or prudential requirements intended for the insurance sector will allow regulators across jurisdictions to coordinate better among themselves and provide effective group supervision of internationally active insurers. At the same time, regulators need to be aware of the impact, or indeed the cumulative impact, new regulations can have on the ability of the industry to diversify risks for businesses and individuals, and to meet the changing needs of consumers.

Sincerely,

American Council of Life Insurers
American Insurance Association
Group of North American Insurance Enterprises
Property Casualty Insurers Association of America
Reinsurance Association of America