

## Comments submitted via e-mail by David Johnston of the FSA

Dear Ryan,

Thank you for the opportunity to comment on the updated draft of the above proposal. We have only one comment to make, which is in respect of paragraph 17(k) – schemes of arrangement, which we think may not achieve the objectives you intend for it as it is written at present.

Schemes of arrangement are a legitimate procedure available under UK law, and each transaction is individually sanctioned by the UK Courts. The fact that a reinsurer has entered into such a transaction does not affect the rights of US cedants unless it is their reinsurance that is contained in the scheme. We therefore suggest the following wording for the paragraph:

k. A reinsurer's participation in any solvent scheme of arrangement, or similar procedure: Following the effective date of this proposal, entrance into such an arrangement or procedure will result in the assignment of a Vulnerable-5 rating in respect of the reinsurance business subject to that arrangement or procedure.

We trust that the Task Force will be able to give this suggesting due consideration during the remainder of its deliberations.

Best regards,

David

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