



5 September 2008

The Honourable Steven M. Goldman  
Chair, NAIC Reinsurance Task Force  
Commissioner, Department of Banking and Insurance  
20 West State Street  
P.O. Box 325  
Trenton, New Jersey 08625-0325  
U.S.A.

Dear Commissioner Goldman,

We have received the 20 August 2008 version of the reinsurance regulatory modernization framework. We believe that the Reinsurance Task Force has produced a very workable framework. There are still aspects of it which, in a perfect world, would be amended, but we appreciate the fact that the Task Force is balancing a number of competing interests.

One of the significant changes in the 20 August draft is the move to treat U.S. and non-U.S. reinsurers the same. Under this system, collateral levels would be set on a case by case basis, based on the financial strength of the reinsurer, the quality of their domiciliary regulation and other factors. Accordingly, collateral will be applied based on the credit risk of the reinsurer, not just its place of domicile. This is consistent with the stated goals of the Reinsurance Task Force and the NAIC Executive Committee and Plenary. We believe this change highlights, however, the need to establish a system whereby all well regulated, financially strong reinsurers post 0% collateral – ie., regulators will rely on the quality of regulation not the posting of collateral to secure reinsurance recoverables. This is the position that the Reinsurance Association of America has advocated and the IUA, on behalf of its members, who include many of the world's international reinsurers, supports this approach. As we have noted over the course of the collateral debate, virtually all of the major insurance and reinsurance markets of the world have operated safely and soundly with no reinsurance collateral. We believe the U.S. market can as well.

Once again, we want to thank you and the other members of the Reinsurance Task Force for the effort you have devoted to and the progress made in creating a new reinsurance regulatory framework.

Yours sincerely,

A handwritten signature in black ink that reads 'D J Matcham'.

**D J Matcham**  
**Chief Executive**

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