LLOYD'S

JOSEPH P GUNSET
General Counsel

September 5, 2008

Via E-mail

Hon. Steven M. Goldman
Commissioner of Banking and Insurance
New Jersey Insurance Department
20 W. State Street
Trenton, NJ 08625

Re: The Reinsurance Task Force August 20 Framework

Dear Commissioner Goldman:

We submit this letter in response to the invitation of the Reinsurance Task Force ("RTF") for interested persons to offer comments on the revised reinsurance framework that was circulated on August 20. Lloyd's supports fully many of the changes that appear in the August 20th framework compared to the July 3rd draft.

Lloyd's believes that regulatory requirements must be based on the strength and quality of the reinsurer, not on domicile. We note in particular that this draft has taken a major step forward with the deletion of Paragraph 19 providing for preferential funding standards for U.S. domestic reinsurers. We count this as a significant improvement in the draft.

Lloyd's is grateful to the RTF for including in the July 3rd draft a specific Lloyd's provision allowing Lloyd's to participate in the framework, notwithstanding that draft's general prohibition against participation by mixed insurers. While Lloyd's specific concerns were addressed by the Lloyd's provision, we felt that opening the framework to all mixed insurers who otherwise qualify would be both prudent and fair. Consequently, Lloyd's supports the RTF's decision to make this change and we do not object to the resulting deletion of the specific Lloyd's provision in the August 20 draft.

The recognition of audited IFRS basis financial statements (see e.g. Paragraph 17(i)) is a welcome change. It appears, however, that IFRS statements can be used only if US GAAP statements are not available. Given the recent pronouncements by the Securities Exchange Commission on the use of IFRS as opposed to GAAP with the latter being phased out over time, we think that the use of IFRS without reconciliation to US GAAP should be allowed as an alternative now rather than limiting it to the default requirement where US GAAP is not available.

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We remain concerned that the mandated contract clauses in Paragraph 10(g) can have a negative affect on the traditional freedom of reinsurers and ceding insurers to negotiate their own terms and conditions. We believe it likely that you will hear concerns on this issue from other commentators. We simply note here that we share those concerns.

We continue to believe that a POE supervisor should not be required for a reinsurer domiciled in a jurisdiction that has been found to have an equivalent regulatory system. We also look forward to the day when all collateral for qualified reinsurers is eliminated.

The RTF has made tremendous progress on this issue over the course of the last eight months. The framework remains imperfect but Lloyd's believes strongly that it would represent a major improvement over current U.S. law. Its adoption would be a truly seminal event in the modernization of the U.S. regulatory approach to the global reinsurance market.

We are grateful for this opportunity to offer these comments. We would be pleased to answer any questions you might have or to provide any additional information you might require.

Sincerely yours,

cc: Robert B. Kasinow
Ryan Couch

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