



Before the
United States Trade Representative
Washington, DC

**U.S.-EU High Level Working Group
Docket Number USTR-2012-0001.**

Comments of the American Council of Life Insurers

February 3, 2012

Public Comments

The American Council of Life Insurers (ACLI) submits these comments pursuant to the Office of the U.S. Trade Representative's (USTR) Request for Comments on how the Trans Atlantic Economic Council's High Level Working Group on Jobs and Growth can identify ways to contribute to the bilateral economic relationship that supports our joint prosperity and partnership in leading efforts to promote global economic stability and fair trade. The ACLI is the principal trade association for U.S. life insurance companies. The ACLI represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies represent over 90% of the assets and premiums of the U.S. life insurance and annuity industry. ACLI represents all U.S. life insurance and life reinsurance companies with international operations, and over 95% of European life insurers and reinsurers operating in the U.S.

We welcome the announcement of the Initiative by the White House and the European Commission. We see this as a highly positive step forward, which will help build on the work of the TEC and the FMRD as well as other on-going insurance dialogues between the US and the EU. We submit these comments mindful that trans-Atlantic trade and investment flows constitute the largest economic relationship in the world, creating jobs, increasing economic growth, and driving competitiveness on both sides of the Atlantic. As insurers, we are particularly supportive of the initiative because bilateral trade and investment in our sector exceeds 185 billion dollars, and EU-US insurance and reinsurance markets represent over two thirds of current global premium volume.

Our markets are closely intertwined, interdependent and share a common fundamental focus on protecting our customers from risk and supporting their financial security, thus reducing the burden on state welfare and pension systems while working to mitigate the impacts of an ageing population on our economies. The transatlantic insurance and reinsurance relationship is far too important to allow any disruption or fracture, and we ask that insurance and reinsurance issues be recognized by the High Level Working Group as a priority area for political focus on solutions by our respective regulators and policy makers.

Thus we propose presidential level support for enhanced technical regulatory dialogues which seek holistic solutions which suit the needs of all parties, and do not cause any unfair competitive disadvantages. While the expectations and commitment to meet them should be firm, we urge that the process remain flexible and able to evolve over time depending on changing circumstances. This process should also include regular participation of U.S. and EU industry, given the huge importance of our bilateral insurance and reinsurance relationship to transatlantic trade and our mutual macro-economic stability, we firmly believe that political leaders should direct our respective regulators to find a common path, and that failure is not an option.

Additionally, although we are competitors on a global basis, we have found that our trade policy and international regulatory objectives are based on identical principles of fair trade, consumer protection, financial stability and supporting growth and prosperity in the real economy. We urge the Working Group to recognize the opportunity we believe exists for this initiative to not only support bilateral growth, but to work together to project our fundamentally common values on to the broader global trade and regulatory agenda. This will also set a precedent for what we hope will be enhanced global dialogue and agreement.

Public Comments

As the basis for our proposals, we state the following principles upon which we base our methodology. These include continuing and growing the largest bilateral insurance trade and investment relationship in the history of mankind.

1. That unless specifically identified and reserved in the respective non conforming measures of the General Agreement on Trade in Services, Financial Services Agreement, the intent of any legislative, regulatory or measure is based on prudential necessity and not to provide competitive advantage to any party.
2. That the licensing, regulation and supervision of insurance and reinsurance is by necessity a sovereign authority, which unless specifically provided for by legislative authority can't be delegated, but that unilateral and mutual recognition can serve as useful tools for prudential supervisors.
3. That the goal of both U.S. and EU insurance regulators and fiscal and economic policy makers is to protect customers and taxpayers, maintain financial stability, prevent negative impact on the real economy, by a failure or disruption of the protection provided by any individual insurer or industry segments.
4. That nation states and economic/regulatory unions can and should have unique legal and regulatory systems which have special characteristics based on their legal and cultural needs and traditions.
5. That these common EU and U.S. regulatory objectives can be reached in more than one way but can be objectively recognized and confirmed through an agreed upon outcomes based analysis.
6. That mutual recognition of capital adequacy is at the end of the day the objective, and that where different accounting systems and other underpinning metrics make quantitative like-like analysis impossible, the establishment of an on-going process to assure confidence in continued mutual recognition is a more appropriate solution than a static one time snap shot or "solvency" standard.

We would ask the Working Group to consider and recommend the establishment of a practical and results oriented methodology to implement the objectives we have outlined above. This will require political level expectations and accountability of our respective regulatory officials to fulfil the as yet unrealized 2008 TEC instruction to jointly identify and develop a road map to resolve perceptions of bilateral trade restrictive or discriminatory laws, regulations or practices. We have faith that the respective regulators comprised of U.S. state insurance prudential regulators, the Treasury Department's Federal Insurance Office and from the EU, the European Commission and the European Insurance and Occupational Pension Authority. A regular consultative mechanism with the private sector should also be established.

We believe that this work stream can be a model for the broader objectives of the High Level Working Group and can leverage the process which has already existed for over a decade but which has not resulted in any final resolution to remove perceived barriers. We believe that a political imperative to the above mentioned regulators and policy makers and clear instructions that the EU/US relationship justifies a firm commitment that we focus on identifying and confirming our insurance regulatory similarities and not compounding our difference.

Public Comments

We would also hope that the bilateral insurance dialogue should also issue a report to leaders on the implications of their progress or obstacles relevant to the joint formulation of international supervisory standards. For example we believe it is important for the U.S. and EU to work together on the IAIS Financial Stability Methodology and the Common Framework for Internationally Active Insurance Groups. This report should focus on the relative implications of progress on bilateral issues and how it is supportive of the common goals of consumer protection, financial stability and fair trade, and how this supports our joint competitiveness relevant to G-20 members which have planned economies and lack of transparency on the implementation of their G-20 commitments.

In conclusion, the U.S. and EU insurance industries appreciate the opportunity to raise this proposal and believe that our respective regulators and technical level policy makers should consider this as a unique opportunity to focus on and solve intractable problems with firm political support. We believe that we have much more to gain by working with each other because of our belief in similar goals and appreciation of the fundamental importance of rule of law, due process and treating our partners fairly.

We also can not emphasize enough, that if we do not join together in setting international standards which represent our common philosophy we will in the long run harm not only our individual and collective competitiveness, but the global financial stability which we seek in these times of turmoil. For these reasons, we are committed to support the respective Presidencies in their effort to confirm and expand our common bonds to serve our customers, their families and our societies at large.