Footnote 1
Attachment 1

EMBARGOED UNTIL DELIVERY

Opening Statement of Stephen E. Shay
Deputy Assistant Secretary (International Tax Affairs)
United States Department of the Treasury

U.S. House Committee on Ways and Means
Subcommittee on Select Revenue Measures

Hearing on Reinsurance
July 14, 2010

Mr. Chairman, Ranking Member Tiberi, and distinguished Members, I appreciate the opportunity to testify regarding tax issues relating to reinsurance.

Reinsurance serves many legitimate non-tax purposes, allowing insurance companies to manage risk, efficiently allocate capital, and address regulatory requirements. Certain features of current U.S. tax rules relating to reinsurance transactions among affiliates can, however, create inappropriate incentives to use reinsurance to shift profits out of the United States. My testimony will discuss the use of reinsurance in the marketplace, the current federal tax treatment of reinsurance transactions, the particular tax policy concerns raised by reinsurance with foreign affiliates, and the Obama Administration's proposal addressing those issues.

Background

Reinsurance is essentially insurance for insurance companies. A reinsurance policy allows an insurer to obtain insurance protection from a reinsurer for all or a portion of the risks it directly insures in exchange for the payment of a premium to the reinsurer. Reinsurance is widely used throughout the insurance industry for a number of business reasons. A company writing insurance must maintain capital and reserves to cover potential policyholder claims. An insurer's ability to write insurance is therefore limited in part by the amount of capital it maintains. A direct insurer appropriately can reduce its obligation to maintain capital and reserves to cover losses to the extent that it reinsures a risk. As a result, reinsurance with unrelated reinsurers can allow insurers to write additional business (or offer higher limits to policyholders) without having to raise more capital and, in addition, can protect insurers against catastrophic losses.

When used within an affiliated group of companies, reinsurance does not reduce the overall risk for which the group is liable. Nevertheless, reinsurance remains an important tool among affiliates that can be used to transfer premiums and associated risks within an affiliated group, in order to efficiently allocate capital for regulatory and other business purposes, such as allowing insurers to lower overall costs by pooling capital from insurance written by various affiliates. Affiliate reinsurance may also be used to lower taxes, by, for example, shifting premium income and returns on reserves from higher-tax to lower-tax jurisdictions.

Tax Treatment of Insurance and Reinsurance

Property and casualty (P&C) insurance and reinsurance companies engaged in business in the United States are subject to tax on the income they earn from premiums as well as investment. In determining premiums earned for purposes of determining U.S. tax, a P&C company is entitled to a deduction for premiums paid for reinsurance, whether those premiums are paid to an affiliate or to an independent reinsurer. When reinsurance premiums with respect to U.S. risks are paid to a foreign reinsurer, the premiums are generally subject to a one percent excise tax. U.S. tax treaties often provide an exemption from the excise tax, however, subject to anti-abuse rules designed to prevent the excise tax relief from being passed on to a reinsurer not eligible for excise tax relief under a tax treaty.

Where all of the parties involved are U.S. taxpayers, the premiums paid for reinsurance will give rise to a deduction for the insurer, and corresponding income for the reinsurer, and the group's overall U.S. tax position will remain effectively unchanged. Thus, in the purely domestic context, affiliate reinsurance allows insurers to efficiently allocate capital, generally with no change to their overall U.S. federal tax burden.

Where the affiliated reinsurer is located outside the United States, however, the tax consequences vary significantly depending on whether the insurance group is owned by a foreign parent corporation (a "foreign-owned group") or a U.S. parent corporation (a "U.S.-owned group"). In the case of a U.S.-owned group, the income from both premiums and investment returns of a foreign affiliate of the U.S.-owned group generally is subject to current U.S. tax (under the anti-deferral rules of subpart F of the Internal Revenue Code and thus without regard to whether the income earned by the affiliate is distributed). Thus, while a domestic insurer is entitled to a deduction for reinsurance premiums paid to a foreign affiliate, the reinsurance premiums and investment income earned by that foreign affiliate are subject to current U.S. tax. Thus, in the case of a U.S.-owned group, reinsuring U.S. risks with a foreign affiliate generally does not affect the overall level of U.S. taxation.

In contrast, in the case of a foreign-owned group, reinsurance of U.S. risks with a foreign affiliate can result in a significant reduction in the overall U.S. taxation with respect to those risks. While a domestic subsidiary of a foreign parent is entitled to a deduction for reinsurance premiums paid to a foreign affiliate, the income of a foreign affiliate from reinsuring U.S. risks, including investment income on assets supporting its reserves, is not subject to U.S. income tax unless the foreign affiliate carries on business in the United States. (The premiums may be subject to the one percent excise tax, unless it is waived by treaty.) As a result, a foreign-owned insurance company reinsuring a U.S. risk with a foreign affiliate can achieve a significantly lower U.S. tax burden with respect to insurance of U.S. risks than a U.S.-owned insurance company (though if the reinsured business is not profitable as a result of losses on the covered risks, those losses do not provide a U.S. tax benefit as would case be the case for a U.S.-owned group).

Although reinsurance, including affiliate reinsurance, is often used for legitimate business purposes, the ability of a foreign-owned group to reduce or eliminate U.S. income tax on U.S. risks reinsured with its foreign affiliates (including the U.S. tax on associated investment income) creates a significant tax incentive for a foreign-owned group to use affiliate reinsurance to move income from insurance of U.S. risks offshore to low tax jurisdictions.

<u>The Obama Administration's Budget Proposal</u>

The Obama Administration's FY 2011 Budget included a proposal (the "Budget Proposal") designed to address the incentives created by current U.S. tax rules and to level the playing field between U.S.-owned and foreign-owned groups insuring U.S. risks. Under the Budget Proposal, a U.S. insurance company would be denied a deduction for certain reinsurance premiums paid to an affiliated foreign reinsurance company with respect to U.S. risks insured by the insurance company or its U.S. affiliates, to the extent that: (1) the premiums received by the foreign affiliated reinsurer are not subject to U.S. income tax, and (2) the amount of reinsurance premiums (net of ceding commissions) paid to foreign reinsurers exceeds 50 percent of the total direct insurance premiums received by the U.S. insurance company and its U.S. affiliates for a line of business. A foreign affiliate reinsurer that would otherwise be denied a deduction would be permitted to avoid the application of the provision by electing to treat its income from related party insurance with respect to U.S. risks as effectively connected income for U.S. tax purposes and thus subject to U.S. income tax.

The Budget Proposal would reduce the incentive to use reinsurance to move profits offshore and thereby reduce U.S. tax, by reducing the U.S. tax benefit for doing so in cases in which a U.S. insurer enters into excessive reinsurance with foreign affiliates not subject to U.S. tax. Reducing this inappropriate incentive will help ensure that U.S. tax rules do not facilitate the avoidance of U.S. tax by insurers of U.S. risks.

The Administration believes that it is important to level the playing field between U.S.-owned and foreign-owned insurance companies. We have put forward one specific proposal to do so but remain open to other proposals to achieve this goal.

Conclusion

Mr. Chairman, we appreciate the leadership role that you, Senator Menendez, and the Ways and Means and Finance Committees have taken on this subject. We look forward to working with you and other members of the Subcommittee, as well as the full Committee, on this important issue. Thank you for the opportunity to testify before the Subcommittee today. I would be pleased to answer any of your questions.

Footnote 2
Attachment 2

MAYER • BROWN

Mayer Brown LLP
1999 K Street, N.W.
Washington, D.C. 20006-1101

Main Tel +1 202 263 3000
Main Fax +1 202 263 3300
www.mayerbrown.com

Mickey Kantor
Direct Tel +1 202 263 3295
Direct Fax +1 202 263 5295
mkantor@mayerbrown.com

July 13, 2010

Congressman Richard E. Neal
Chairman
Subcommittee on Select Revenue Measures
Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515-6348

Dear Chairman Neal:

I hope that I might share some concerns regarding both H.R. 3424 and the proposal contained in the Administration's budget that limits the tax deductibility by U.S.-based, foreign owned insurance companies of purchases of foreign affiliated reinsurance.

I support calibrated efforts to target abusive tax avoidance. However, if any modifications to our tax code are needed, they should be fully consistent with our existing international legal obligations. As you know, we have fought long and hard with our trade partners to ensure that U.S. investors abroad are treated fairly, and U.S. service providers have effective market access to compete overseas.

I and my colleagues at Mayer Brown LLP have closely analyzed H.R. 3424 and have come to the conclusion that, as currently drafted, it violates the WTO's General Agreement on Trade in Services (GATS) national treatment commitments, and does not qualify for any of the available exceptions. The bill would limit (in most cases, preclude) the tax deductibility of reinsurance premiums paid by foreign-owned U.S. insurers ceding risk to their foreign affiliates, and would not allow losses on those same contracts to be deducted. This discriminates against U.S. subsidiaries of foreign insurance companies, and also against their foreign-based affiliated reinsurers. H.R. 3424 does not qualify for any of the available GATS exceptions that might transform the bill into a WTO-consistent measure, because the bill would operate in an overbroad and unnecessarily punitive manner - thus restricting competition and protecting domestic servicers, as opposed to neutrally securing the tax base.

The bill is discriminatory because the disallowance of deductions applies only to foreign-owned U.S. insurance companies that cede risk to affiliated foreign-based reinsurers. This is a major disincentive against using affiliated foreign-owned, foreign-based reinsurers. It also takes away a normal business tool for risk dispersal from U.S. subsidiaries of foreign insurers – a tool that is highly utilized by U.S. insurers.

Mayer Brown LLP operates in combination with our associated English limited liability partnership
and Hong Kong partnership (and its associated entities in Asia) and is associated with Tauil & Chequer Advogados, a Brazilian law partnership.

Because H.R. 3424 is an indirect tax, it does not qualify for any of the available GATS exceptions. Superficially, the bill is stylized as a tax on income; however, because it only taxes the revenues received by the reinsurer (without offsetting for losses) it operates as a tax on gross *sales* of reinsurance. Taxing gross sales, as opposed to profits or income, falls under WTO definitions of indirect taxes, as opposed to direct taxes. At 35%, the tax rate is obviously higher than the exception allowed for the 1% Federal Excise Tax (FET) on premiums paid to foreign reinsurers.

Even assuming that the bill is a direct tax, it does not qualify for the GATS exception for certain direct taxes, because its effect is overbroad and punitive against foreign reinsurers, and thus is a disguised restriction on trade. This is so for three main reasons:

1) The formula used to deny deductions compares apples to oranges. That is, the threshold for establishing the premium limitation is based on the U.S. industry's use of unaffiliated reinsurance only – where no abusive tax avoidance threat exists. This artificially "crowds-out" the deductibility of foreign affiliated reinsurance, thus effectively precluding the use of any foreign affiliated reinsurance. This industry average is not a *relevant* industry average, and thus is arbitrary.

2) The proposal treats losses from the reinsured risks inconsistently with how it treats the expenses for such reinsurance – thus applying income tax rates on gross revenues – not profits.

3) H.R. 3424 diverges from general U.S. international tax policy, which seeks to avoid double taxation, by ignoring any income tax paid by the foreign reinsurer to its home tax authorities.

Finally, H.R. 3424 provides that a foreign reinsurer can elect to be subject to U.S. tax on premiums and net investment income that is associated with affiliated reinsurance transactions. However, this translates into a different form of discrimination, as the tax rates would be 35% for income tax, plus an additional 30% for the branch profits tax, resulting in a U.S. tax burden that is 156% of what a U.S. reinsurer would pay – and this is on top of the tax likely applied by the home country of the foreign reinsurer.

With respect to the Administration's proposal to restrict the deductibility of premiums paid for foreign reinsurance, all of these same concerns with WTO compatibility apply. The Administration's formula differs in that premiums would not be deductible if the amount of premiums paid to foreign reinsurers (affiliated and unaffiliated) exceed 50% of the total direct insurance premiums received by the U.S. insurance company and its U.S. affiliates by line of business. The proposal is discriminatory because the disallowance of deductions applies only to foreign-owned U.S. insurance companies that cede risk to affiliated foreign-based reinsurers. And the threshold for establishing the premium limitation is based on the U.S. industry's use of all foreign reinsurance, affiliated and unaffiliated – another apples-to-oranges comparison.

There are less restrictive means available to address concerns about tax base preservation, such as providing a safe harbor. A reasonable safe harbor for affiliated reinsurance would be one that the majority of similarly situated U.S. based companies would satisfy – *i.e.*, comparing apples to apples. These are complex issues, and I fully appreciate the delicate balance involved in addressing this. I know that you will give all sides your full consideration.

Sincerely,

Mickey Kantor

cc: Rep. Patrick Tiberi
Chairman Sander Levin
Rep. Dave Camp
Chairman John Tanner
Rep. Kevin Brady

Footnote 2
Attachment 3

MAYER • BROWN

Mayer Brown LLP
1999 K Street, N.W.
Washington, D.C. 20006-1101

Main Tel +1 202 263 3000
Main Fax +1 202 263 3300
www.mayerbrown.com

July 5, 2011

The Honorable Patrick J. Tiberi, Chair
The Honorable Richard E. Neal, Ranking Member
Subcommittee on Select Revenue Measures
Committee on Ways and Means
U.S. House of Representatives
1101 Longworth House Office Building
Washington, D.C. 2015

Dear Chairman Tiberi and Ranking Member Neal:

We are submitting this letter for the record of the Subcommittee's hearing on June 23, 2011 on "Tax Reform and Foreign Investment in the United States." We write to underscore our policy and legal concerns with a number of proposals to dramatically increase taxes on the use of foreign affiliated reinsurance, including the proposal contained in the Administration's FY 2012 Budget. We believe that such proposals violate U.S. obligations under the World Trade Organization's ("WTO") General Agreement on Trade in Services ("GATS"). Many such proposals are discriminatory in nature, or impose conditions on access to the U.S. market that are incompatible with U.S. commitments. Enacting such proposals would leave many critical U.S. export sectors vulnerable to WTO-authorized retaliation. It would also damage the ability – and credibility - of the U.S. in its efforts to open foreign markets to U.S. insurance and reinsurance services. Finally, restricting the supply of reinsurance products would cause harm to U.S. insurance consumers in certain regions of the country and key sectors of the U.S. economy.

It is possible for the U.S. to utilize the exception in the GATS from national treatment obligations if the measure is merely to safeguard the member's tax base. However, to qualify for the exception, any measure cannot apply (as the GATS states) "in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where like conditions prevail, or a disguised restriction on trade in services."

As a practical matter, this means that a proposal cannot arbitrarily restrict competition and protect domestic servicers. Any proposal must legitimately distinguish between normal risk management practiced by all insurance companies and activity driven solely by inappropriate tax behavior. It must also take into account taxes paid in the home country of the foreign reinsurer, so as to actually determine whether any tax incentives actually exist. And because any reinsurance is the movement not only of premiums but also risk (i.e., the future possibility of profits or losses), any proposal must account for claim payouts in a non-discriminatory fashion.

At a time when the U.S. is rightly pressing a number of emerging markets to maintain competition in the insurance sector, meeting our WTO commitments in the financial services arena is critically important. In addition, these are the export markets the U.S. needs to meet the President's goal of doubling U.S. exports.

In short, now is not the time to have a retreat in global U.S. leadership in the services sector. Whether it is in the context of "pay-fors" for any number of worthy legislative proposals, or as a part of a larger reform of the U.S. tax code, WTO obligations and the U.S. commitment to competition should bear heavily in any analysis. We hope and trust you will keep these considerations in mind.

With best regards,

Mickey Kantor

Susan C. Schwab

Footnote 4
Attachment 4

Michel BARNIER
MEMBER OF THE EUROPEAN COMMISSION

Karel DE GUCHT
MEMBER OF THE EUROPEAN COMMISSION

Brussels, 22. 07. 2010
DL/yw D(10)708

Reference: Disallowance of reinsurance tax deduction

Dear Congressman Neal,

We are writing to express our concern about possible legislative proposals concerning the treatment of foreign reinsurance undertakings in the U.S.

Our concern relates to your proposal to deny U.S. tax deductions on reinsurance cessions to affiliated reinsurance companies located outside the U.S. This proposal would penalise foreign-owned U.S. insurance companies, creating an unlevel playing field between U.S. and foreign insurers and reinsurers. This is at odds with the commitment of G20 leaders to prevent protectionism and discrimination of foreign firms.

The increased tax burden on foreign insurance providers would result in higher premiums for U.S. policy holders and the potential withdrawal of non-U.S. operators from the U.S. reinsurance market. This would be detrimental to the U.S. for a number of reasons. In recent years, non-U.S. insurers and reinsurers have provided a significant proportion of the coverage in relation to several U.S. catastrophes, including the 9/11 terrorist attacks (non-U.S. insurers and reinsurers paid 64% of all U.S. claims) and hurricanes Katrina, Wilma and Rita (non-US insurers and reinsurers paid 47% of all claims). Availability of insurance and reinsurance coverage for catastrophe risk in the U.S. would be reduced, which would result in higher premiums for US businesses and consumers. Moreover, the departure of non-U.S. operators could lead to job losses for many U.S. citizens employed by those companies.

We fully understand your wish to prevent tax evasion. However, given that it applies regardless of the tax jurisdiction in which the affiliated foreign company operates, it also penalises EU reinsurers who are subject to tax burdens of on average of 25%. We believe there are less restrictive ways of achieving the goals you seek. Moreover, we remain concerned about the impact of the proposals on the status of U.S. commitments regarding insurance services under the WTO General Agreement on Trade in Services (GATS), which stipulate that reinsurers and insurers of any other WTO member must be treated no less favourably than U.S. suppliers of such services.

The Honorable Richard Neal
Chairman
Subcommittee on Select Revenue Meaures
House Committee on Ways and Means
1136 Longworth House Office Building
USA - Washington, DC 20515

(FAX: +1 (202) 225-9680; Staff Director: Melissa Mueller)

In light of the above, we would like to urge you to work with your colleagues in the US House Ways and Means to revise your legislative proposal to directly target tax evasion, without unduly penalising European reinsurers. We would be happy to assist you in developing ways of preventing tax evasion, and in understanding the implications of proposals on European insurers.

We understand that you recently chaired a public hearing of the House Ways and Means Subcommittee on Select Revenue Measures on July 14th regarding reinsurance transactions between affiliated entities. We feel it is important to note that several House Members expressed concerns over rising premiums in the Gulf Coast, as well as potential job losses that could result. We hope that the issues raised in this letter may help achieve the desired outcome of preventing tax evasion, while preserving the strength of the US insurance market.

Yours sincerely,

Michel BARNIER
Commissioner for Internal Market and Services

Karel DE GUCHT
Commissioner for Trade

c.c.:

The Honorable Patrick Tiberi
Ranking Member
Subcommittee on Select Revenue Meaures
House Committee on Ways and Means
113 Cannon House Office Building
USA - Washington, DC 20515
(FAX: +1 (202) 226-4523; Staff Director: Dave Olander)

The Honorable Sander Levin
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
USA - Washington, DC 20515
(FAX: +1 (202) 225-2610; Majority Chief of Staff: Janice Mays)

The Honorable Dave Camp
Ranking Member
House Committee on Ways and Means
1139E Longworth House Office Building
USA - Washington, DC 20515
(FAX: +1 (202) 225-5680; Staff Director: Jon Traub)

Footnote 4
Attachment 5

Michel BARNIER
MEMBER OF THE EUROPEAN COMMISSION

Karel DE GUCHT
MEMBER OF THE EUROPEAN COMMISSION

Brussels, 2 9 SEP. 2011
DL/dcm/Ares link 969870

Reference: Disallowance of reinsurance tax deduction

Dear Congressman Camp,

In July last year we wrote to Congressman Neal to express our concerns about a potential change in the treatment of foreign reinsurance undertakings by the U.S. We are pleased to note that these proposals have not been adopted so far. However, we remain concerned that the proposals may be taken up in the near future, particularly in light of the recommendations set forth in the recent Budget Control Act.

We have restated our main objections to the overall proposal below. In addition, the specific proposals in the U.S. Administration's 2012 Budget (the 2012 proposal) risk having a much larger negative impact on EU undertakings, than the previous 2011 Budget proposals.

It is our understanding that the proposals would deny U.S. tax deductions on reinsurance cessions to affiliated reinsurance companies located outside the U.S. This proposal would penalise foreign-owned U.S. insurance companies, creating an unlevel playing field for U.S. insurers and reinsurers. This is exacerbated by the removal of the 50% total premium threshold and the inclusion of retrocessions (reinsurance of reinsurance) in the 2012 proposal, since this would result in a much greater proportion of the reinsurance premiums paid to affiliated foreign reinsurers being disallowed for tax purposes.

The increased tax burden for foreign insurance providers could eventually result in higher premiums for U.S. policy holders or even the withdrawal of non-U.S. operators from the U.S. reinsurance market. In this context, we observe that, non-U.S. insurers and reinsurers have provided a significant proportion of the cover in relation to several U.S. natural catastrophes in recent years. Availability of insurance and reinsurance cover for catastrophe risk in the U.S. could be significant reduced were these proposals to be introduced. This could in turn increase the cost of providing such cover and affect the employment situation if the non-U.S. operators who would feel obliged to withdraw from the market.

The Honorable David Camp
Chairman
House Committee on Ways and Means
1139E Longworth House Office Building
USA – Washington, DC 20515

We understand and share the objective of preventing tax evasion. However, given that the regime applies regardless of the tax jurisdiction in which the affiliated foreign company operates, it also penalises EU reinsurers who are already subject to tax burdens of on average 25%. Therefore, the proposals do not appear to be fit for purpose. Moreover, we would like to again remind you of the U.S. commitments in insurance services under the WTO General Agreement on Trade in Services (GATS) that reinsurers and insurers of any other WTO member must be treated no less favourably than U.S. suppliers of such services.

We understand that each committee of the House of Representatives and the Senate has until 14 October 2011 to transmit to the joint committee its recommendations for changes in law to reduce the US deficit. A similar letter has been sent to Senator Baucus, Chairman of the Senate Finance Committee. At this time where many countries across the world are facing the challenge of reducing budget deficits, we would urge you not to resort to measures that would contravene the commitment of all G20 leaders to fight against protectionism and discrimination.

Yours sincerely,

Michel BARNIER

Karel DE GUCHT

Cc: The Honorable Sander Levin, Ranking Member, House Ways and Means Committee
The Honorable Ron Kirk, United States Trade Representative
The Honorable Timothy F. Geithner, United States Secretary of the Treasury

Footnote 5
Attachment 6

Embassy
of the Federal Republic of Germany
Washington

Klaus Scharioth
Ambassador of the Federal Republic of Germany

4645 Reservoir Road N.W.
Washington, D.C. 20007
Tel.: +(202) 298 4201
Fax: +(202) 298 4270
E-MAIL: klaus.scharioth@diplo.de
Internet: www.germany.info

The Honorable Sander Levin
Chairman
House Ways and Means Committee
1102 Longworth House Office Building
Washington, DC 20515

Washington, July 16, 2010

Dear Chairman Levin,

I am writing to express the German Government's concerns about several proposals that would partially deny the deductibility of re-insurance premiums paid to affiliated insurance companies. The proposals would primarily affect U.S. subsidiaries of foreign re-insurers, including those located in Germany.

The proposal by Rep. Richard Neal (H.R. 3424), for example, denies the deduction for re-insurance premiums paid to a foreign affiliate if the amount exceeds the industry average for third-party re-insurance. The Administration's budget proposal also contains a provision to limit deductions for affiliate re-insurance to 50 percent of written premiums. The proposals are intended to address concerns that foreign re-insurers are avoiding paying their fair share of U.S. tax by imposing excessive premiums on their U.S. affiliates.

It goes without saying that the German Government recognizes the U.S. Government's right to combat tax avoidance and evasion. But it is our view that the proposed legislation goes well beyond this objective and, as a result, will be in conflict with provisions of the German-U.S. tax treaty.

Firstly, due to the legislation's general scope of application, it would affect companies that
re-insure themselves with their related companies headquartered in normal-taxing jurisdictions, such as Germany. Consequently, U.S. insurance companies related to German re-insurers would be put at a competitive disadvantage, as the proposals would not affect premiums paid to a domestic affiliate.

Secondly, Article 9 of the German-U.S. tax treaty incorporates the arm's length principle, which has long been supported by the U.S. Government within the framework of the Organization for Economic Cooperation and Development (OECD). Under the arm's length principle, related companies are taxed with respect to their commercial relations and the transactions conducted between them according to the same conditions that would apply to two unrelated parties.

The German Government believes that the arm's length principle is a fair method of determining proper allocation of income to each jurisdiction and should be respected. The application of industry averages to related party transactions, as provided for under the Neal bill, is, on the other hand, a clear departure from the arm's length principle, because

it would disregard individual circumstances. The same applies to the proposal put forth by the Treasury Department, which also represents a clear departure from the arm's length principle. Industry averages have never been used to determine whether transactions between related parties were at arm's length. We seriously question the validity of this approach in the insurance industry. As with other industries, observance of the arm's length principle is subject to audits carried out by the tax authorities to ensure compliance, and Article 9 of the German-U.S. tax treaty would allow for an adjustment of taxable income of the U.S. affiliate in cases of improper application of the principle.

Both proposals would, in effect, lead to an increase in mutual agreement procedures, if not, ultimately, to double taxation.

Thirdly, the legislation would also violate the prohibition on discrimination set forth in the German-U.S. tax treaty. Specifically, paragraph 4 of Article 24 provides that a U.S. company wholly or partly owned by a German company shall not be subject to taxation in the U.S. that is more burdensome than the taxation applicable to other U.S. companies.

While the proposed legislation would not permit companies to provide evidence that their transactions are, indeed, at arm's length, it would grant the foreign insurance company the option of avoiding any disadvantage arising from the non-deductibility of re-insurance premiums by allowing the foreign re-insurer to elect to be treated as a domestic corporation for U.S. tax purposes. Yet this provision would also apply U.S. tax law in a manner which is clearly incompatible with the principles laid down in paragraph 1 of Article 7of the German-U.S. tax treaty and has far-reaching implications. It thus would not provide an acceptable alternative.

Finally, the German Government has concerns about the legislation's compatibility with WTO principles, particularly with a view to the obligations related to the General Agreement on Trade in Services. Specifically, the German Government would like to refer to the relevant obligations concerning national treatment.

I would be grateful if you could take into account the concerns of the German Government in your deliberations as you continue to discuss these proposals.

Sincerely,

Klaus Scharioth

Cc: Representative Dave Camp, Ranking Member
Senator Max Baucus, Chairman, Senate Finance Committee
Senator Charles Grassley, Ranking Member, Senate Finance

Footnote 6
Attachment 7

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Neal Wolin
Deputy Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220
United States of America

9 **September 2009**

Dear Neal

PROPOSALS TO LIMIT DEDUCTIONS FOR AFFILIATE REINSURANCE

As you are aware, the UK and US governments have together been leading the charge on tackling tax haven abuse. Recent proposals at the G20 and G8 summits are coming to fruition and we are keen to continue to build on this strong foundation at the upcoming summit in Pittsburgh.

However, we need to ensure that our efforts are well targeted and apply only to non-cooperative jurisdictions. Failure to do so could lead to charges of protectionism, an outcome which – we hope you agree – is to be particularly avoided at a time when world leaders are working hard to strengthen the global economy.

With this in mind, I am writing to express the concern of the United Kingdom's Government regarding a proposal to disallow the deduction for excess non-taxed reinsurance premiums with respect to United States risks paid to affiliates, which was introduced on 30 July by Representative Richard Neal as HR3424. The Senate Finance Committee circulated similar legislation for consultation as a staff draft and The British Embassy in Washington responded to the consultation at that time expressing our opposition to the measure.

As the Bill stands, we are concerned that, by potentially increasing the cost of reinsurance for a UK group with an affiliate underwriting insurance in the US, such a group would be put at a disadvantage relative to a corresponding US group with a US underwriting affiliate. There are important commercial reasons for reinsurance – such as diversification of risk and risk pooling – and if a US company reinsures with a UK affiliate, these will form the basis upon which such a decision is made. We believe that the UK cannot be regarded as a low or no-tax jurisdiction in this context and that the Bill should be amended so that transactions with the UK, which are very low risk in comparison, should fall outside the policy intent of the proposal.

We also note that current proposals would reduce competition among reinsurers of US business and, as a consequence of increasing the cost of reinsurance, the cost of the underlying insurance to end consumers would also be likely to increase.

Additionally, we are concerned that the current proposal to use an industry average of reinsured policies as a benchmark places an arbitrary constraint on the commercial decisions a

EXCHEQUER SECRETARY TO THE TREASURY

US insurance affiliate of a UK group needs to make when considering its reinsurance requirements.

We very much hope that these points are taken into consideration when your Department formulates its view on this proposal, and that you will express your opposition to it on the above grounds.

We applaud the conviction that the US has shown in tackling tax haven abuse and look forward to continued cooperation on this front.

Kind Regards

Sarah

SARAH MCCARTHY-FRY MP

Footnote 7
Attachment 8

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Embassy of Switzerland in the United States of America

The Honorable Max Baucus
Chairman, Senate Finance Committee
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510-6200

The Honorable Sander M. Levin
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515-6348

Our reference: 461.20 – WBW

Washington, D.C., June 9, 2010

Legislative Proposals on Taxation and Compatibility with Our Bilateral Double Taxation Convention

Dear Mr. Chairman:

I am writing to express my Government's concern about two legislative proposals that in our view would not be in line with our existing bilateral double taxation convention. Both proposals would inappropriately limit treaty benefits for certain deductible payments and would discriminate against internationally operating companies.

The first proposal I would like to mention aims at limiting deductions for affiliate reinsurance premiums. In that regard, I already wrote a letter on February 20, 2009. At that time, I commented on a draft on related party reinsurance suggested by the staff of the Senate Finance Committee. In the meantime, Congressman Richard Neal reintroduced his bill (H.R. 3424) on July 30, 2009. His proposal is very similar to the staff draft released on December 10, 2008. Furthermore, the Department of the Treasury's *General Explanations of the Administration's Fiscal Year 2011 Revenue Proposals* published in February 2010 contains a proposal that would disallow the deduction for so-called excess non-taxed reinsurance premiums paid to affiliates. This proposal, which has not been formulated as draft legislation, goes in the same direction as bill H.R. 3424, although the limitation on the deductibility is defined differently. I would like to refer to the arguments set forth in my letter of February 20, 2009, and emphasize once again that, in our judgment, H.R. 3424 as well as the Administration's proposal of February 2010 would violate the non-discrimination principle stated in Article 24 of the double taxation convention between the U.S. and Switzerland. Furthermore, I would like to reiterate our concerns that the proposed provisions would constitute a breach of the U.S. obligations under the WTO.

Swiss insurance companies play an important role in the U.S. market. Important players such as Zurich and Swiss Re have about 20,000 employees. Swiss and other foreign insurance companies paid a substantial amount of money in connection with the losses and damage caused by events such as 9/11 and devastating hurricanes. The insurance industry, and the reinsurance industry in particular, is a global business where risks are handled and diversified worldwide. Discrimination against U.S.-based foreign companies that reinsure their risks abroad would not only thwart the global business model in the industry, but would eventually lead to higher premiums in the U.S.

Furthermore, the approach of the Neal Bill and similar proposals aims at preventing an income shifting to low-tax jurisdictions to avoid U.S. taxation. Switzerland has a comprehensive tax system that includes corporate taxation. The aggregate federal, cantonal and municipal corporate profits taxes range between 13% and 28%. Therefore Switzerland can hardly be considered a low-tax jurisdiction.

The second proposal pertains to the *Small Business and Infrastructure Jobs Act of 2010* (H.R. 4849) that was approved by the House of Representatives on March 24, 2010, and referred to the Senate Finance Committee on March 26. We are concerned about *Sec. 301 Limitation on Treaty Benefits for Certain Deductible Payments*. In our view, Sec. 301 is not compatible with the double taxation convention since it would override the provisions in the convention by not allowing treaty benefits for certain deductible payments between affiliates.

Since the two legislative proposals would conflict with our bilateral tax convention, I would highly appreciate your reconsideration of these issues. I would be pleased to discuss this matter with you at any time.

Sincerely,

The Ambassador of Switzerland

Urs Ziswiler

Encl: Letter to Senator Baucus, February 20, 2009

cc: Senator Charles Grassley, Ranking Member, Senate Finance Committee
Rep. Dave Camp, Ranking Member, Committee on Ways and Means, U.S. House of Representatives

Footnote 12
Attachment 9

Insurers of Europe

Position Paper

CEA's submission to Hearing on the deductibility of reinsurance premiums paid to affiliates

CEA reference:	TAX-USR-10-030	Date:	26 July 2010
Referring to:	US Congress Hearing on the deductibility of reinsurance premiums paid to affiliates		
Related CEA documents:			
Contact person:	Cláudia Sousa, Kai-Marjep Kosik	E-mail:	sousa@cea.eu, kosik@cea.eu
Pages:	5		

Summary

The CEA, the European insurance and reinsurance federation, based in Brussels, represents all types of insurance and reinsurance undertakings, including pan-European companies, monoliners and mutuals, through its 33 members, the national insurance associations.

The CEA would like to draw your attention to the negative effects of the proposals on disallowing tax deduction of certain reinsurance premiums paid to affiliated foreign reinsurers as outlined in the US Administration's 2011 Budget Proposal and in bill H.R. 3424 introduced in the House of Representatives on 30 July 2009 by Representative Richard Neal (the Proposals). The Proposals should not be upheld and consequently not progress for the following reasons:

- **The Proposals would result in significant negative effects for US citizens due to:**
  - **More expensive insurance premiums**
  - **Reduced capacity for disaster cover**

- **The Proposals would lead to a violation of US double tax treaties and sovereignty rights of other jurisdictions.**

- **EU reinsurers already pay substantial taxes (the average EU tax burden amounts to approximately 25%). There is therefore no tax incentive for US affiliates of European (re)insurers to cede risks to Europe.**

- **The transfer pricing rules already empower the IRS to make the adjustments necessary to prevent tax evasion.**

- **The Proposals — only applicable to foreign (re)insurers, not to US reinsurers — would constitute a breach of the US G20 and WTO commitments.**

CEA
Insurers of Europe

Expected consequences of the proposals

The Proposals impose a punitive, discriminatory double "tax" on the US insurance activities of foreign insurance and reinsurance groups, as they would only apply to affiliated reinsurance with *foreign* reinsurers. If enacted, the Proposals would damage these US businesses and increase the cost of insurance coverage for American consumers and businesses in a severe recessionary environment.

1. Negative effects for US citizens

Foreign and foreign-controlled (re)insurers play an important role in the US market. Foreign controlled insurers and reinsurers with almost 500 US-based subsidiaries provide 15% of the direct insurance and more than 50% of the reinsurance accepted in the US[i]. To serve millions of US customers, European (re)insurers have operations in many US states, collectively employing tens of thousands of US citizens.

In order to understand the harm the proposal mentioned above would cause, it is important to underline that affiliated reinsurance is used to diversify risks, an essential and basic principle in the insurance business model. Transferring variable and uncorrelated risks to a central place, as done via affiliated reinsurance, is necessary to maximise diversification benefits and smooth expected losses. Affiliated reinsurance thus plays an important part in increasing insurance capacity, in particular for low frequency, high exposure risks such as hurricane, earthquake and terrorism.

Disallowing deduction of the cost of affiliated *foreign* reinsurance would lead to double taxation for European (re)insurers active in the US that would significantly increase their costs. As a result, the efficient functioning of the US (re)insurance market would be distorted and lead to reduced capacity and competitiveness in the US insurance market. Ultimately it would result in significant negative effects for US citizens due to:

- **More expensive insurance premiums**: A substantial part of US demand for insurance, 15% of direct insurance and more than 50% of the reinsurance accepted in 2007, is provided by foreign-controlled insurers. For certain states and areas this figure is much higher, eg, over 90% of reinsurance for Florida property insurance is provided by reinsurance companies located in foreign countries[ii].

  If foreign insurers are not allowed to reinsure with their affiliates, the available capacity in the reinsurance market will decrease and prices for reinsurance will increase. As a result, the insurance premium prices paid by US consumers will be substantially higher. Estimations based on bill H.R. 3424[iii] show that insurance prices could increase by as much as 16% in some lines of business, costing consumers billions per year and placing a particular burden on disaster-prone states.

- **Reduced capacity for disaster cover:** European insurers provide a vital share of US catastrophe (re)insurance. Two thirds of the reinsurance for protection of US homes and businesses against hurricane and earthquake is provided by non-US reinsurers. Foreign (re)insurers paid more than 60% of the claims after the 2005 hurricanes (Katrina, Rita and Wilma) and the 11 September tragedy. Claims payments made by foreign reinsurers under contracts of reinsurance are taxable income in the hands of US cedants including affiliated US cedants (a point scarcely raised in the Joint Committee On Taxation paper which stands in stark contrast to "earnings stripping" transactions as detailed in the Joint Committee on Taxation paper). On this note, the Reinsurance Association of America (RAA) data on offshore reinsurance in the US market for 2008 shows that the total US premium ceded to non-US reinsurers was $58.2 billion, whilst net recoverables amounted to $121.2 billion. That is, foreign reinsurance paid nearly twice the amount in claims settlements to US cedants that it received by way of premiums received from US cedants during the same period.The introduction of the proposed discriminatory tax would prevent companies from making efficient use of capital by penalising the centralisation of uncorrelated risks in an arbitrary manner. The result would be that the availability of these insurance covers would decrease drastically and, if available, they would be much more expensive for US citizens and businesses. Previous estimations show that the supply of reinsurance would decrease drastically.

CEA
Insurers of Europe

2. Violation of US Double Tax Treaties and sovereignty rights of other jurisdictions considering the following issues:

2.1 Double taxation

The Proposals would limit the deductibility of net insurance premiums paid to non-US affiliates and would lead to double taxation, given their inclusion in taxable income in both the US and the reinsurer's country of residence. Even if claims payments are made later on, these payments are treated as income in the US – notwithstanding the fact that the reinsurance premium has never been tax deductible. This is a mismatch and a clear inequity in the Proposals.

2.2 Non-discrimination

The Proposals deviate from the non-discrimination principle in the US Double Tax Treaties and are therefore inconsistent with decades of US tax and trade policy (see section 5 below). In particular, the Proposals violate treaty rules designed to prevent discrimination against foreign-owned companies. Under the Proposals, the US insurance affiliate of a European company would lose the deduction for affiliate reinsurance. This denial would violate the non-discrimination provision of the prevailing Double Tax Treaty. As an example, the Proposals violate Art. 24 Sec. 3 of the Double Tax Treaty between the US and Germany that provides that "disbursements" paid by an enterprise of one treaty country to a resident of the other treaty partner "shall, for purposes of determining the taxable profits of such enterprise, be deductible under the same *conditions as if they had been paid to a resident of the first-mentioned State."*

It also violates the provisions of the Double Tax Treaties signed by the US with several European countries, such as Germany, France, Switzerland, Italy, Ireland and the UK, based on Art. 24, Sec. 5 of the OECD Model Convention, stating that *"Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith that is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected."*

The Proposals would not only penalise foreign-owned insurers for reinsuring with affiliates, but would also allow their US based competitors to reinsure with the same jurisdictions without penalty. It therefore creates inconsistent and unfavourable treatment for foreign-owned companies, while permitting US-owned companies to take advantage of placing reinsurance with a foreign tax jurisdiction. Whereas European reinsurers and their US-affiliated insurers would therefore suffer from the denial of reinsurance premiums, their US competitors would be able to take the deduction – not only a clear violation of the Double Tax Treaties, but also further proof of the violation of a level playing field in the US insurance market. Ultimately, affected countries may retaliate with tax laws penalising US companies doing business abroad.

2.3 Election to be taxed as an insurance branch without treaty benefits

In an attempt to weaken a violation of the non-discrimination principle, the Proposals provide an election for non-US reinsurers to incur US taxation on reinsurance income from US affiliates. If elected, reinsurance income could be taxed under branch tax rules as effectively connected with the conduct of a US trade or business. The result would be modified by rules for insurance branches that require taxation of net investment income using a formula approach. The tax election would require the non-US reinsurer to waive any US tax treaty benefits with respect to the taxation of US affiliated reinsurance income.

Apart from the concerns about treaty violation discussed above, the election does not fairly tax a non-US insurer. The election would capture potentially more tax on the reinsurance income. Furthermore, the entire affiliated non-taxed premium, not just the non-deductible portion, paid to the non-US reinsurer would be treated as taxable income. Finally, the waiver of treaty benefits could subject the branch to a 30% withholding tax on actual or deemed remittances of remaining branch profits that otherwise would be eligible for a lower withholding tax rate under an applicable treaty. Consequently, up to a 55% US tax could apply to US affiliated

2.4 Violation of US double tax treaties – business income

Primarily, the US tax election provision reveals the sponsor's very real concerns about the Proposals' violation of the non-discrimination principle. However, it is equally clear that the addition of this provision would not avoid tax treaty challenges.

- This provision ignores Art. 7 OECD Model Convention, which is of central importance regarding the avoidance of double taxation in the international taxation of business profits. Art. 7 states the principle that an enterprise of one State shall not be taxed in another State unless it carries on business in that other State through a permanent establishment. If a foreign corporation has no permanent establishment in the US within the meaning of Art. 5 OECD Model Convention the right to tax business profits (e.g. reinsurance premiums) is allocated exclusively to the state of residence of the foreign company. Also see Articles 5 and 7 of many US tax treaties and in the 2006 US Model Income Tax Convention.
- Even if a foreign company has a permanent establishment in the US, the second principle reflected in Art. 7, states that the US right to tax does not extend to profits (e.g. reinsurance premiums) that the foreign company may derive from the US but that are not attributable to the permanent establishment. This "force of attraction" approach has been rejected by international tax treaty practice.

Furthermore, the election envisaged in the Proposals inevitably results in double taxation since the US tax paid is not allowed as credit against the tax paid in the state of residence of the foreign company. Art. 23 B OECD Model Convention provides that the relief from double taxation requires taxation in accordance with the provisions of the Convention.

Thus, the election at stake would contravene elementary structures of international taxation and therefore should not be upheld. Otherwise the US would fail to comply with the obligations grounded on the double tax treaty network in force.

3. Substantial taxes paid by European Reinsurers

Cross-border reinsurance, whether with a related or unrelated party, moves the risk of loss to the non-US entity. Profits or losses on premiums associated with this risk are respectively taxed or deducted abroad where the risk now resides and, specifically in the European countries represented by the CEA, the reinsurance premiums paid to reinsurers are subject to local corporate taxation.

While the aim of the Proposals is said to be to eliminate tax advantages for companies not paying US federal income tax, EU reinsurers in fact already pay substantial taxes (the average EU tax burden amounts to approximately 25%). As the average tax level in the EU is comparable to the US average, there is no tax incentive for US affiliates of European (re)insurers to cede risks to Europe.

If any of the Proposals came into force, especially with regard to Europe, the violation of double tax treaties would therefore lead to an unjustifiable double-taxation of reinsurance premiums.

4. Transfer pricing rules in place

The transfer pricing rules of US Internal Revenue Code § 482 already empower the IRS to make adjustments necessary to prevent tax evasion or more clearly reflect income earned by US companies. In addition, the special rules of US Internal Revenue Code § 845 on related-party reinsurance further allow the IRS to make adjustments to fully reflect the income of the US insurance company. In the American Jobs Creation Act of 2004, these related party reinsurance rules were amended to further strengthen the IRS's authority to enforce arm's-length pricing in affiliate reinsurance contracts.

Most countries have enacted extensive transfer pricing documentation requirements. Also under US regulations, the taxpayer is obliged to prepare contemporaneous documentation (which is subject to penalties) in order to prove to the IRS that the business relationships with affiliated parties are in line with the arm's-length standard. Foreign-owned companies annually prepare the necessary studies to support their transfer pricing of affiliate reinsurance, and these are available to IRS agents in tax audits.

Considering the above, the current US law already comprises adequate legal authority and practical means to deal with "income shifting" by a US insurance subsidiary to a foreign affiliate reinsurer. No more specific measure is needed.

5. US G20 and WTO commitments

At a time when the US, along with other G-20 members, has agreed to refrain from protectionism, we believe that the Proposals — which only apply to foreign (re)insurers, not to US reinsurers — would constitute a breach of such commitments. At the same time, the Proposals would violate the US WTO commitments under the General Agreement on Trade in Services (GATS). Indeed, this concern was also raised by the European Union and several individual countries in reaction to a similar proposal that was released for comments by the Senate's Committee on Finance in December 2008.

The CEA remains at your disposal and looks forward to assisting in all the issues mentioned above, as well as in any other questions that arise in the course of discussions.

*****

The CEA is the European insurance and reinsurance federation. Through its 33 member bodies – the national insurance associations – the CEA represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. The CEA represents undertakings that account for approximately 94% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of €1 100bn, employ one million people and invest €6 900bn in the economy.

www.cea.eu

---

[i] OECD Insurance Statistics: Edition 2009

[ii] See "Florida Office of Insurance Regulation Reaches Agreement with Hannover Re to be the First to Qualify as an Eligible Reinsurer Under New Terms", FLOIR Media Release, 24 February 2010

[iii] See The Brattle Group "The Impact on the U.S. Insurance Market of a Tax on Offshore Affiliate Reinsurance: An Economic Analysis", May 2009

The proposed discriminatory reinsurance tax has been publicly opposed by a broad group of concerned individuals and organizations, including:

U.S. Insurers and Associations
Argo Group/ARGO National
ARM Tech Insurance Services, Inc.
American Strategic Insurance
American Traditions Insurance Company
Captive Insurance Companies Association
Captive Insurance Council of DC
Ceteris
Cypress Property and Casualty Insurance
Edison Insurance Group
Florida Insurance Council
Homewise Insurance
Montana Captive Insurance Association
Narragansett Bay Insurance Company
National Risk Retention Association (NRRA)
North Carolina Insurance Services
Sunshine State Insurance Company
Vermont Captive Insurance Association
Williams Insurance Agency

Global Insurers and Associations
ACE Group
Allianz of America
Arch Capital Group
Association of Bermuda Insurers and Reinsurers (ABIR)
CEA - Insurers of Europe
Coalition for Competitive Insurance Rates
Dublin (Ireland) International Insurance and Management Association (DIMA)
International Underwriting Assn. of London
Munich Reinsurance America
Organization for Intl. Investment (OFII)
Pan-European Insurance Forum
Swiss Re
XL America
Zurich North America

Business and Industry
Alice Chamber of Commerce (TX)
American Legislative Exchange Council
Arkansas Automobile Dealers Association
Arkansas Grocers & Retail Merchants Association
Apartment Association of Greater Los Angeles
Apartment Owners Association of California
Associated Builders and Contractors of Delaware
Bishop Chamber of Commerce (CA)
Brownsville Chamber of Commerce (TX)
Calhoun County Economic Development Corporation (TX)
California Farm Bureau Foundation
California Farmers Union Development Corporation (TX)
California Association of Non-Profit Housing
California Community Reinvestment Corp.
Chamber of Southwest Louisiana
Chico Chamber of Commerce (CA)
Dalhart Area Chamber of Commerce (TX)
Deaf Smith County Chamber of Commerce (TX)
Delaware State Chamber of Commerce
Delaware Contractors Association
Downtown Berkeley Association (CA)
Downtown San Mateo Association (CA)
Dumas Economic Development Corp. (TX)
El Campo Chamber of Commerce & Agriculture (TX)
Florida Chamber of Commerce
Glendora Chamber of Commerce (CA)
Greater Kingsville Economic Development Council (TX)
Groves Chamber of Commerce & Tourist Center (TX)
Housing Authority of Greater Los Angeles
Industry Manufacturers Council (CA)
La Verne Chamber of Commerce (CA)
Livermore Chamber of Commerce (CA)
Los Angeles Area Chamber of Commerce
Los Angeles Housing Partnership
Louisiana Farm Bureau Federation
Louisiana Home Builders Association
Louisiana Manufactured Housing Association
Louisiana Mid-Continent Oil and Gas Assn.
Louisiana Oil Marketers and Convenience Store Association
Louisiana Realtors
Maritime Exchange for the Delaware River
Matagorda County Economic Development Corporation (TX)
New Castle County Chamber of Commerce (DE)
Non-Profit Housing Authority of Northern California
Organization for International Investment (OFII)
Perryton-Ochiltree Chamber of Commerce (TX)
Perryton Community Development Corporation (TX)
Rio Grande Valley Sugar Growers (TX)
San Ramon Chamber of Commerce (CA)
Sebastopol Area Chamber of Commerce (CA)
Silicon Valley Leadership Group (CA)
Southern Delaware Tourism Bureau
Skid Row Housing Trust (CA)
South Texas Cotton and Grain Association
Texas Agricultural Cooperative Council
Texas City - La Marque Chamber of Commerce (TX)
Texas Cotton Ginners Association
Texas Grain and Feed Association
Texas Independent Ginners Association
Texas Pecan Growers Association
Texas Soybean Association
The Economic Development Alliance for Brazoria County (TX)
Tri-Valley Innovation Network (CA)
Victoria Economic Development Corporation (TX)
Wakulla County Chamber of Commerce (FL)
West Hollywood Community Development Corporation

Public Officials in Europe
Delegation of the European Commission - European Union
Embassy of Switzerland
Embassy of the Federal Republic of Germany
HM Treasury, United Kingdom

Public Officials in the U.S.
Arkansas State Representative Allen Kerr
City Commissioner Eunice Pennix, Dade City, Florida
Former Florida Agriculture Commissioner Charles Bronson
Former Florida Insurance Consumer Advocate Sean Michael Shaw
Florida Insurance Commissioner Kevin McCarty
Florida State Representative Audrey Gibson
Florida State Representative D. Alan Hays
Florida State Representative Kevin Rader
Florida State Representative Will Weatherford
Florida State Senator Garrett Richter
Florida State Senator Jeremy Ring
Louisiana Insurance Commissioner James Donelon
Louisiana State Representative Andy Anders
Louisiana State Representative Chuck Kleckley
Louisiana State Representative Harold L. Ritchie
Louisiana State Senator Karen St. Germain
Louisiana State Senator Dan Morrish
Louisiana State Representative Kevin Pearson
Former Louisiana State Senator Nick Gatreaux
Louisiana State Representative Noble Ellington
Louisiana State Representative Page Cortez
Louisiana State Senator Dan "Blade" Morrish
Louisiana State Senator Eric La Fleur
Louisiana State Senator Julie Quinn
Former Louisiana State Senator Troy Hebert
Mississippi Insurance Commissioner Mike Chaney
North Carolina State Insurance Commissioner Wayne Goodwin
North Carolina Speaker Pro Tempore William Wainwright
Former North Carolina State Representative Bruce Goforth
North Carolina State Representative David Lewis
North Carolina State Representative Julia Howard
North Carolina State Representative Michael Wray
North Carolina State Representative Nelson Dollar
Former North Carolina State Representative R. Van Braxton
North Carolina State Representative Tricia Cotham
North Carolina State Representative William A. Current
Former South Carolina Department of Insurance Director Scott Richardson
Mickey Kantor, Former US Trade Representative
Susan Schwab, Former US Trade Representative

Various Approved State Resolutions:
Florida State Senate SM484
Florida State House HM 617
Louisiana Senate, SR 183
Louisiana House of Representatives, HR 190
Texas State House, HR 243

U.S. Consumer Organizations
California Consumers United
Consumer Federation of the Southeast
Florida Consumer Action Network (FCAN)
Risk and Insurance Management Society (RIMS)
Risk and Insurance Management Society (RIMS), Detroit Chapter

Free Enterprise Advocacy Groups
Center for Freedom and Prosperity
Americans for Prosperity
Americans for Tax Reform
Competitive Enterprise Institute (CEI)
Freedom Works
National Taxpayers Union
R Street Institute