

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515

August 17, 2016

The Honorable Jacob Lew
Secretary of Treasury
U.S. Department of Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20520

The Honorable Michael Froman
United States Trade Representative
Office of United States Trade Representative
17th St., N.W.
Washington, D.C. 20508

Dear Secretary Lew and Ambassador Froman:

We write to you to express our concerns regarding the European Union's new insurance regulations—the Solvency II Directive (“Solvency II”)—which unfairly discriminates against U.S. insurance and reinsurance (“(re)insurance”) businesses. We urge you to continue to take steps to address this discrimination against U.S. insurers by member state governments in the EU, including through the negotiation of a “covered agreement” under the authority provided in the Federal Insurance Office Act of 2010.

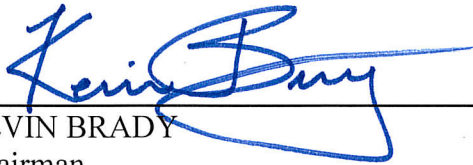
Because Solvency II primarily applies to (re)insurance businesses that are established in the EU, the regime disadvantages US (re)insurers who want to provide services in the EU market – namely U.S. (re)insurers with EU subsidiaries and U.S. (re)insurers when involved in EU reinsurance contracts.

Specifically, the EU recognizes other countries' prudential regimes as having “equivalence” to Solvency II, which relieves companies from those jurisdictions from having to satisfy Solvency II requirements for their non-EU operations. At the same time, the EU has deemed the U.S. to be only “provisionally” equivalent, which creates a double standard that discriminates against U.S. insurers while benefitting EU insurers. With respect to the U.S. insurance regulatory system, the EU regulations permit EU insurers and reinsurers with U.S. affiliates to rely on U.S. state-based capital requirements as sufficient to meet EU Solvency II requirements. However, the EU will not allow U.S. (re)insurers to rely on the very same standards when seeking to provide (re)insurance in the EU market.

Thus, the EU accepts U.S. state-based capital requirements for European firms operating in the United States but not for U.S. firms operating in Europe. This discriminatory treatment raises the question as to whether it complies with the EU's national treatment obligations under the WTO General Agreement on Trade in Services.

We support your work to negotiate equivalence for the United States through the covered agreement. The successful and expeditious conclusion of these negotiations would generally provide greater market access for U.S. insurance providers operating in Europe, and the negotiations also provide an important opportunity to end the uncertainty and potentially significant business losses faced by our insurers because of the EU's discriminatory treatment. If, however, it is not possible to quickly remove the less favorable treatment through the covered agreement negotiations, then we urge you to consider other ways to address this unjustifiable trade barrier, including the enforcement tools that we have available to us in our trade agreements.

Sincerely,



KEVIN BRADY
Chairman



SANDER LEVIN
Ranking Member