

September 3, 2015

The Honorable Jacob Lew  
Secretary of the Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

The Honorable Michael Froman  
United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Dear Secretary Lew and Ambassador Froman:

There has been much speculation about Treasury and USTR efforts to pursue a covered agreement with Europe to address reinsurance collateral and to resolve uncertainty for U.S. insurers as a result of the EU's equivalence process. Any covered agreement has the potential to affect the U.S. insurance regulatory system, and could potentially result in preemption of state laws and consumer protections. We as state insurance regulators met with Treasury and USTR approximately a year ago to discuss the potential for a covered agreement and to define issues. The original plan was to follow on with these conversations. If it is the intent to move forward with a covered agreement, we think it only prudent on the part of all parties to reconstitute these discussions before the actual negotiations begin.

That said, we reiterate our belief that as the substance of a covered agreement is specifically insurance prudential matters, and could have an impact on virtually all U.S.-based insurers, we believe the primary developers, enforcers and regulators of those measures -the U.S. state based insurance commissioners- should participate directly in any and all negotiations to ensure an appropriate outcome for the United States insurance sector and its consumers. We believe there are no legal limitations to our direct participation, and more importantly, it is the right thing to do to include those officials whose authorities you are discussing in such negotiations. While the Dodd Frank Act does not require this direct participation, our attempts to clarify with your agencies that neither the Dodd Frank Act nor any other law precludes it have gone unanswered. Our attempts to clarify the extent of our involvement and participation have also gone unresolved.

Further, we have made significant progress to reduce reinsurance collateral requirements in a measured and transparent way that preserves claims paying resources available to policyholders, and we will continue to press forward on that issue. With respect to resolving equivalence, the federal government has not demonstrated that a covered agreement is necessary to provide benefits to U.S. consumers and businesses which cannot otherwise be provided without an agreement. We have asked your agencies for factual, compelling analysis that would warrant a covered agreement, which comes with the potential adverse consequence of preemption, to resolve equivalence. We have received none. We expect a far more substantiated and defensible case should be made before the significant step of opening negotiations on a covered agreement, and as a result, can only conclude at the present that it is unnecessary. If, however, a compelling case is made that resolving equivalence should be a critical U.S. objective, the EU has already

demonstrated that they can reach an equivalence determination for U.S. authorities with no formal action or agreement on the part of either the states or the federal government.

We respect the work of your agencies and recognize the broader responsibilities that you bear, but as a covered agreement is focused primarily on the powers we exercise every day to regulate the U.S. insurance market and protect consumers, it is reasonable for us to have far greater insight, involvement, and detail than we have experienced thus far. We urge you to resist any calls to engage in what we believe to be an unnecessary trade agreement in the name of expedience or equivalence, but should you decide to move forward, state regulatory representatives should be at the table with our federal colleagues. We respectfully request a response to these concerns in writing.

Sincerely,

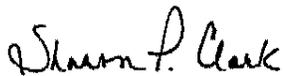
Sincerely,



Monica J. Lindeen  
NAIC President and  
Montana Commissioner of Securities  
and Insurance



John M. Huff  
NAIC President-Elect  
Director  
Missouri Department of Insurance,  
Financial Institutions and  
Professional Registration



Sharon P. Clark  
NAIC Vice President  
Commissioner  
Kentucky Department of Insurance



Ted Nickel  
NAIC Secretary-Treasurer  
Commissioner  
Wisconsin Office of the Commissioner of  
Insurance



E. Benjamin Nelson  
NAIC Chief Executive Officer  
United States Senator (Ret.)