



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

February 6, 2009

The Honorable Max Baucus
Member
United States Senate
511 Hart Senate Office Building
Washington, DC 20510

Re: Offshore Reinsurance Taxation Discussion Draft

Dear Senator Baucus:

I oppose any legislation similar to the above referenced discussion draft of the bill regarding reinsurance premiums paid to affiliates pending before the Finance Committee. It is unnecessary and detrimental to the ability of insurers to reinsure risks underwritten in Louisiana. The Internal Revenue Code gives the IRS sufficient, specific authority to correct tax avoidance or evasion in matters of related-party reinsurance. There is no need to further complicate the law in an effort to tax offshore companies providing a valuable service to US policyholders.

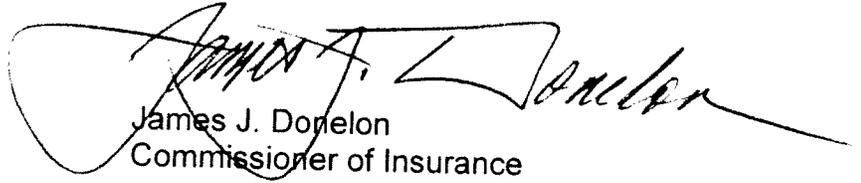
Louisiana and other coastal states confront a serious insurance availability problem. As of 2007, about 66% of the reinsurance that protects homes against hurricanes and earthquakes comes from non-US reinsurance companies. Bermuda based companies alone provide 40% of the US reinsurance of risks for hurricanes, and, following hurricanes Katrina, Rita and Wilma in 2005, those reinsurers contributed \$17 billion in claims payments to US consumers. In Louisiana those companies paid an estimated \$9 billion for residential and commercial property claims from hurricanes Katrina and Rita.

Louisiana benefits from its geography and natural resources, but those benefits expose Louisiana to substantial risks that require free and fair access to international markets for those seeking and selling insurance and reinsurance. The reinsurance market is global, and protectionist government actions impair its proper functioning. This tax increase, if enacted, could increase the cost and/or decrease the availability of insurance in markets where conditions are tight—like Louisiana's market for property insurance.

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With best wishes and kindest personal regards, I remain

Very truly yours,



James J. Donelon
Commissioner of Insurance

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cc: The Honorable Charles Grassley

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