

By: Howard of Fort Bend

H.R. No. 243

R E S O L U T I O N

1           WHEREAS, The insurance business greatly depends on  
2 affiliated reinsurance for managing and spreading risk; and

3           WHEREAS, Purchasing reinsurance from affiliates is a means  
4 for large insurers to manage capital and also serves an important  
5 risk-transfer purpose, providing significant additional primary  
6 insurance capacity, particularly for crop, windstorm, general  
7 liability, products liability, and aircraft insurance; and

8           WHEREAS, Non-U.S.-based insurance companies with U.S.  
9 affiliates purchase reinsurance from parent and sister companies  
10 domiciled abroad, but a bill introduced in the United States  
11 Congress would penalize them for doing so, even though U.S. and  
12 foreign-based insurance groups currently pay functionally  
13 equivalent taxes on reinsurance transactions; given the average tax  
14 burden of 25 percent in European countries, such legislation would  
15 render most offshore reinsurance transactions prohibitively  
16 expensive, and the U.S. market would see a capacity shortfall and  
17 increases in premiums for consumers; and

18           WHEREAS, A major study by the Brattle Group, an economic  
19 research and consulting firm, concluded that the proposed policy  
20 would result in a 20 percent reduction in the supply of reinsurance  
21 for consumers in the United States, in turn leading to annual cost  
22 increases of \$10 to \$12 billion; in addition, a broad coalition of  
23 industry and consumer groups have spoken out against the proposal;  
24 and

1           WHEREAS, Taxation proposed in H.R. 3424, 111th Cong. (2009),  
2 discriminates against the use of offshore affiliated reinsurance by  
3 foreign-based companies and, if enacted, will severely undermine  
4 the risk management practices at the heart of international  
5 reinsurance markets; now, therefore, be it

6           RESOLVED, That the House of Representatives of the 82nd Texas  
7 Legislature hereby express its opposition to H.R. 3424 and to any  
8 other proposal that would limit the use of reinsurance by  
9 non-U.S.-based insurance companies; and, be it further

10          RESOLVED, That the chief clerk of the Texas House of  
11 Representatives forward official copies of this resolution to the  
12 president of the United States, to the president of the Senate and  
13 the speaker of the House of Representatives of the United States  
14 Congress, and to all the members of the Texas delegation to Congress  
15 with the request that this resolution be entered in the  
16 Congressional Record as a memorial to the Congress of the United  
17 States of America.