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RIMS Endorses Brattle Group's Report on Reinsurance Taxation

NEW YORK (May 1, 2009) — The Risk and Insurance Management Society (RIMS) supports the findings of a Brattle Group report which reveals that reinsurance taxation legislation, similar to H.R. 6969 under consideration in the U.S. Congress, would have a devastating effect on the American insurance marketplace. The report is sponsored by the Coalition for Competitive Insurance Rates, an alliance of consumers, insurers and reinsurers. RIMS is a member of the coalition.

The report, titled "The Impact on the U.S. Insurance Market of a Tax on Offshore Affiliate Reinsurance: An Economic Analysis," finds that legislation to increase tax on non-U.S. reinsurers would reduce the supply of reinsurance by 20 percent, cost insurance consumers more than \$10 billion per year and be particularly onerous for disaster-prone states.

"The report is a clarion call to members of Congress and the administration who might support such legislation under the guise of protecting American insurers," says Deborah M. Luthi, ARM, CCSA, member of RIMS board of directors and director of enterprise risk management services at Matheson. "RIMS believes that this report provides well-documented evidence of the detrimental impact to the global insurance market, domestic property and casualty insurance market, insurance consumers and several states that may be prone to one or more natural disasters."

H.R. 6969, which was championed by Rep. Richard Neal, D-Mass., in the 110th Congress, would cap the deductibility of reinsurance premiums paid by U.S. insurers to their foreign affiliates. Current law allows domestic insurers to cede reinsurance to their foreign affiliates with no penalty or cap. A discussion draft of legislation similar to H.R. 6969 was circulated for comment by U.S. Senate Finance Committee Chairman Max Baucus, D-Mont., earlier this year. RIMS is opposed to both proposals.

The Brattle Group is an economic research firm based in Cambridge, Mass. The report is authored by J. David Cummins, professor of risk management, insurance and financial institutions at Temple University's Fox School of Business and professor emeritus of insurance and risk management at the University of Pennsylvania's Wharton School of Business; as well as Michael Cragg and Bin Zhou, principals and senior consultants at the Brattle Group. To read "The Impact on the U.S. Insurance Market of a Tax on Offshore Affiliate Reinsurance: An Economic Analysis," visit

<http://www.rims.org/aboutRIMS/Newsroom/PressReleases/Documents/TheImpactontheUInsuranceMarketofaTax.pdf>.

About the Risk and Insurance Management Society, Inc.

The Risk and Insurance Management Society, Inc. (RIMS) is a not-for-profit organization dedicated to advancing the practice of risk management, a professional discipline that protects physical, financial and human resources. Founded in 1950, RIMS represents more than 4,000 industrial, service, nonprofit, charitable and governmental entities. The Society serves more than 10,000 risk management professionals around the world. For more information, visit www.RIMS.org.

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