Coalition for Competitive Insurance Rates

For Immediate Release

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CCIR Commends EU for Blasting Anticompetitive Insurance Proposals
EU Cites Violations of Trade Agreements and US Job Losses

Washington, DC (May 19, 2010) -- The Coalition for Competitive Insurance Rates (CCIR) today commended the European Union for speaking out against a controversial tax proposal on affiliated reinsurance included in President Obama's FY2011 budget proposal. In a series of letters sent to top US government officials, Angelos Pangratis, acting head of the European Union Delegation to the United States expressed the EU's opposition to the proposal, which aims to deny tax deductions to foreign based insurers and reinsurers. The budget proposal is similar to HR 3424, a bill sponsored by US Rep. Richard Neal (D-MA).

The letters to OMB Director Peter Orszag, Treasury Secretary Timothy Geithner, and US Trade Representative Ron Kirk, warn that the proposal would be at odds with US trade agreements, including the WTO General Agreement on Trade in Services.

"This penal tax regime would only apply to foreign-owned insurers; thus it would not result in protecting the U.S. tax base, but in creating a disadvantageous tax environment for foreign insurance providers," warned Pangratis. "This could result in higher premiums for U.S. policy holders or even the withdrawal of non-US operators from the U.S. reinsurance business, leading to job losses for many U.S. citizens employed by those companies."

With these letters, the European Union joins a chorus of opposition which includes foreign governments, trade experts, consumer advocates, state officials and business-owners. Opponents charge that the budget proposal and the Neal legislation will be bad for consumers and inconsistent with US trade obligations while only benefitting a few powerful domestic insurance companies.

"This is strong message coming directly from the European Union, and should serve as fair notice that the international community strongly objects to this anticompetitive proposal," said Nancy McLernon, President & CEO of the Organization for International Investment, a business association representing the U.S. subsidiaries of companies headquartered abroad. "There's no doubt this proposal is discriminatory in nature and violates fundamental concepts of tax equity and our U.S. treaty obligations. At a time of such global financial turmoil, the U.S. should be encouraging, not discouraging foreign direct investment in the U.S. insurance markets. Passing this legislation would set a dangerous precedent that would invite international disrespect of the United States' commitments to its bilateral obligations and would invite retaliatory action at a time when we should be working to restore confidence in our financial system."

The Coalition for Competitive Insurance Rates has been at the forefront of opposition to such discriminatory reinsurance tax proposals. The Coalition is made up of business organizations, consumer advocacy groups, insurers and their associations. More information on CCIR's campaign against the bill can be found at www.keepinsurancecompetitive.com . The letter to Secretary Geithner can be read here.

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