

James M. Olsen  
Director, Insurance Accounting and Investment

June 27, 2008

Ms. Pam Simpson  
National Association of Insurance Commissioners  
2301 McGee Street, Suite 800  
Kansas City, MO 64108-2604

Re: Should the NAIC reconsider its decision to defer action to implement the Tax-Deferred Pre-Event Catastrophe Reserve until Congress has acted to amend the IRS Tax Code? Is there a benefit to the public of requiring insurers to set aside some assets that are dedicated to future catastrophe losses even if they are after-tax assets?

Dear Ms. Simpson:

The Property Casualty Insurers Association of America appreciates the opportunity to provide comments to the Catastrophe Reserve (C) Working Group of the Property and Casualty Insurance (C) Committee as it decides if the NAIC should reconsider its decision to defer action to implement the Tax-Deferred Pre-Event Catastrophe Reserve until Congress has acted to amend the IRS Tax Code. PCI represents over 1000 member property/casualty insurers which write over \$195 billion in direct written premiums annually, almost 40% of the property/casualty premiums written in the United States.

PCI does not believe the NAIC should reconsider its decision to implement the Tax-Deferred Pre-Event Catastrophe Reserve until Congress has acted to amend the IRS Tax Code. Nor do we believe that it is a benefit to the public to require insurers to set aside after-tax assets that are dedicated to future catastrophe losses.

State regulators, independent auditors, and rating agencies already subject insurance insurers to many levels and types of solvency review. These reviews take into consideration the proper amount of surplus an insurer should maintain. Requiring the segregation of existing assets for the payment of catastrophe losses, with no additional capital being provided from a tax deduction does not increase an insurer's surplus, and would actually limit its ability to manage its capital for paying all claims by trapping capital that would be available only for the payment of catastrophe losses. Also, because no tax benefit is realized from the creation of this reserve there is no financial incentive for insurers to write additional catastrophe insurance. Therefore, we do not believe that it is a benefit to the public to require insurers to set aside after-tax assets that are dedicated to future catastrophe losses and do not believe the NAIC should reconsider its decision to implement the Tax-Deferred Pre-Event Catastrophe Reserve until Congress has acted to amend the IRS Tax Code.

We are available to discuss these comments and look forward to working with you and the Working Group. If you have any questions, please contact me at your convenience at 847.553.3664, or by email at james.olsen@pciaa.net.

Sincerely,



James M. Olsen