

January 21, 2014

Via E-mail

Representative Bill Botzow
Chair, House Committee on Commerce and Economic Development
Vermont State House, Room 35
Montpelier, Vermont 05633-5301

Re: Vermont House Bill 203 ("HB 203")

Dear Representative Botzow:

We are writing to you in your capacity as the Chair of the Vermont House Committee on Commerce and Economic Development (the "Committee"). The purpose of this letter is to express the support of Lloyd's of London ("Lloyd's") for HB 203 which provides a framework for reducing collateral requirements for well-qualified alien reinsurers. We understand that the Committee will consider HB 203 during a hearing on January 23, 2014. Lloyd's strongly supports this legislation and would like to thank the Committee for its consideration of HB 203.

Lloyd's is one of the largest providers of reinsurance capacity in the world and has had a longstanding commitment to the US, which is our largest market for reinsurance. In 2012, Lloyd's assumed approximately \$237,713,388 in premium from Vermont cedants. Lloyd's has been advocating for reinsurance collateral reform in the US for over a decade. In our view, credit for reinsurance should be based on the financial strength of the reinsurer and not on its nation of domicile.

We would like to note that HB 203 closely tracks the language of revisions to the Model Credit for Reinsurance Law and Regulation (the "Revised Model") which were unanimously passed by the Executive and Plenary Committees of the National Association of Insurance Commissioners at its national meeting in November 2011. The Revised Model represents the culmination of over a decade of deliberation and debate among state insurance regulators with input from both ceding insurers and reinsurers. Lloyd's believes that reinsurance collateral modernization is critical in order for the US to maintain its competitive position in the international insurance market. We commend you for advancing collateral reform in Vermont via HB 203.

Very Truly Yours,



cc: Members of the Vermont House Committee on Commerce and Economic Development
Vermont Insurance Commissioner Susan L. Donegan