



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.state.ms.us

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

February 27, 2009

The Honorable Max Baucus
United States Senate
340 Russell Senate Office Building
Washington, DC 20510

Dear Senator Baucus:

Ref: Tax treatment of reinsurance agreements

After Katrina struck the Mississippi Gulf Coast in 2005, reinsurance provided insurance underwriters the ability to pay claims for many of our residents. We coastal states rely heavily on the offshore reinsurance markets to provide coverage capacity for our catastrophe prone areas, just as your state does for other perils such as earthquakes.

Reinsurance on over sixty-five percent of homes subject to hurricane and earthquake exposure comes from non-U.S. reinsurance groups including London, Swiss and Bermuda- based companies.

Today, reinsurance agreements between private companies and publicly operated underwriting companies provide the vital element for continued recovery from the devastation of Katrina and related storms. Part of this support is a lower premium for hurricane and earthquake insurance coverage.

Any change in the tax treatment of reinsurance related parties will result in an increase in premiums to homeowners in Mississippi and the Gulf Coast area and even your state. There appears to be inequities between "onshore" and "offshore" reinsurance tax consequence, which is not actual. All taxes paid by these insurers must be considered. As you may know, the IRS has specific authority to address tax avoidance issues if they exist.

As Commissioner, I must be able to provide a stable and predictable wind rate for my constituents, without market interruptions. Anything that would make coastal areas less attractive to reinsurers would create serious consequences for millions of coastal homeowners in a short period of time and hurricane season begins June 1st.

Thank you for your service to our country and for your consideration of my points of view on this matter.

Best regards,

A handwritten signature in black ink, appearing to read "Mike Chaney", with a long horizontal flourish underneath.

Mike Chaney
Commissioner of Insurance

Copies to: Senator Cochran, MS
Senator Wicker, MS