



December 7, 2017

Dear Conferees:

As the Conference Committee begins the work of reconciling the differences between the House and Senate approved versions of the Tax Cuts and Jobs Act, the [Coalition for American Insurance](http://www.coalitionforamericaninsurance.com/) urges you to accept the Senate's approach to combatting U.S. base erosion. This language will establish a more level playing field for all insurers doing business in the U.S. and help achieve one of the top goals of tax reform - stopping corporations from shipping jobs and capital overseas.

The Base Erosion and Anti-Abuse Tax (BEAT) established in the Senate-passed bill will combat base erosion and prevent U.S. generated profits from being shifted overseas. This is of particular importance in the insurance industry. Under current law, foreign-based insurers are able to strip their profits from U.S. generated business to affiliates located in low or no tax jurisdictions like Bermuda. If nothing is changed, this loophole will cost the U.S. taxpayer nearly \$9 billion over the next decade and continue to give foreign-based insurers a significant competitive advantage over U.S. companies.

It is important to note that the BEAT language included in the Senate bill would not penalize foreign-based companies. Instead, they would have the option to be treated like U.S. based companies or pay the BEAT tax, bringing their total tax payment in line with what is already being paid by U.S. based insurers.

Foreign-based insurers benefitting from the tax avoidance loophole have argued that the BEAT tax would concentrate risk in the U.S., as well as reduce insurance coverage and increase costs for consumers in regions that are prone to catastrophe. These are flawed arguments. The geographic location of an insurer does not determine its ability to diversify risk. Geographic risk diversification relates to the location of the risks such as earthquakes in California or hurricanes in Texas or Florida. The location of the insurer is irrelevant. All insurers, both foreign and U.S. based, engage in risk diversification and would continue to do so under a reformed tax system. On coverage and costs, reinsurance capacity is at record levels, and continues to grow, while costs are at record lows. Moreover, there is no evidence that foreign insurers have passed the benefit of their tax subsidy onto U.S. consumers. There is no reason for it to remain in place.

Our nation's tax code should not incentivize the inversion of U.S. based companies or the offshoring of U.S. generated profits. The inclusion of the BEAT in the Tax Cuts and Jobs Act will ensure that these incentives are at the very least reduced and all insurers and businesses will pay taxes on profits earned here in the U.S.

At the outset of this process, the Unified Framework for tax reform included the following directive: "The committees will incorporate rules to level the playing field between U.S.-headquartered parent companies and foreign-headquartered parent companies." The conferees have an historic opportunity to meet this pledge and put U.S. and foreign competitors back on an equal tax footing. We urge the conferees to maintain the BEAT provision of the Senate bill and to resist efforts to weaken its impact. The member companies of the Coalition for American Insurance appreciate your focus on this important matter.

Sincerely,

The Coalition for American Insurance

Alleghany Corporation
Allstate Insurance Company
American Family Mutual Insurance Company
American Financial Group, Inc.
Berkshire Hathaway, Inc.
CNA Financial

The Cincinnati Insurance Companies
EMC Insurance Companies
Liberty Mutual Insurance
The Hartford
The Travelers Companies, Inc.
W. R. Berkley Corporation

ABOUT THE COALITION

The Coalition for American Insurance consists of twelve major U.S.-based insurance groups that employ hundreds of thousands of people within the United States. Coalition members provide millions of Americans with financial protection from unpredictable risks and pay substantial amounts of federal, state and local taxes. The Coalition is seeking a level playing field and tax fairness for U.S.-based insurers and their customers and employees by closing a current federal tax loophole that allows foreign-based insurers to avoid paying U.S. taxes.

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