

From: james.olsen@pciaa.net
Sent: Friday, September 17, 2010 6:24 PM
To: dfadefinitions <dfadefinitions@CFTC.gov>
Subject: Comments on definitions in title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act
Attach: CFTC SEC Derivative Comment Letter final.pdf

Attached please find the PCI comment letter related to the above referenced file.

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Property Casualty Insurers
Association of America

Shaping the Future of American Insurance

September 17, 2010

David A. Stawick, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
11521 21st Street, NW
Washington, DC 20581
E-mail: dfdefinitions@cftc.gov

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F. Street, NE
Washington, DC20549-1090
E-mail: rule-comments@sec.gov

Re: Key Definitions in Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
SEC File Number S7-16-10

Dear Secretaries:

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to submit our comments regarding the key definitions included in Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

We urge the CFTC to take care to ensure that the definition of a swap in Section 721(a)(21) of the Dodd-Frank Act (DFA) is not interpreted inappropriately to include property casualty insurance contracts. There are significant structural and regulatory differences between swaps and insurance contracts. Insurers are regulated under the state based insurance regulatory system. Under this regulatory structure the U.S. maintains a robust insurance market with relatively few insurance company insolvencies. There is no logical reason for property casualty insurance contracts to be regulated as swaps and no evidence of any Congressional intent that state regulatory authority over insurance products be supplanted by federal regulation of swaps. We therefore propose that the CFTC clarify the definition of swaps to exclude agreements, contracts, and transactions of insurers that are a part of the business of insurance regulated by a state insurance regulator as of the enactment date of the DFA. For new financial products that are regulated by state insurance regulators as part of the business of insurance that were not regulated as insurance or swaps before the DFA, a rebuttable presumption of an exclusion that could be overcome by a formal CFTC finding would provide further clarity regarding regulatory jurisdiction.

PCI further agrees with Senate Banking Committee Chairman Dodd and Senate Agriculture Chairwoman Lincoln who, in their June 30, 2010 letter to Representatives Frank and Peterson regarding Congressional intent of the Dodd-Frank Act, indicated that regulators must carefully follow Congressional intent in implementing this bill and that the specific standards developed must not be punitive to the end-users of swaps, who use them to manage and mitigate their risks. Insurance investments and risk management are already extensively regulated by state insurance regulators for solvency under very conservative oversight. Accordingly, we believe that insurance end-users should be explicitly excluded from the definitions of Major Swap Participant and Swap Dealer.

PCI is composed of more than 1,000 member property/casualty insurance companies, representing the broadest cross-section of insurers of any national trade association. PCI members write over \$174 billion in annual premium, 37.1 percent of the nation's property/casualty insurance.

If you have any questions or if PCI may be of any future assistance, please contact me at 847-553-3664 or james.olsen@pciaa.net

Sincerely,

A handwritten signature in black ink, appearing to read 'James M. Olsen', with a long horizontal flourish extending to the right.

James M. Olsen
Senior Director Accounting and Investment Policy