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In light of the House Ways and Means Committee's recent hearing on the impact of a border-adjustment tax ("BAT"), and the notable absence of discussion surrounding the impact of a BAT on insurance consumers, we would like to highlight the results of a series of recent studies completed by the R Street Institute, a public policy organization headquartered in Washington.

Recently, our scholars analyzed the impact a decrease in the supply of international reinsurance would have on the property insurance premiums paid by consumers in states prone to natural catastrophe. Specifically, in Texas, Louisiana, and North Carolina. Another study, completed by Florida Tax Watch, examined the impact of a BAT on policyholders in the Sunshine State. The results have been sobering.

For instance, a BAT set at 20 percent would increase the cost of property-casualty insurance in Texas by $3.39 billion over the next ten years. In Louisiana, it would result in an increase of $1.1 billion. And, in North Carolina, it would result in an increase of $800 million. Yet, most striking is the impact a BAT would have on Florida. Research indicates premiums would need to increase between $1.4 and $2.6 billion *annually* simply to maintain coverage as it exists today.

Deep and liquid global reinsurance markets are a vital component of the nation's approach to risk transfer. Having access to international reinsurance capital keeps insurance rates affordable and allows consumers to protect themselves without burdening fellow taxpayers. Our research indicates that virtually any scenario in which a BAT set at a rate of 20 percent were levied on the import of insurance or reinsurance would have significant negative effects for policyholders.

Insurance, and the financial services sector as a whole, benefit from the ready availability of international capital. Policy developments limiting the availability of such capital produce a cascade of negative effects for Americans across the country and from all walks of life. In the coming weeks, we will release further studies examining the impacts of a BAT on California, New York and the New Madrid seismic zone, in addition to the impact of a BAT on the cost and availability of life insurance and annuities.

We are undertaking this work because it is crucial that policymakers remain mindful of that fact that increased premiums have real-world consequences. They make it harder for property owners to purchase home insurance, for employers to buy workers' compensation, for factories and industrial plants to insure their machinery and for contractors to get the terrorism insurance they need to erect new buildings. Vital and unexpected elements of day to day life are simply not achievable without affordable insurance - a BAT places that affordability in jeopardy.

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