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NCOIL ENGAGES EXPERTS IN QUEST FOR REGULATORY REFORM

Washington, DC, March 3, 2009 — This past Sunday, the National Conference of Insurance Legislators (NCOIL) brought together four of the nation's most experienced and knowledgeable insurance experts to brainstorm with state legislators regarding financial services regulatory reform and the future of state insurance oversight. The NCOIL Session was held in conjunction with the organization's 2009 Spring Meeting here.

National Association of Insurance Commissioners (NAIC) Chief Executive Officer Dr. Terri Vaughan, Robert Gordon of the Property Casualty Insurers Association of America (PCI), Gary Hughes of the American Council of Life Insurers (ACLI), and J. Robert Hunter of the Consumer Federation of America (CFA) engaged with state lawmakers in the highly interactive session.

The Roundtable discussion was developed to advance NCOIL ongoing efforts to achieve appropriate financial reform pre- and post-financial crisis. While panelists generally agreed with long-standing NCOIL beliefs that state regulation has served insurers well, common threads in their perspectives included: the likelihood that Congress will authorize a systemic regulator to coordinate financial services sectors; the federal government's bank-centric approach; the probability that any proposed federal insurance charter would not be optional; the fact that the crisis has accelerated the need for reform.

Dr. Vaughan stated, "We should never let a good crisis go to waste" and said that federal action to address systemic risk should be collaborative. She said that the powers of a new federal authority should be "limited and extraordinary" and that policymakers and regulators "do not want to lose sight of what works." Dr. Vaughan said that insurance regulators are closer to consumers and that state regulation provides a system of checks and balances that allows for "lots of eyes" on any problem.

Mr. Gordon sounded the alarm that Congress typically addresses problems by "inaction or overreaction." He reported broad p-c industry agreement that systemic risk oversight could be accomplished quickly, "without necessitating a new bureaucracy...or duplicative or conflicting regulation." He noted that "While top Congressional leaders now recognize that our industry was not the root cause of the crisis, House and Senate staff told us there is no interest in exempting out our industry from reform."

Mr. Hunter said that Members of Congress mention OFC "as shorthand for we have to do something," and submitted that new regulation would not and should not be optional. In a chart on the pros and cons of state v. federal regulation, he cited state regulation as being "responsive to local needs" and able to

“easily respond to micro-trends impacting only a region or a state,” while giving states lower marks on being able to “easily respond to macro-trends that cross state borders” or provide a “more uniform regulatory approach.”

Mr. Hughes said that systemic risk and international aspects of insurance will be “a challenge for the states.” He said that the insurance industry needed its regulators to be involved daily on major insurance issues in Washington, commenting that, “States have not played in the inside the beltway arena.” He said that Congress needs to be continually reminded about the vital nature of insurance because of a “very bank-centric” perspective.

The NCOIL Spring Meeting was held from February 27 through March 1 at the Hyatt Regency Washington on Capitol Hill.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

For further details, please contact the NCOIL Washington, DC Office at 202-220-3014.

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