

FOR IMMEDIATE RELEASE

CONTACT:
Susan Nolan
NCOIL National Office
518-687-0178

Mike Humphreys
NCOIL Washington, DC Office
202-220-3014

NCOIL FORMS CREDIT DEFAULT SWAP TASK FORCE, PLANS STATE REGULATION

Washington, DC, March 4, 2009— National Conference of Insurance Legislators (NCOIL) President Sen. James Seward (NY) announced formation of an NCOIL Task Force on Credit Default Swap (CDS) Regulation this past weekend during the NCOIL Spring Meeting here. The Task Force—which will be headed by Financial Services & Investment Products Committee Chair Assem. Joseph Morelle (NY)—will hold interim conference calls to work toward appropriate oversight of the previously unregulated insurance segment to be vetted at the NCOIL Summer Meeting in July.

Sen. Seward said, “Legislators must act quickly, yet deliberately, to develop a regulatory framework for the CDS market—which is widely considered to have contributed to failures at AIG. We learned during our January 24 NCOIL public hearing on CDS regulation that the market has been allowed to exist in limbo thanks in large part to the hand-tying effect of the *Commodity Futures Modernization Act of 2000* (CFMA). This regulatory gap indirectly caused millions of dollars in investment losses for many of our constituents. As a national body of state insurance legislators, NCOIL can provide a platform from which a uniform CDS policy can be launched.”

Newly appointed Task Force Chair Morelle—who spearheaded the January CDS hearing—said, “Credit default swaps represent a species of insurance and as such should be regulated by the states. While there has been movement on the federal level to review the CDS market, including pending Congressional legislation, state lawmakers are responsible for insurance oversight and should act to address issues posed by an unregulated, or deregulated, swaps market. The NCOIL Task Force will walk through regulatory options and should develop model legislation for NCOIL to discuss in July.”

The NCOIL Financial Services & Investment Products Committee unanimously approved the Task Force approach at its February 27 meeting. The Committee received input from New York Insurance Superintendent Eric Dinallo and Neil Alldredge of the National Association of Mutual Insurance Companies (NAMIC)—both of whom had participated in the earlier NCOIL hearing along with a slate of interested party experts.

Superintendent Dinallo did not dispute legislator arguments that credit default swaps resemble insurance, that several state definitions of insurance could be read to include swaps, and that legislators were preempted from enforcing “bucket shop” laws by the CFMA. He agreed with Assem. Morelle that credit default swaps could qualify as insurance under the definition of insurance in New York State financial guaranty insurance law.

It is noteworthy that Sen. Carroll Leavell, NM, NCOIL Secretary, submitted a letter to the Committee with a dissenting viewpoint. Mr. Alldredge of NAMIC expressed his opposition to regulating credit default swaps as insurance transactions.

Sen. Seward announced during the March 1 NCOIL Executive Committee Meeting that Task Force members would include NCOIL Officers—Sen. Seward, Rep. Robert Damron, KY, NCOIL President-Elect, Rep. George Keiser, ND, NCOIL Vice President, Sen. Leavell, and Sen. Vi Simpson, IN, NCOIL Treasurer—and Assem. Morelle, as well as Sen. Joseph Crisco, CT, Rep. Hubert Vo, TX, Sen. Ralph Hudgens, GA, Sen. Neil Breslin, NY, and Sen. Mike Hall, WV.

Task Force conference calls and meetings, like all NCOIL Meetings, will be open to the public. Interested parties should contact Mike Humphreys at mhumphreys@ncoil.org to be added to an e-mail distribution list.

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.

#