

December 3, 2008

Steven M. Goldman, Commissioner  
New Jersey Department of Banking and Insurance  
20 West State Street  
P.O. Box 325  
Trenton, New Jersey 08625

Dear Commissioner Goldman:

As President of the National Conference of Insurance Legislators (NCOIL), I write to you regarding an NAIC Reinsurance Regulatory Modernization Framework Proposal. While NCOIL since 2002 has seen a need to reassess collateral rules in light of dynamic changes in global markets and accounting standards, and in a 2005 resolution encouraged tangible NAIC progress on reinsurance reform, we as state legislators have concerns regarding the Framework's governance and federal enabling legislation language.

We agree with an October 29 letter from the Vermont, Maine, Nebraska, District of Columbia, and Ohio regulators regarding the need for transparent, publicly accountable governance of the Reinsurance Supervision Review Department (RSRD). The influential RSRD, as the letter indicates, should be an independent entity that fairly represents the interests of all jurisdictions, regardless of size. We encourage the Plenary, when it meets on the issue at the NAIC Winter Meeting, to attach the governance-related principles referenced in the letter to the Framework plan.

However, although we, like the letter's co-signers, do not wish to delay progress on the Framework, we are compelled to express concern over the prospect of federal involvement.

Seeking a federal hand in reinsurance could lead states down the path to an undesirable federal regulator, or to a national overseer in the form of the NAIC. We believe deeply that the business of insurance is best governed by the states and that state-based mechanisms are the most appropriate way to effect needed change. A compact, for instance, patterned after the successful Interstate Insurance Product Regulation Compact, could conceivably facilitate cross-border reinsurance oversight of both domestic and non-U.S. companies.

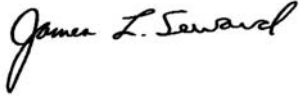
As you know, NCOIL supports collateral rules that provide sufficient security for reinsurance contracts while avoiding excessive requirements that would increase costs or reduce capacity. We want to ensure that U.S. credit for reinsurance rules are effective and fair and that any collateral requirements are imposed as needed. In our efforts to promote reform, we issued support in 2002 for an *Approved List of Reinsurers Model Act* that would have reduced collateral requirements for non-U.S. reinsurers based on financial solvency.

NCOIL commends your efforts to advance the debate and to effectively reach compromise between key interested parties. We look forward to speaking with you on Framework issues at the upcoming NAIC Winter Meeting. We also are scheduling additional time at our February 29 through March 1 Spring Meeting in Washington, DC, to allow, as the NAIC refines details of the modernization plan, for

discussion of NCOIL concerns.

Please feel free to contact NCOIL at 518-687-0178 should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "James L. Seward". The signature is written in a cursive style with a large, looped initial "J".

Sen. James Seward (NY)  
NCOIL President

cc: Sandy Praeger, NAIC President  
Roger Sevigny, NAIC President-Elect  
Jane Cline, NAIC Vice President  
Susan Voss, NAIC Secretary-Treasurer  
Members of NAIC Reinsurance (E) Task Force  
NCOIL Executive Committee

Attachment