

March 22, 2010

U.S. Senate Committee on Banking, Housing & Urban Affairs
534 Dirksen Senate Office Building
Washington, DC, 20510

Dear Chairman Dodd, Ranking Member Shelby, and members of the Committee:

As National Conference of Insurance Legislators (NCOIL) president, I write to reinforce positions taken by state legislators from across the country regarding the treatment of insurance companies and oversight in the *Restoring American Financial Stability Act of 2010*. As you know from previous communications, NCOIL cannot support any legislation that would preempt or otherwise supersede successful state-based insurance regulation.

As the Committee advances the bill, NCOIL believes that:

Title I should clarify that insurance companies should not be considered "nonbank financial companies" for the purposes of enhanced regulation by the Federal Reserve. An additional layer of regulation could interfere with state solvency oversight and subject insurers to unnecessary costs that would likely be passed on to consumers.

Title I should add state officials to the proposed Financial Stability Oversight Council (FSOC). This would enhance coordination between state and federal regulators on financial issues important to our economy.

TITLE II would be best served by exempting insurers from assessments for any federal liquidation fund. The bill seems to appropriately direct failing insurers to state guaranty fund mechanisms, but also may require companies to fund the federal system. Insurers should not have to pay for both regimes—particularly because companies will be resolved through existing state structures.

Subtitle A of Title V related to a proposed Office of National Insurance (ONI) should be stricken from the bill. NCOIL feels that the proposed ONI would create an unnecessary federal insurance bureaucracy that would duplicate many functions already performed by state regulators. The open-ended powers of the ONI to "perform such other related duties and authorities," as well as its directive to study the scope of future federal insurance authority, ensure that the Office will be anything but limited. Instead, NCOIL fears that it would lead to optional federal chartering and insurance company avoidance of important state consumer protections.

We appreciate the opportunity to comment on the March 15 bill draft to ensure that state-based insurance oversight is not inadvertently unraveled during the course of Senate consideration.

Sincerely,



Representative Robert Damron (KY)
NCOIL President

cc: U.S. Senate
NCOIL Legislators

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