

April 22, 2010

Dear Congressional Legislative Colleague:

As leaders of the National Conference of Insurance Legislators (NCOIL), we write to urge you to strike Title V, Subtitle A, of Senate Bill 3217 that would create an Office of National Insurance (ONI)—an office that would preempt state law and eventually threaten successful state insurance oversight. While the *Restoring American Financial Stability Act of 2010* has been drawn to focus on regulatory answers to the nation's financial crisis, Title V—by inserting a federal presence into the regulation of insurance—seeks a solution to a problem that does not exist. As has been evidenced and attested to over and over again, and despite the wishes of those who would seek to avoid the protections of state regulation, insurance regulation did not contribute to the crisis and does not need federal intervention.

NCOIL legislators, and our colleagues represented by the National Conference of State Legislatures (NCSL) and the Council of State Governments (CSG), strongly oppose the creation of a federal insurance office at Treasury. Several state insurance commissioners and consumer organizations, and the National Association of Professional Insurance Agents (PIA), have also opposed such an Office.

The ONI, promoted as an entity to collect and analyze insurance data, at first glance seems above reproach. On a closer look, one can see that its broadly-drawn authority could lead to mission creep. As now drafted, its power to recommend which insurers should be supervised by the Federal Reserve, to preempt state laws that it finds inconsistent with International Insurance Agreements on Prudential Matters, and its ability to “perform such other related duties and authorities as may be assigned to the Office by the Secretary,” pave a broad pathway to needless federal oversight.

NCOIL also questions the bill's charge that the ONI evaluate and recommend to Congress the best ways to modernize the insurance system. Spurred by optional federal charter (OFC) advocates, such a report might recommend that the ONI manage federal insurance chartering. This sort of study should be done on an objective basis with input from all related state officials.

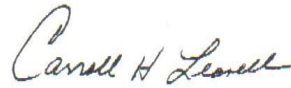
Though opposed to an ONI, NCOIL does support enhanced coordination between state and federal regulators and has asserted that state and federal officials must work together to communicate and share information on systemic risk. It is only through an even-handed collaboration that regulators can achieve the broad-based knowledge needed to avert future crises. Other attempts such as an ONI will cause duplication and ambiguity. Yet, to date, S. 3217 continues to include only federal regulators and one yet-to-be determined insurance expert on its proposed Financial Stability Oversight Council.

We again ask that you oppose Title V, Subtitle A, of S. 3217 in order to retain the best aspects of state insurance regulation in insurance modernization efforts.

Sincerely,



Rep. Robert Damron (KY)
NCOIL President



Sen. Carroll Leavell (NM)
NCOIL Vice President



Sen. Vi Simpson (IN)
NCOIL Secretary



Rep. Charles Curtiss (TN)
NCOIL Treasurer



Sen. James Seward (NY)
NCOIL Immediate Past President



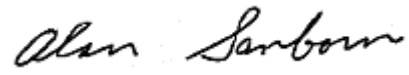
Rep. Kathleen Keenan (VT)
NCOIL Past President



Rep. Brian Patrick Kennedy (RI)
NCOIL Past President



Sen. William J. Larkin, Jr. (NY)
NCOIL Past President



Sen. Alan Sanborn (MI)
NCOIL Past President



Rep. Frank Wald (ND)
NCOIL Past President

cc: NCOIL Legislators
Council of State Governments (CSG)
National Association of Insurance Commissioners (NAIC)
National Conference of State Legislatures (NCSL)