FOR IMMEDIATE RELEASE

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

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

NCOIL TO CONGRESS: STATES AND FEDS SHOULD WORK TOGETHER ON SYSTEMIC RISK

Washington, DC, May 11, 2009 — Emphasizing the need for more structured communication between financial regulators, the National Conference of Insurance Legislators (NCOIL) today announced essential components for systemic risk regulation. In a letter to U.S. Senate Banking and House Financial Services Committee leaders, NCOIL Officers cautioned against consolidating authority in a single federal body, stressed the successful track record of state regulation, and outlined the need for an equal partnership between and among state and federal regulators to oversee systemic risk.

Along with NCOIL President Sen. James Seward (NY), NCOIL Officers—President-Elect Rep. Robert Damron (KY), Vice President Rep. George Keiser (ND), Secretary Sen. Carroll Leavell (NM), and Treasurer Sen. Vi Simpson (IN)—said that a systemic risk oversight approach that relies on horizontal communication between and among regulators, “avoids the dangers associated with consolidating power in any one agency or entity, such as regulatory capture, bias in favor of one particular financial sector or perspective, and inadvertent ‘loopholes’ or unintended consequences.”

The legislative leaders wrote, “…the value of state regulation must be recognized in the reform process.” Stressing a need for state expertise in systemic oversight, they said, “It is frankly difficult to trace our current financial crisis to lapses in state regulation. Indeed, some of the problems our markets now face might have been mitigated had the states’ consumer protection authority not been curtailed or preempted in certain areas.”

NCOIL Officers said that systemic risk oversight should comprise the following principles, or concepts:

- There need not be a super or “uber” regulator, but an entity to capture and coordinate data, which is vital to understanding and managing systemic risk.
- Any such structure should preserve state regulatory authority, place all regulators on an even footing, and hold them accountable.
- Transparency is paramount to the success of such a system, as regulators, as well as the regulated, must be willing to shed their protectionist natures and share data across jurisdictions.
- Any change in structure cannot come at the expense of ongoing state modernization efforts, such as the Interstate Insurance Product Regulation Compact (IIPRC).
Any changes to the current regulatory structure and reforms aimed at controlling systemic risk should be built on our existing regulatory framework.

Regarding state initiatives aimed at promoting uniformity and reciprocity in the insurance marketplace, NCOIL Officers wrote, “States also continue to make strides in targeted modernization reforms and are achieving efficiencies in agent and company licensing, and market conduct and suitability oversight.” They noted that the IIPRC—a speed-to-market endeavor—now comprises 35 jurisdictions.

While committing to work with Congress to address systemic risk, NCOIL leaders said that:

NCOIL is opposed to any proposed overhaul that fails to recognize and take full advantage of the enormous contribution that state regulators make in the area of insurance regulation and financial services generally—especially at a time when state consumer protections are more important than ever.

The Officers added, “NCOIL recognizes that reform of financial services is in order, but we firmly believe that reform based on state successes is the avenue to choose.”

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, or by email at mhumphreys@ncoil.org.