

VIA E-MAIL

September 9, 2009

The Honorable Roger Sevigny, President
National Association of Insurance Commissioners
21 South Fruit Street, Suite 14
Concord, NH 03301

Dear Commissioner Sevigny:

As leaders of the National Conference of Insurance Legislators (NCOIL), we would like to thank you for sharing with us a draft National Insurance Supervisory Commission (NISC) and for providing us with the opportunity to respond. After serious deliberation, we are writing to express grave and fundamental concerns with your proposal to have a federally authorized NAIC act as a national regulator for insurers. We believe it turns its back on the state-based system that has kept the U.S. insurance market and its consumers more sheltered from the current crisis than other financial services sectors.

We continue to support the position of top legislative associations across the nation, including the National Conference of State Legislatures (NCSL) and the Council of State Governments (CSG) *that state regulation of insurance must be preserved and that any proposal that moves away from that best policy is a violation of our responsibility as state officials.*

NCOIL recognizes the need for modernization in key areas and continues to work in the states on reform. However, we do not believe this proposal—as claimed—is akin to the Interstate Insurance Product Regulation Compact, which NCOIL helped create and continues to support. With the lack of state buy-in and inclusion of a preemptive hammer, it would be much like a federal insurance bureaucracy—which state officials have long fought against. It would push uniformity for its own sake—and we believe bad uniformity is worse than no uniformity at all.

This proposal upsets one of the major tenets of government—that of separation of powers—by advocating for state legislators to give up all authority over insurance oversight. It undermines the very notion that the executive, legislative and executive branches work together to form a system of checks and balances that are necessary for successful administration.

State legislators—who are not asked to be equal partners in this enterprise—make the laws to protect insurance consumers and promote healthy U.S. insurance businesses. The NISC would preempt successful state legislation that has served well for nearly 150 years.

The proposal, while ignoring the important role of other state officials, aligns regulators with yet-to-be-established federal bureaucracies—agencies with no proven track record and less experience. We specifically oppose the use of a purported Office of Information (OII) or an Office of National Insurance (ONI) to punish states with federal preemption if they do not accept the NISC regime.

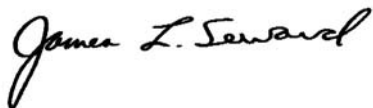
Our state-based system has fared well in contrast to its federal counterpart, as evidenced by the recent US mortgage and credit default swap crises. As you know, it was federal legislation that effectively exempted credit default swaps from regulation, leading to the AIG downfall and driving us into a financial condition rivaling that of the Great Depression.

We agree with former New York Superintendent Eric Dinallo when he said that “state-based insurance supervision continues to meet the needs of the modern financial marketplace while effectively protecting individual and commercial policyholders,” when he represented the NAIC before a Congressional Subcommittee in April of last year. We recommend that the NAIC heed its own advice to the Subcommittee: “. . . let’s not throw the baby out with the bathwater. I would urge Members to carefully weigh the successful state regulatory system against a new untested federal bureaucracy.”

In summary, we believe your proposal lays a path to federal regulation of insurance. It disregards state authority and ignores the achievements of state-based regulation. Every time the NAIC offers the federal government another "option," we get closer to losing state regulation. NAIC needs to join other state-based organizations, like NCOIL, NCSL, and CSG, and oppose any federal intervention in the field of insurance regulation.

We also assert that any proposal of this magnitude should have input—from conception—of state legislators, governors, attorneys general, and representatives from the private sector. NCOIL advises that the NAIC shine light on this proposal and open it up for discussion with all interested parties. We look forward to further deliberations at an open forum on this issue at your fall meeting in September.

Sincerely,



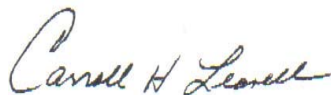
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cc: NAIC Officers
State Insurance Commissioners
NCOIL Legislators
National Conference of State Legislatures (NCSL)
Council of State Governments (CSG)
National Governors Association (NGA)
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