

May 23, 2008

Honorable Sandy Praeger, Commissioner
NAIC President
Kansas Insurance Department
420 S. W. 9th Street
Topeka, Kansas 66612-1678

Dear Commissioner Praeger:

As Officers of the National Conference of Insurance Legislators (NCOIL), we write today to ask you to practice due process regarding an NAIC Market Regulation and Consumer Affairs (D) Committee proposal for Market Conduct Annual Statement (MCAS) data to be centrally collected through the Annual Statement Blank. NCOIL state legislators—as insurance public policymakers in the states—have not been given an opportunity to discuss the initiative. Therefore, we ask that you defer any action on the D Committee proposal on a Wednesday, May 28, NAIC Executive Committee conference call.

Although NAIC and NCOIL have met repeatedly during NCOIL and NAIC meetings, this particular proposal was not brought forward for discussion.

NCOIL concerns include, but are not limited to, identifying the statutory authority within the states for this action; determining whether a new NAIC-staffed database would maintain the integrity of collected market conduct data as an Ohio Insurance Department-staffed database has in the past; whether a national approach to data collection can uniformly derive state-specific data and correctly interpret its unique nature; the use of the annual financial statement blank as a method to collect non-public trade specific data; the distinct possibility that such data collected for regulatory purposes would be made public for non-regulatory purposes; the mandating of data collection in states that opt not to do so; the preemption of existing state market conduct laws; and the authority of the NAIC to act as the national regulator over market conduct matters.

Though NCOIL advocates uniformity in modernization when warranted, it strongly opposes uniformity for uniformity's sake, or uniformity at a cost greater than its benefits. The NCOIL *Market Conduct Surveillance Model Law*, adopted after more than five (5) years of input and debate from all interested parties, promotes market conduct analysis prior to examinations and collaboration between states, while providing for confidentiality of market conduct data and the ability of the states to maintain their unique requirements related to market conduct evaluations. NCOIL is concerned that the D Committee proposal is counteractive to this approach.

Procedurally, NCOIL feels that more disclosure and transparency are justified in the vetting of this proposal. NCOIL is troubled that the NAIC would vote on such a monumental policy decision less than seven (7) months after the proposal was developed and introduced by NAIC staff—without prior public disclosure.

As we strongly believe that the proposal should be held up for additional review and input, we plan to contact our insurance regulators and advise them not to advance the market conduct proposal during the May 28 call. NCOIL legislators plan to attend the call and voice their concerns relating to the proposal's substance and the process used to advance the initiative. NCOIL also will speak to the proposal at the NAIC-Legislative Liaison Committee to be held at the upcoming NAIC meeting and it will be the central issue for the NCOIL-NAIC dialogue session at the upcoming NCOIL Summer Meeting.

As we have stated, while we advocate for regulatory modernization and uniformity, we do not believe that uniformity should be pursued at the expense of sound and deliberate public policy.

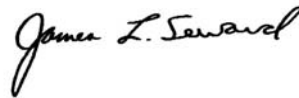
Please feel free to contact NCOIL President Rep. Brian Kennedy if you would like to discuss this in further detail.

Thank you for your time and consideration on this matter.

Sincerely,



Rep. Brian Patrick Kennedy (RI)
NCOIL President



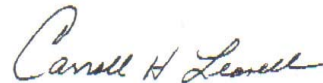
Sen. James Seward (NY)
NCOIL President-Elect



Rep. Robert Damron (KY)
NCOIL Vice President



Rep. George Keiser (ND)
NCOIL Secretary



Sen. Carroll Leavell (NM)
NCOIL Treasurer

cc: Roger Sevigny, NAIC President-Elect
Jane Cline, NAIC Vice President
Susan Voss, NAIC Secretary-Treasurer
NAIC Executive Committee
NCOIL Legislators