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RESOLUTION OPPOSING SOX TO NON-PUBLIC INSURERS EMERGES AT NCOIL SPRING MEETING

Washington D.C., February 17, 2006—In what promises to be a spirited debate over the National Association of Insurance Commissioners’ (NAIC) current plan to apply Sarbanes-Oxley (SOX) corporate disclosure and accounting rules to non-public carriers, legislators on the National Conference of Insurance Legislators’ (NCOIL) Financial Services & Investment Products Committee will consider a proposed Resolution on the Application of Federal Sarbanes-Oxley Standards to State Insurance Regulation, sponsored by Rep. George Keiser (ND). The Committee will convene on February 24 from 8:00 to 9:15 a.m., during the February 23 through 26 NCOIL Spring Meeting.

The resolution’s main thrust is that SOX was intended to apply exclusively to public companies, as opposed to non-public companies such as mutual insurers, and that its original purpose was to protect those companies’ investors. It argues that SOX has generated inordinately high compliance costs to public companies and that insurers are already subject to an extensive regime of rules and examinations pertaining to financial solvency, disclosure, and reporting.

The resolution then notes that the NAIC has failed to identify specific social or economic benefits of its proposal and says that the plan is unnecessary and will lead to higher premiums. Authorization of any SOX- inspired proposal, the resolution concludes, should occur only through state legislative action.

Historically, NCOIL has opposed implementation of the NAIC initiative, having sent a March 10, 2005, letter to the NAIC protesting the rules on both substantive and procedural grounds. At the NCOIL 2005 Summer Meeting, Financial Services & Investment Products Committee Chair Rep. Joe Hune (MI) challenged the NAIC and interested parties to work toward an alternate proposal. The subsequent compromise has not been supported by the National Association of Mutual Insurance Companies (NAMIC). Key advocates include the Property Casualty Insurers...
Association of America (PCI), the American Insurance Association (AIA), State Farm Mutual Insurance Companies, Northwestern Mutual, St. Paul Travelers, and Prudential Financial.

The NCOIL Spring Meeting will be held at the Bonaventure Resort & Golden Door Spa in Weston, Florida.

NCOIL is an organization of state legislators whose main 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.

For more information, please contact the NCOIL Washington Office at 202-220-3014.

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