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NCOIL UNANIMOUSLY ADOPTS RESOLUTION OPPOSING SOX APPLICATION TO NON-PUBLIC INSURERS

Weston, Florida, March 2, 2006—State legislators at the National Conference of Insurance Legislators (NCOIL) Spring Meeting here unanimously adopted on February 25 a *Resolution on the Application of Federal Sarbanes-Oxley Standards to State Insurance Regulation*. The resolution opposes a National Association of Insurance Commissioners' (NAIC) plan to apply Sarbanes-Oxley (SOX) corporate governance and accounting rules to non-public carriers, via revisions to the NAIC Model Audit Rule.

NCOIL argues that the revisions are of questionable value and that the initiative is a matter of significant public policy that should only be authorized by state legislatures, if at all, and not through state administrative or regulatory procedures.

Legislators point out 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 firms' investors. The resolution states that SOX has generated inordinately high compliance costs in public companies and that insurers are already subject to an extensive regime of rules and examinations pertaining to financial solvency, disclosure, and reporting.

Higher insurer costs would be passed on to policyholders, NCOIL notes, and state insurance departments implementing the plan would incur unknown costs.

The resolution was adopted by the Financial Services and Investment Products Committee on February 24 and by the Executive Committee on February 25.

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. Committee Chair Rep. Joe Hune (MI) in July 2005 challenged the NAIC and interested parties to work toward an alternate proposal.

The National Association of Mutual Insurance Companies (NAMIC) opposes the compromise plan. An Interested Party Group—comprised of the Property Casualty Insurers Association of America (PCI), the American Insurance Association (AIA), Northwestern Mutual, St. Paul Travelers, Prudential Financial, and others—supports the new proposal.

The NCOIL Spring Meeting was held from February 23 through 26 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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