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## **FOR IMMEDIATE RELEASE**

**CONTACT:** Paul Donohue  
Susan Nolan  
NCOIL Washington Office  
202-220-3014

### **CONTENTIOUS APPLICATION OF SOX TO NON-PUBLIC INSURERS TAKES CENTER COURT AT NCOIL SUMMER MEETING**

**Washington D.C., June 1, 2005** -- In what promises to be a spirited debate over the National Association of Insurance Commissioners' (NAIC) 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 hear remarks from Douglas Stolte, chair of the NAIC/AICPA Working Group and supporter of the effort, as well as from critics of the initiative. The Committee will convene on July 7 from 1:45 to 3:00 p.m., during the July 7 through 10 NCOIL Summer Meeting in Newport, Rhode Island.

NCOIL strongly opposes implementation of the new SOX-inspired rules. On March 10, 2005, NCOIL President Rep. Craig Eiland, acting on behalf of the full NCOIL Executive Committee, sent a letter to the NAIC objecting to the plan on both substantive and procedural grounds. Substantively, Rep. Eiland pointed out that Sarbanes-Oxley was enacted to protect shareholders of publicly traded companies and its provisions were not designed to address non-public companies that are already regulated by state solvency laws. Procedurally, Rep. Eiland made it clear that NCOIL believes that any rule change of such a potentially profound nature must only come into existence, if at all, through the legislative process, and not by automatic incorporation through the NAIC Annual Statement Instructions.

In April of 2004, after a year of work, the NAIC/AICPA Working Group released proposed revisions to the NAIC Model Audit Rule. The proposed revisions called for applying Sarbanes-Oxley auditor independence and internal control assessment requirements on that segment of the insurance industry to which they do not now apply.

Mr. Stolte argues that imposing the "best practices" of SOX requirements on private insurers would help reduce the number of insolvencies by requiring a company's senior management to attest to the strength of its internal controls. He argues that the current problems of companies like American International Group and Berkshire Hathaway's General Re demonstrate the need for more accurate and higher quality financial data.

Industry groups including the National Association of Mutual Insurance Companies (NAMIC) and the Property Casualty Insurers Association of America (PCI) have vociferously opposed the new regulations as unnecessary and costly. They contend that unlike companies in other industries, insurers must already comply with a vast array of regulations and requirements that achieve the same goals as Sarbanes-Oxley. Additionally, they point out that NAIC has failed to conduct a cost-benefit analysis, which, they contend, is a necessary prerequisite to any plan that could end up costing insurers and consumers hundreds of millions of dollars annually.

The NCOIL Summer Meeting will be held at the Hotel Viking in Newport, Rhode Island.

NCOIL is an organization of state legislators whose main area of focus 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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