

VIA E-MAIL

December 18, 2009

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

The Honorable Jane L. Cline  
President-Elect, National Association  
of Insurance Commissioners  
P.O. Box 50540  
Charleston, WV 25305-0540

The Honorable Susan Voss  
Vice President, National Association  
of Insurance Commissioners  
330 Maple Street  
Des Moines, IA 50319

The Honorable Kevin McCarty  
Secretary-Treasurer, National Association  
of Insurance Commissioners  
200 East Gaines Street  
Tallahassee, FL 32399

The Honorable Kim Holland  
Incoming Secretary-Treasurer, National  
Association of Insurance Commissioners  
2401 N.W. 23<sup>rd</sup>, Suite 28, P.O. Box 53408  
Oklahoma City, OK 73152-3408

Dear NAIC Officers:

As leaders of the National Conference of Insurance Legislators (NCOIL), we write to again express our strong opposition to your proposed *National Insurance Supervisory Commission (NISC)*. After a thorough and careful reading of your draft, we can assure you that we speak for our organization when we say we have grave and fundamental concerns with the substance, process, and politics of this proposal. In response to your request for constructive comments, NCOIL believes that any comprehensive regulatory modernization initiative must (1) involve all state stakeholders in its development and structure, (2) maintain the separation of powers, and (3) build on state successes and restrict federal involvement.

Your proposed commission of insurance regulators would mandate insurance standards for all states and preempt existing state statutes. Once a state joins the commission, NISC would oversee insurance regulation “*without further state legislative action*” in many areas, such as producer and company licensing, life insurance and other asset-based products, surplus lines; and potentially, market conduct, solvency regulation, and reinsurance. NISC would channel state information to a potential federal insurance office—be it an FIO, ONI, or OII—and that office would supersede state insurance regulation in states that do not comply.

#### *Divisions of Powers/Checks and Balances/State Stakeholder Involvement*

This proposal ignores the concept of division of powers between state and federal governments and the concept of checks and balances between executive, legislative and judicial branches, both of which are necessary for successful administration. It would take away authority from the states—the same authority that has guided the U.S. insurance market and its consumers over the years and through the current crisis. We see little, if any, role for legislators and other state officials who have partnered with you over these many years to ensure the health and welfare of consumers and insurance businesses in the states.

*Federal Involvement*

Your willingness to turn your back on the state-based system and join with the federal government to secure a seat at the proverbial table is alarming. We feel that by forming an alliance with a federal insurance office, the NISC lays another paving stone in the path toward federal regulation of insurance—one that will leave states and taxpayers holding the bag. NCOIL does not believe the federal government will get just a little involved.

NCOIL again urges you to join with your compatriots in the states to build upon the foundation of nearly 150 years of successful state regulation in our ongoing efforts to fix what needs to be fixed, to modernize what needs to be modernized, and to keep what has worked well.

In order to move forward toward appropriate reform, we recommend that first, you withdraw your support for a federal office of insurance and second, that we start from the beginning at a summit of state officials to be held at your earliest convenience at the Council of State Governments (CSG)—an organization which serves all three branches of state government, including legislators, governors, and attorneys general. Fortunately, CSG is also the home of the *National Center for Interstate Compacts*, a facility that has a long history of helping states modernize cooperatively.

We appreciate your consideration of this proposal and look forward to your response.

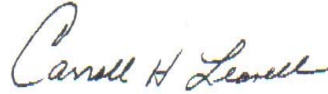
Sincerely,



Rep. Robert Damron (KY)  
NCOIL President



Rep. George Keiser (ND)  
NCOIL President-Elect



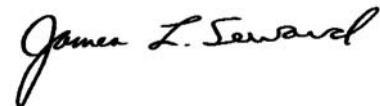
Sen. Carroll Leavell (NM)  
NCOIL Vice President



Sen. Vi Simpson (IN)  
NCOIL Secretary



Rep. Charles Curtiss (TN)  
NCOIL Treasurer



Sen. James Seward (NY)  
NCOIL Immediate Past President

cc: State Insurance Commissioners  
NCOIL Legislators  
State Legislative Leadership/Insurance Committee Chairs  
National Conference of State Legislatures (NCSL)  
Council of State Governments (CSG)  
National Governors Association (NGA)  
National Association of Attorneys General (NAAG)