

October 20, 2008

The Honorable Barney Frank
Chair, U.S. House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20510

Dear Chairman Frank:

As leaders of the National Conference of Insurance Legislators (NCOIL), we write to applaud your review and evaluation of financial service regulations and to offer our thoughts on why any proposed reforms should not impede strong, state-based insurance regulation. The failures of financial giants Lehman Brothers and the financial services side of American International Group (AIG), among others, prove that there are deficiencies in the current federal financial regulatory system and there is a need for Congress to examine the role of federal agencies that should have foreseen many of the problems that occurred to the financial marketplace. We look forward to working with you to ensure that consumers are protected by first-class regulation at the state and federal levels.

The stability of state-regulated insurance companies during this ongoing financial crisis, as compared to other financial sectors, demonstrates the effectiveness of our State insurance laws and regulations. While finger-pointing will not repair the problems with the present system, we are proud to note that state-regulated insurers were largely unharmed when compared to federally regulated banking and investment institutions.

We believe that insurance regulation should not be denigrated and unjustly drawn into a broader review of financial services reform. An optional federal charter (OFC), for example, would undercut successful state insurance regulation. Our unmatched consumer protection laws and solvency and reserving requirements would be bypassed by insurance companies seeking less stringent oversight by the U.S. Department of the Treasury.

State legislators and regulators have facilitated a prosperous 21st century regulatory system that we continue to improve and modernize. Our states are major players in the global insurance economy, with 26 of the top 50 insurance markets in the world being situated in the U.S.

NCOIL and our regulatory counterparts at the National Association of Insurance Commissioners (NAIC) are actively working to modernize insurance regulation, including speed-to-market for life products, rate and form filing, market conduct examinations, and agent and company licensing, among other initiatives.

The Interstate Insurance Product Regulation Compact, for one, evidences the success of our regulatory reforms. It disproves the need for an OFC by fostering needed speed-to-market for life insurance products—permitting a company to make one product filing under one set of national standards and, once approved, offer that product in all compacting states. The Compact now comprises 33 member jurisdictions, including Ohio, Pennsylvania, Texas, Massachusetts and Virginia, within the short span of two years since it became operational. We are confident that many more State legislatures will consider adoption of the Compact legislation in 2009.

The state regulatory system, instead of being vilified and disparaged by those who would benefit from an OFC, might better serve as an example for those looking for solutions to the present national financial crisis. We at NCOIL—on behalf of state insurance legislators from across the country—look forward to engaging your Committee on the positive aspects of state regulation and on the best ways to move forward with regulatory reform.

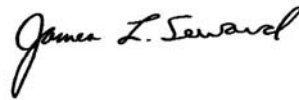
NCOIL is an organization of state legislators whose main area of public policy concern is insurance legislation and regulation. Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country.

Thank you for your time and consideration on this matter.

Sincerely,



Rep. Brian Patrick Kennedy (RI)
NCOIL President



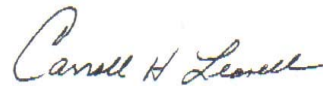
Sen. James Seward (NY)
NCOIL President-Elect



Rep. Robert Damron (KY)
NCOIL Vice President



Rep. George Keiser (ND)
NCOIL Secretary



Sen. Carroll Leavell (NM)
NCOIL Treasurer

cc: U.S. House Committee on Financial Services
U.S. Senate Committee on Banking, Housing, and Urban Affairs
NCOIL Executive Committee