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CONTACT:       
Susan Nolan  
Candace Thorson  
NCOIL National Office  
732-201-4133

**NCOIL OPPOSES SARBANES-OXLEY APPLICATION TO PRIVATELY HELD COMPANIES, SENDS LETTER TO NAIC**

**Troy, New York, March 11, 2005**The National Conference of Insurance Legislators (NCOIL) yesterday took a stand against applying Sarbanes-Oxley requirements to privately held insurance companies in a letter sent to the National Association of Insurance Commissioners (NAIC) by NCOIL President Rep. Craig Eiland (TX).  Rep. Eiland, acting on behalf of the full NCOIL Executive Committee, encouraged regulators to reconsider their efforts to amend the NAIC Model Audit Rule (MAR) in order to accommodate Sarbanes-Oxley (SOX).

            The letter objects to the plans being developed by NAIC’s AICPA Working Group on both substantive and procedural grounds. First, the letter notes that SOX was enacted to protect shareholders of publicly traded companies and says that “NCOIL believes its provisions are not designed to address non-public companies already regulated by existing state solvency laws.”  Rep. Eiland said that those laws are the “same or very similar” to SOX criteria for public companies.  An additional regulatory burden on non-public carriers, he said, “will greatly increase the cost and burden of regulatory compliance…, a cost that ultimately will be passed on to policyholders.”

            Procedurally, NCOIL opposes adding the SOX-friendly amendments to MAR as revisions to the NAIC Annual Statement Instructions.  Rep. Eiland’s letter notes that addressing the issue in this way would mean that the NAIC revisions “would automatically be incorporated into the laws of states that integrate the Instructions into their state law by reference through either statute or regulation.”  As stated in the letter, “NCOIL believes that the creation of new corporate structures and audits certifying adequate internal controls represent non-delegable, substantive public policy judgments. The process proposed by NAIC improperly infringes on the rights of state legislatures to establish public policy in each jurisdiction.”

The letter, which was sent to NAIC President Diane Koken (PA) and AICPA Working Group Chair Alfred Gross (VA), concludes by saying, among other things, that Sarbanes-Oxley requirements “do not track well with the purpose of or the existing basic structure of existing financial regulation found in the state insurance codes.”

            Copies of the NCOIL Sarbanes-Oxley letter will be available during the NAIC Spring Meeting in Salt Lake City.

            During the March 3 through 6 NCOIL Spring Meeting in Hilton Head, South Carolina, the NCOIL Executive Committee overwhelmingly voted to have Rep. Eiland send a letter to NAIC, on behalf of all NCOIL legislators, in order to protest regulators’ efforts to extend Sarbanes-Oxley to privately held insurers.

            NCOIL is an organization of state legislators interested in 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.

            A copy of [NCOIL’s letter to the NAIC](http://www.ncoil.org/news/2004690a.pdf) is attached to this press release.

             For more information, please contact the NCOIL National Office at 732-201-4133.

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