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NCOIL STRESSES ACCOUNTABILITY IN NAIC REINSURANCE FRAMEWORK, QUESTIONS FEDERAL ROLE

Troy, New York, December 5, 2008 —National Conference of Insurance Legislators (NCOIL) President Senator James Seward (NY) this week in a letter and at a December 5 National Association of Insurance Commissioners (NAIC) Legislative Liaison meeting expressed NCOIL desire that the governance structure of an NAIC *Reinsurance Regulatory Modernization Framework Proposal* be transparent and accountable. In a December 2 letter, Sen. Seward also relayed NCOIL concerns regarding the level of federal involvement in the Framework.

Sen. Seward wrote in the letter, which was sent to Commissioner Steven Goldman (NJ), Chair of the NAIC Reinsurance (E) Task Force, that NCOIL agreed “with an October 29 letter from the Vermont, Maine, Nebraska, District of Columbia, and Ohio regulators regarding the need for transparent, publicly accountable governance of the Reinsurance Supervision Review Department (RSRD).” He continued, “The influential RSRD, as the letter indicates, should be an independent entity that fairly represents the interests of all jurisdictions, regardless of size.”

Sen. Seward commended Commissioner Goldman for his efforts in advancing the debate, and his ability to reach compromise between interested parties.

The letter, by way of background, emphasized that “NCOIL supports collateral rules that provide sufficient security for reinsurance contracts while avoiding excessive requirements that would increase costs or reduce capacity. We want to ensure that U.S. credit for reinsurance rules are effective and fair and that any collateral requirements are imposed as needed.”

While encouraging the NAIC Plenary to attach to the Framework several governance-related principles outlined in the October 29 letter and clarifying that NCOIL does not wish to delay progress on the Framework, Sen. Seward said “we are compelled to express concern over the prospect of federal involvement.”

The letter said:

Seeking a federal hand in reinsurance could lead states down the path to an undesirable federal regulator, or to a national overseer in the form of the NAIC. We believe deeply that the business of insurance is best governed by the states and that state-based mechanisms are the most appropriate way to effect needed change.

As an alternative to pursuing federal authorizing legislation, Sen. Seward said that “A compact,

for instance, patterned after the successful Interstate Insurance Product Regulation Compact, could conceivably facilitate cross-border reinsurance oversight of both domestic and non-U.S. companies.”

NCOIL is scheduling additional time at its February 29 through March 1 Spring Meeting in Washington, DC, to allow for discussion of NCOIL concerns.

The NCOIL Executive Committee voted unanimously to send a letter to the NAIC following a discussion of the NAIC reinsurance modernization plan at the November 18 through 23 NCOIL Annual Meeting Florida. NCOIL Executive Committee members and NAIC Officers and members of the Reinsurance (E) Task Force were copied on the letter.

NCOIL is an organization of state legislators whose main area of 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. More information is available at www.ncoil.org.

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