



NATIONAL CONFERENCE  
of STATE LEGISLATURES  
*The Forum for America's Ideas*

September 1, 2009

The Honorable Christopher J. Dodd  
Chairman  
Senate Committee on Banking,  
Housing, & Urban Affairs  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Richard Shelby  
Ranking Member  
Senate Committee on Banking,  
Housing, & Urban Affairs  
534 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Barney Frank  
Chairman  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Spencer Bachus  
Ranking Member  
House Committee on Financial Services  
Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairmen Dodd and Frank, and Ranking Members Shelby and Bachus:

The Council of State Governments (CSG), National Conference of Insurance Legislators (NCOIL), and National Conference of State Legislatures (NCSL)—organizations of state officials devoted to sound insurance public policy—are writing to tell you why we believe that the protection of insurance consumers should continue to be based exclusively at the state level.

Specifically, as your Committees continue to address financial services regulatory reform in September, we respectfully assert our strong belief that any federal agency, such as a proposed Consumer Financial Protection Agency (CFPA) envisioned in H.R. 3126 or Financial Product Safety Commission contemplated by S. 566/H.R. 1705, should not have jurisdiction over insurance products or insurance-related matters.

We would like to underscore a fact that sometimes gets ignored in federal reform debates—the fact that state insurance regulation has been effective for over 150 years and continually adapts to successfully safeguard consumers in an ever-changing marketplace. Insurance policyholders are currently protected from fraud and abuse by a comprehensive set of state laws and regulations. State unfair trade practice and other laws, as well as guaranty funds, provide protections for insurance policyholders, and state taxpayer-supported insurance departments provide services to aid and educate consumers on insurance.

State officials are close to their constituents and share the same concerns. State insurance commissioners and department personnel are more familiar with their own state laws, judicial rulings, and local market issues. Our insurance commissioners conduct market conduct exams far more frequently than their federal banking counterparts. They are directly accountable to an elected Governor and Legislature, and are thus generally more responsive than a larger federal bureaucracy.

Consumer protection is a top priority of state legislators and insurance regulators. According to the National Association of Insurance Commissioners (NAIC), the states employ more than 1,600 consumer service personnel to assist our constituents in their time of need. In fact, in testimony before the House Committee on Financial Services on June 24, an NAIC representative reported that state consumer service personnel address more than 2.3 million consumer inquiries and 370,000 formal complaints on an annual basis.

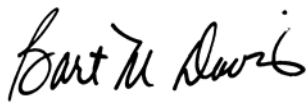
While we do not believe that the President intended for a CFPA to preempt or otherwise duplicate the successful state insurance regulatory system, we are concerned that his proposal includes authority over

insurance. Bifurcating insurance consumer protection by transferring authority over credit, mortgage, and title insurance to the federal government would not address any tangible need and will only cause confusion for consumers seeking assistance.

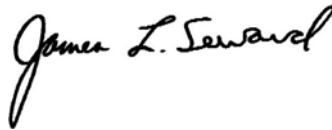
We believe that the legislation should be amended to specifically exclude *all* lines of insurance and insurance-related matters. H.R. 3126 already provides similar exemptions for business currently regulated by the Securities and Exchange Commission and the Commodity Futures Trading Commission.

Exempting insurance from the scope of any new federal consumer protection entity will reaffirm the strong and consistent state insurance consumer protection regime without introducing unnecessary duplication to the broader regulatory system. As state policymakers dedicated to regulatory reform, we look forward to working with you.

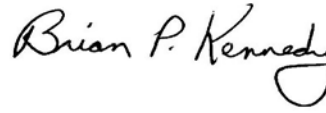
Sincerely,



Sen. Bart Davis (ID)  
CSG Chair



Sen. James L. Seward (NY)  
NCOIL President



Rep. Brian Kennedy (RI)  
NCSL Chair, Committee on Communications,  
Financial Services & Interstate Commerce

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