

## NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)

### Resolution in Support of the States' Authority as the Primary Regulator of Insurance Companies

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*Adopted by the NCOIL Financial Services & Investment Products Committee on November 12, 2015, and by the Executive Committee on November 15, 2015. Sponsored by Rep. Bob Hackett (OH), Del. Harry Keith White (WV), and Rep. Lana Theis (MI)*

**WHEREAS**, protecting consumers and ensuring the safety and soundness of insurance companies operating in the United States have been the prime objectives of state insurance regulation for over 150 years; and

**WHEREAS**, the states have sole authority for the regulation of the business of insurance as provided under the McCarran-Ferguson Act; and

**WHEREAS**, state insurance regulation has been successful and effective; and

**WHEREAS**, state insurance regulation has in place on-going substantive procedures, processes and protocols to license, regulate and supervise insurers; and

**WHEREAS**, there is no requirement that duly licensed insurance companies be rated and that among those that are, companies make choices about ratings organizations based on management's evaluation of the perceived strengths of each rating organization as it relates to their markets and business models; and

**WHEREAS**, the test of insurer ratings is whether in the long run the companies perform as expected, and in that regard each of these rating organizations on the whole has a consistent record of accurately gauging the ability of the companies to pay claims and service their customers; and

**WHEREAS**, an unintended yet direct consequence of designating a single, exclusive insurer rating requirement in laws, statutes, bulletins or other public materials is the diminution of "public regulation by public authority" and an implication of private regulation of insurance; and

**WHEREAS**, a response to this threat to public regulation is necessary; and

**WHEREAS**, multiple, competent insurer rating organizations exist;

**NOW, THEREFORE**, be it resolved that the National Conference of Insurance Legislators urges each state to foster competition in insurer ratings to benefit consumers, duly licensed insurance companies, producers, and other third-party stakeholders by promulgating and embracing insurer rating requirements in laws and regulations that incorporate the enumeration of multiple, competent insurer rating organizations.

**AND, BE IT FURTHER RESOLVED** that a copy of this resolution will be sent to each state legislature, each state regulator, and the National Association of Insurance Commissioners.