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July 21, 2009

The Honorable Roger Sevigny, President
National Association of Insurance Commissioners
21 South Fruit Street, Suite 14
Concord, NH 03301

Dear President Sevigny:

On behalf of the National Conference of Insurance Legislators (NCOIL), we write to you to express our reservations regarding National Association of Insurance Commissioners (NAIC) efforts to ease insurer capital and surplus requirements. While we appreciate that some of the NAIC activity has been overviewed at our organizations' recent national meetings—and we thank Commissioner Susan Voss, in particular, for following up after the NCOIL Summer Meeting—we are concerned regarding the purpose and substance, as well as the appearance of the relief proposals.

We understand that the life insurance industry, led by the American Council of Life Insurers (ACLI), originally proposed several “emergency” proposals; that three of the recommendations have been approved by the NAIC; and that six remain under consideration at various levels of the NAIC process. However, the recommendation's estimated impact on the industry and on insurance consumers is unknown.

NCOIL has consistently advocated for the NAIC to conduct modeling on changes proposed by principles-based reserving, as well as any change that might impact reserves. We envision that the modeling would apply the ACLI-desired proposals to certain companies to determine whether their financial conditions would be improved today if the changes were implemented several years ago, or whether companies would have experienced more difficulty during the nation's financial crisis. If such financial analyses have been performed, the NAIC has yet to provide legislators with their conclusions—information that would demonstrate whether the proposed changes are valid relative to solvency.

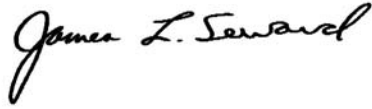
Without data supporting the validity of the proposed capital and surplus relief, NCOIL must question if reducing company capital and surplus levels is a sound policy decision given the current economic condition. While certain life insurance companies have lobbied hard for relief—and have asked Congress for relief from state regulation via an optional federal charter (OFC)—insurance consumer representatives continue to question the effect of the proposals on the insurance-buying public.

In the past two years alone, NCOIL has testified before Congress and sent numerous letters to its Members outlining the strengths of the state-based insurance regulatory system. As you well know, our organizations have been vocal advocates for the states' solvency regime—a regime that ensures that companies are well capitalized to pay consumer claims. Indeed, few financial services industries have weathered the financial storm as well as the insurance industry. Given the relative success of the insurance industry, we hesitate to endorse any proposal that could be construed as weakening the existing solvency system, particularly in today's volatile economy. We would caution that Members of Congress who are intent on overhauling the financial regulatory system may not view too kindly efforts to reduce company capital and surplus holdings.

While we understand that providing capital and surplus relief may be a top NAIC goal for 2009, NCOIL

legislators currently have outstanding questions on issues that require substantiation and further debate. The states have a lot to be proud of in our regulation of the business of insurance and we do not find it advisable to pursue a track that could lead to less direct regulation and more self-regulation—either implied or explicit.

Sincerely,



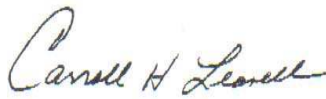
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NCOIL Treasurer

cc: State Insurance Commissioners
NCOIL Legislators