

December 10, 2009

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
235 Cannon House Office Building
Washington, DC, 20515

Dear Speaker Pelosi:

As president of the National Conference of Insurance Legislators (NCOIL), I am writing you regarding certain aspects of the H.R. 4173, the *Wall Street Reform and Consumer Protection Act of 2009*, that would undermine states' successful regulation of insurance. While NCOIL understands the need to address concerns related to banking and securities—areas in which lack of regulation and/or deregulation contributed significantly to the recent financial crisis—we feel that insurance, an innocent bystander, should not be co-opted into the proposed bureaucracy envisioned in the legislation. This letter will restate our position as state officials—who, like you, are elected by their constituents—regarding H.R. 4173.

Systemic Risk

NCOIL realizes enhanced communication and information sharing between state and federal regulators regarding financial market risk is a must. We believe that state and federal regulators—including state banking, insurance, and securities officials—should be treated equally on any systemic risk council. The proposed Financial Services Oversight Council (FSOC) would leave state regulators with a limited, nonvoting, role, as compared to their federal counterparts.

Federal Insurance Office (FIO)

NCOIL opposes the creation of a federal insurance office under Title VI. If we enhance communication between state and federal regulators, there is little need for an FIO. What an FIO *would do* is lead to federal insurance regulation and federal insurance chartering. NCOIL has little doubt that the FIO would quickly expand into a federal insurance bureaucracy—despite the best efforts of the concept's original sponsors. The House Financial Services Committee (HFSC) has already approved an amendment, brought forward by an advocate for federal insurance regulation, authorizing the new FIO to study and make recommendations on how to modernize insurance regulation.

Consumer Financial Protection Agency (CFPA)

NCOIL appreciates efforts of the HFSC and sponsors of additional pending amendments to H.R. 4173 that would appropriately exempt insurance from the CFPA's scope. We do not believe that the President or Congress intended for a CFPA to preempt or otherwise duplicate the successful state insurance regulatory system, and we believe the approved and proposed amendments clarify the important role of state oversight. Insurance consumers are currently protected from fraud and abuse by a comprehensive set of state laws and regulations.

The financial services regulatory overhaul measure should not address insurance oversight, as insurance business did not cause the nation's financial crisis. State regulation has served consumers and the insurance market well for more than a century and most recently during the current economic downturn. State legislators would like to continue safeguarding insurance consumers and we have concerns that H.R. 4173 would prevent us from doing so. Title VI is a nonstarter for state legislators. We request that if H.R. 4173 is passed that it be passed without the provisions of the FIO.

Sincerely,

A handwritten signature in black ink that reads "Robert R. Damron". The signature is written in a cursive style with a large, looped "R" at the beginning.

Representative Robert Damron (KY)
NCOIL President

cc: NCOIL Legislators
U.S. House of Representatives
U.S. Senate Committee on Banking, Housing, & Urban Affairs

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