NATIONAL CONFERENCE of STATE LEGISLATURES
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NCOIL
National Conference of Insurance Legislators
...for the states

June 4, 2010

The Honorable Harry Reid
Senate Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker of the House
H-232, US Capitol
Washington, D.C. 20515

The Honorable John Boehner
House Minority Leader
1011 Longworth H.O.B.
Washington, D.C. 20515

Dear Senators Reid and McConnell, Speaker Pelosi and Representative Boehner:

We write on behalf of the National Conference of State Legislatures (NCSL) and the National Conference of Insurance Legislators (NCOIL) to express our views on two key initiatives to be decided during conference negotiations on financial services regulatory reform—S. 3217 and H.R. 4173. With the breakdown of the financial regulatory system at the federal level, we understand the need to review the regulatory structure in place during our nation's recent crisis. However, we continue to be concerned that pending legislation would override the states' role in monitoring and regulating financial services, much to the detriment of consumer safeguards and economic security.

While we have not taken a position on creation of a Financial Stability Oversight Council (FSOC), the lack of state officials on the Council proposed in S. 3217 ignores the pivotal role states play in financial oversight. If the goal of a council is to identify financial risk, it seems inefficient to omit state regulators—who typically are the first to recognize emerging risk—from the Council. We urge conferees to support the inclusion of state banking, securities, and insurance regulators on the FSOC, as House Members did in H.R. 4173.

We also continue to be concerned that both bills open the door for further federal intrusion on states' right to regulate the business of insurance. For the last 150 years, states have continually proven that they can effectively protect consumers and provide accessible, accountable and responsive service. As noted in previous communications, of the nearly 600 financial institutions that received money through the Troubled Asset Relief Program, only three were insurers.

The Office of National Insurance proposed in S. 3217 and the less-intrusive Federal Insurance Office envisioned in H.R. 4173 would both duplicate and interfere with state insurance regulation. We oppose the creation of either office, as any changes to the current framework must completely preserve state flexibility and authority to meet the goals of modernization.

On behalf of our colleagues throughout the country, we respectfully request that you consider the role states play in financial regulation, as states and the federal government look to achieve regulatory reform. Without maintaining state authority over insurance regulation, NCSL and NCOIL—organizations devoted to sound insurance public policy—see no good outcome for proposed federal financial services reform.

Sincerely,

Brian Patrick Kennedy

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

Robert R. Damron

Rep. Robert Damron (KY)
NCOIL President

cc: Conferees of financial regulatory reform