

March 19, 2015

Senator David Vitter  
U.S. Senate  
516 Hart Senate Office Building  
Washington, D.C. 20510

Senator Jon Tester  
U.S. Senate  
311 Hart Senate Office Building  
Washington, D.C. 20510

Congressman Bill Posey  
U.S. House of Representatives  
120 Cannon House Office Building  
Washington, DC 20515

Congressman Brad Sherman  
U.S. House of Representatives  
2242 Rayburn House Office Building  
Washington, DC 20515

**Re: The Policyholder Protection Act of 2015 (S. 798/ H.R. 1478)**

Dear Senator Vitter, Senator Tester, Congressman Posey, and Congressman Sherman:

On behalf of the National Association of Insurance Commissioners (NAIC)<sup>1</sup>, we write today to express our strong support for “The Policyholder Protection Act of 2015” (S. 798/H.R. 1478). This legislation clarifies that state insurance regulatory tools designed to protect policyholders will be available regardless of insurance company structure or financial circumstance. Insurance companies in the United States are subject to a stringent regulatory regime designed with the primary mission of protecting policyholders by ensuring that a company has sufficient funds to pay insurance claims when they come due. One of the most important tools state insurance regulators have to carry out this mission is the ability to protect or “wall off” the insurance legal entity from contagion in the rest of a large and diverse, financial group by preventing its funds or other assets from being used by other affiliated entities. In the unlikely event an insurance company requires resolution, insurance regulators have broad authorities to determine the best course of action in order to ensure that claims will continue to be paid to insurance consumers. Together, these authorities provide critical protections that have long protected insurance consumers, most recently during the financial crisis of 2008 and 2009.

This bipartisan legislation clarifies that these protections will continue to be available to protect consumers irrespective of insurance company organizational structure and irrespective of whether an insurance company is resolved by state insurance regulators pursuant to state law or whether an insurance company affiliate is resolved by the Federal Deposit Insurance Corporation (FDIC) pursuant to federal law. First, the bill provides certainty that state regulators’ authority to wall off assets to pay policyholder claims will be consistent across insurer organizational structures. State regulators have long-standing authority under state law to wall off insurance company assets designated for the benefit of policyholders. These authorities also apply to insurers organized as Bank Holding Companies under

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<sup>1</sup> Founded in 1871, the NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

federal law, but the law governing savings and loan holding companies does not contain the same procedural protections. This bill will extend the policyholder protections in the Bank Holding Company Act and state law to Savings and Loan Holding Companies, thereby creating a level playing field and clarifying that the same set of rules applies across insurer organizational structures.

Second, state insurance regulators have long-standing authorities to liquidate *or rehabilitate* troubled insurance companies. Under Title II of the Dodd-Frank Act, the FDIC has back-up authority to initiate liquidation proceedings in the event a state insurance regulator does not act. In the unlikely event a systemic insurance legal entity requires resolution, this legislation clarifies state regulatory authorities to employ the most appropriate resolution strategy, liquidation *or rehabilitation*, to protect policyholders. It also ensures that the options available to the FDIC with respect to its backup authority under Title II of the Dodd-Frank Act include the options that are available to state regulators.

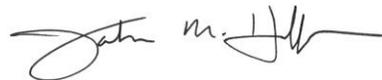
Lastly, state insurance regulators have long-standing authority to protect policyholder assets from contagion emanating from an affiliate through their ability to review material transactions and to protect policyholders in resolution proceedings. In the event an affiliate of an insurer is systemic and requires resolution, this legislation ensures that assets meant to be available to policyholders will not be subject to liens in such proceedings unless insurance regulators are comfortable that the lien will not have adverse impacts on the company's policyholders and its ability to pay claims.

We commend you for introducing this legislation that protects policyholders by ensuring that the assets or other funds insurance companies have to pay claims for a damaged home or a deceased bread winner are not jeopardized. We urge Congress to support this important effort to enhance policyholder protection.

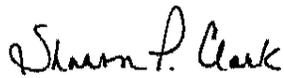
Sincerely,



Monica Lindeen  
NAIC President  
Montana Commissioner of  
Securities and Insurance



John Huff  
NAIC President-Elect  
Director of Missouri's Department of Insurance,  
Financial Institutions, and Professional Registration



Sharon P. Clark  
NAIC Vice President  
Kentucky Insurance Commissioner



Theodore K. Nickel  
NAIC Secretary-Treasurer  
Wisconsin Insurance Commissioner



E. Benjamin Nelson  
NAIC Chief Executive Officer