

November 2, 2015

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
4340 Thomas P. O'Neill, Jr. Federal Office Building
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the National Association of Insurance Commissioners (NAIC)¹, we appreciate your leadership in considering legislation aimed at enhancing certain aspects of our financial regulatory system. As financial markets continue to evolve, we understand that it is important to periodically reassess laws to ensure that they are achieving their intended purpose, are appropriate for the business model they impact, and remain in the best interests of the consumers they are meant to protect. There are a number of bills being considered in the upcoming mark-up which include critical provisions for state insurance regulators that we believe will protect insurance consumers and help reduce systemic risk in our financial system.

Policyholder Protection Act of 2015 (H.R. 1478)

We strongly support Congressmen Posey and Sherman's bipartisan Policyholder Protection Act of 2015, which clarifies our authorities to protect consumers within complex financial firms so that policyholder dollars necessary to pay claims are not jeopardized by complex bets, risk taking, or poor management elsewhere within the firm. Insurance regulators have long had the ability under state and federal law to "wall off" an insurance company operating within a large, diverse financial group from the risks posed by other affiliates to protect policyholders. This legislation guarantees a level playing field and confirms that authorities in existing state and federal law governing bank holding companies also apply to insurers organized as savings and loan holding companies. It also clarifies the need for policyholders to be protected during the resolution of an insurance company or its affiliate. This bill ensures that policyholders remain protected from undue harm by confirming that state insurance regulators will continue to have the ability to specifically protect insurance-related assets in order to pay claims when they come due.

¹ 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.

Financial Stability Oversight Council Improvement Act of 2015 (H.R. 1550)

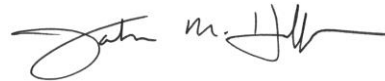
We also applaud Congressmen Ross and Delaney for their leadership in addressing long-standing concerns with the Financial Stability Oversight Council's (FSOC) nonbank financial company designation process with their introduction of the Financial Stability Oversight Council Improvement Act of 2015. State insurance regulators have long been troubled by the lack of transparency in FSOC's operations, process, and reasoning for its decisions. FSOC's opaque process and failure to provide clarity on the specific activities that lead to a company's designation undermine its fundamental mission to mitigate risks to the financial system. Without this precise information, we cannot fully understand FSOC's concerns about the nature of the risks or take appropriate action to reduce such risks as fellow financial regulators. In this same regard, we need further clarity and guidance from FSOC on identifying what steps need to be taken for a firm to be de-designated. An explicit de-designation process should be a critical and necessary component of FSOC. The goal of FSOC should not be simply to capture certain large firms and subject them to additional regulation, but rather to take meaningful and appropriate steps to mitigate the likelihood that failure of those firms jeopardizes the financial system or economy. We believe the proposed reforms in the Financial Stability Oversight Council Improvement Act address many of our concerns and represent a positive step forward in improving FSOC's operations, processes, communication, and transparency.

Thank you again for your leadership on these issues, and we look forward to working with you.

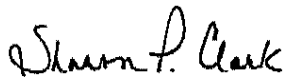
Sincerely,



Monica J. Lindeen
NAIC President
Montana Commissioner of
Securities and Insurance



John M. 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



The Honorable E. Benjamin Nelson
NAIC Chief Executive Officer
United States Senator (Ret.)