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NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

May 9, 2005

Honorable Richard H. Baker  
Chairman  
Subcommittee on Capital Markets, Insurance and  
Government Sponsored Enterprises  
U.S. House of Representatives  
Washington, D.C. 20515

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Dear Chairman Baker:

Jim Poolman and I regret you were unable to meet with us on Thursday, April 28<sup>th</sup>. We hope to have an opportunity to re-schedule at your earliest convenience. As state government officials charged with protecting American insurance consumers, we take seriously our responsibility to actively provide hands-on regulatory expertise and advice on how to modernize the state system to you and other Members of the Financial Services Committee.

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The NAIC has consistently supported many of the regulatory modernization goals embodied in the draft SMART Act through testimony, meetings, and correspondence with the Financial Services Committee. Like you, we want to achieve needed modernization using the existing state regulatory system that has served our nation well for more than 100 years. The NAIC's strong commitment to regulatory modernization is set forth in its roadmap document, "*Framework for a National System of State-Based Regulation*", which is on-time and on-target to achieve legitimate changes sought by the insurance industry.

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Our major concerns with the current draft SMART Act are centered on the organizational and legal structure it would employ to achieve the modernization goals we all share. Consequently, NAIC members believe we provide constructive assistance to you and your staff when we point out basic constitutional and operational problems associated with the SMART Act that would undermine its stated purposes and negate important state consumer protection laws. We also believe it is constructive to tell you up front that certain SMART Act provisions, such as mandatory rate de-regulation, would be harmful to both consumers and industry.

NAIC officers remain available to meet with you at any time. In addition, the NAIC will continue to assist the Financial Services Committee as it considers legislation affecting the state insurance regulatory system. We look forward to working with you and your staff as the process moves forward.

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**WORLD  
WIDE WEB**

[www.naic.org](http://www.naic.org)

Sincerely,

Diane Koken  
Commissioner of Insurance, Pennsylvania  
*President, NAIC*