



July 11, 2005

The Honorable Michael G. Oxley
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

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

The Honorable Paul E. Kanjorski
Ranking Member
Subcommittee on Capital Markets,
Insurance and Sponsored Enterprises
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Oxley, Representative Frank, Chairman Baker and Representative Kanjorski:

On behalf of the nation's governors, we write to express our opposition to the proposed State Modernization and Regulatory Transparency Act (SMART Act). The Governors firmly believe that the SMART Act would unnecessarily preempt their ability to set sound state insurance policy, as well as endanger ongoing efforts to bring forth effective and efficient state-based regulatory reforms.

By limiting the role of Governors and state regulators in setting insurance policy, the SMART Act would result in serious confusion in insurance markets by subjecting consumers to new and conflicting federal regulatory standards. Given that market forces vary from state to state, regulators must maintain their ability to effectively respond to unique market conditions with flexible solutions and clear regulatory authority.

We believe that states are positioned best to address the needs of consumers and industry given their long history and expertise in such important areas as solvency, rate supervision, market conduct regulation and anti-fraud activities.

We urge you to work with states as they modernize their regulatory structures to meet changes in the marketplace and not preempt the authority of the states through passage of the SMART Act.

Thank you for your consideration of this important matter.

Sincerely,

Governor Mark Sanford
Chair, Economic Development and
Commerce Committee

Governor Janet Napolitano
Vice Chair, Economic Development and
Commerce Committee