



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

August 28, 2007

**EXECUTIVE
HEADQUARTERS**

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The Honorable Janet Napolitano
Chairman, National Governors Association
Hall of the States
Suite 267
444 N. Capitol Street
Washington, DC 20001

Dear Governor Napolitano:

**GOVERNMENT
RELATIONS**

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As the public officials primarily responsible for regulating the insurance market and protecting consumers in our respective states, we thank you for reaffirming your policy position in support of state-based insurance regulation during the recent NGA national meeting.

Unlike a federal bureaucracy, state-based insurance regulation is accessible, accountable, and responsive. State regulators live and work in the region they serve and experience first hand the impact of insured events on their fellow citizens. We enforce laws developed by state legislatures that are uniquely positioned to accurately reflect local values, concerns, culture and socio-economic conditions. A federal regulator is little more than a tool to circumvent those laws at the expense of your constituents.

**SECURITIES
VALUATION
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The notion that state oversight of the insurance market stifles competition, as some have suggested, is simply false. In 2005, the insurance industry absorbed record losses stemming from Hurricane Katrina, all while earning record profits (which increased again in 2006) and adding to industry surplus. In 2006, more than 7600 domestic insurance companies competed for \$1.4 trillion in premium dollars. States in turn have collected \$16.7 billion from the insurance industry in revenue through assessments, fees, and premium taxes. The 13,600 employees of state insurance departments have responded to 394,000 formal complaints from your constituents and fielded over 2.6 million inquiries – a level of responsiveness that a federal bureaucracy could not possibly match.

**WORLD
WIDE WEB**

www.naic.org

State insurance regulators comprise one of the strongest and most active regulatory communities in the country. We work tirelessly to continually improve regulation, and through the NAIC we have developed analytical and reporting tools to assist regulators in keeping abreast of the financial and market conditions of their regulated entities. The states maintain at the NAIC the world's largest insurance financial database, which provides a 10-year history of

annual and quarterly filings on more than 4,800 insurance companies, allowing all states to review data on a nationwide basis. Our System for Electronic Rate and Form Filing (SERFF) has dramatically improved rate and form filing procedures and handled over 270,000 filing in 2006. 30 states now take advantage of the Interstate Insurance Product and Regulation Commission (IIPRR), offering life insurance companies uniform standards with the streamlined efficiencies of a central point of filing, while continuing to uphold strong consumer protections. Through the collaborative action process at the NAIC, states are coming together to highlight regulatory challenges, share innovations, and pursue bad actors in the marketplace on a collective basis.

This good work is important to maintaining a healthy insurance market that benefits consumers, businesses, and the insurance industry. Modernizing insurance regulation is a constant process where the end line is not a static target, but a constant evolution to a stronger, safer, and healthier marketplace. We continue to work toward that goal, and we thank you for your continued support of our efforts, and your continued support of state-based insurance regulation.

Sincerely,



Walter A. Bell
Alabama Commissioner of Insurance
NAIC President



Catherine J. Weatherford
NAIC Executive Vice President and CEO



Sandy Praeger
Kansas Commissioner of Insurance
NAIC President-Elect

cc: The Honorable Tim Pawlenty,
Governor of Minnesota
Chairman, National Governors Association