



National Association of Insurance Commissioners

July 8, 2008

The Honorable Paul Kanjorski
Chairman, Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises
House Financial Services Committee
2188 Rayburn House Office Building
Washington, DC 20515

The Honorable Deborah Pryce
Ranking Member, Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises
House Financial Services Committee
320 Cannon House Office Building
Washington, DC 20515

Dear Chairman Kanjorski and Ranking Member Pryce:

We are writing to express the views of the National Association of Insurance Commissioners (NAIC) on H.R. 5792, the Increasing Insurance Coverage Options for Consumers Act of 2008.

There is a diversity of views among the State regulatory community regarding this legislation, and as such, we have not taken a formal position on the bill. However, the NAIC, in its capacity as a forum for State regulators to express their views, has compiled feedback from several States and shared that feedback with legislators from those States. We feel it is appropriate to provide you with an overview of that feedback.

State insurance regulators are supportive of improved corporate governance of risk retention groups and captives, and have been working on such standards through the NAIC. Likewise, the Government Accountability Office issued a report in August 2005 calling for improved corporate governance and better member protections for risk retention groups. As such, State regulators are generally pleased that the standards developed through the NAIC process have served as the baseline for provisions in the legislation. We are also pleased that Representative Dennis Moore has proposed an amendment preserving States' cease-and-desist provisions. We must also acknowledge the efforts of the bill's lead sponsors, Representative Moore and Representative Deborah Pryce, for integrating our feedback into the legislation as it moved through the drafting process.

With respect to the bill's provisions expanding risk retention groups into commercial property coverage, State regulators' views range from outright support to outright opposition. Those opposed to expansion point to a lack of market need and concern over the lack of local

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enforcement inherent under the Liability Risk Retention Act. There is also concern over the solvency of these groups to manage property risk, particularly natural catastrophes. Those supportive of the expansion point to increased competition in the commercial property market, particularly in areas where there are fewer insurance carriers. We note that the bill's sponsors have made an effort based on State regulator feedback to narrow and improve the definition of commercial property to avoid unintended consequences, but despite that improvement, we cannot support this aspect of the current proposal.

Sincerely,

A handwritten signature in cursive script that reads "Sandy Praeger".

Sandy Praeger
President
National Association of Insurance Commissioners

Cc: Hon. Dennis Moore
Hon. John Campbell
Hon. Ron Klein