

November 20, 2009

The Honorable Carolyn B. Maloney, Chair
Joint Economic Committee
SD-G01 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Maloney:

We are writing to correct a misstatement by Treasury Secretary Timothy Geithner at the Joint Economic Committee's November 19, 2009 hearing, titled "Financial Regulatory Reform: Protecting Taxpayers and the Economy."

Secretary Geithner asserted that the reason for the federal government's bailout of AIG was a fear that AIG might not have been able to pay claims to its insurance policyholders. That flies counter to the Treasury Department's long-held assertion that the bailout was needed to prevent financial loss to AIG's counterparties in its credit default swap (CDS) transactions.

It also belies the facts. AIG's state-regulated insurance subsidiaries were, and still are, safe and solvent. Money to pay policyholders was protected from being used for other purposes, and was never at risk. That is because of to state insurance regulators' ability to "ring fence" solvent insurance entities of a group to shield them from the parent's corporate losses or bankruptcy in order to protect consumers.

This change in rationale by Secretary Geithner is confusing at best, misleading at worst. The track record of the state-regulated insurance sector in the current financial crisis has been exemplary as compared to that of its federally-regulated counterparts in the banking and securities sectors, and AIG was no exception. AIG's insurance subsidiaries did not engage in the risky CDS transactions that imperiled their federally-regulated parent and the counterparties. Indeed, had an insurer written the CDS transactions, it would have been required by its state regulators to set aside assets to cover the risks as well as to increase its capital and surplus.

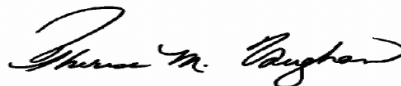
The Treasury Department has made no secret about wanting an increased regulatory role in the nation's insurance markets, and Secretary Geithner's new position on the AIG bailout would seem to support that desire. We would urge Members of the Committee to view the Secretary's remarks in that context and urge them not to rush to embrace the Secretary's views on AIG as he stated them at the hearing.

We appreciate the opportunity to set the record straight.

Sincerely,



Roger A. Seigny
Commissioner
New Hampshire Insurance Department
NAIC President



Therese Vaughan, Ph.D.
Chief Executive Officer
National Association of Insurance Commissioners