

January 29, 2010

Dear Member of Congress:

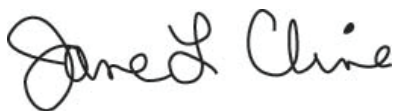
It is unfortunate that proponents of an optional federal insurance regulator continue to politicize the extraordinary efforts to stabilize the non-insurance units of AIG and the broader financial system in a misguided effort to justify a new federal insurance bureaucracy. The financial crisis in general and the AIG situation in particular illustrate the problems with regulatory arbitrage created by such a system.

The recently circulated "Dear Colleague" by U.S. Representatives Bean and Royce cites testimony by Treasury Secretary Timothy Geithner, stating that state insurance regulators were not aware of the risks posed to the AIG insurance companies by AIG's federally regulated or unregulated non-insurance units. We agree, and have called for greater information sharing among regulatory bodies to better understand and anticipate how operations outside our respective authorities could affect the group as a whole. We also agree that complex groups like AIG call for a systemic approach to supervision. This is why we have called for strong, effective consolidated supervision of holding companies that leverages the expertise of each functional regulator; in fact, such supervision could have helped avoid the turmoil at AIG. Finally, we note that despite efforts by the Congress and others, if AIG's non-insurance units were today to start generating the very products that nearly caused its collapse, those products would still be largely unregulated. Fixing these problems, and not deregulating the insurance sector, is where we believe the Congress should focus its efforts.

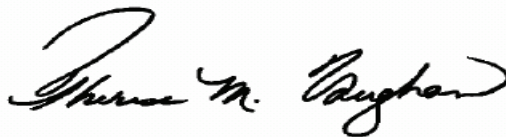
Further, it is not for us to second-guess the decisions that Secretary Geithner, or others within the federal government, made in the midst of an unfolding financial crisis under conditions of intense uncertainty. We believe that the decision to intervene at AIG was made with the best of intentions and with a sincere belief that it was the best option among a miserable few. However, we respectfully disagree with the assertion that insurance regulators could not have separated the insurance units from "those companies that had taken terrible risks." In fact, Secretary Geithner's written statement acknowledges that a bankruptcy filing by the AIG holding company "would have caused insurance regulators in the United States and around the world to take over AIG's insurance subsidiaries." Without a doubt, insurance regulators had the ability and the legal authority to seize AIG's insurers from the holding company if needed to protect AIG policyholders through our state receivership and guaranty fund systems.

The AIG insurance companies continue to be solvent, pay claims, and represent the best chance for generating the value necessary to repay American taxpayers. There are necessary responses to the lessons learned from AIG about better regulatory cooperation, information sharing, and group supervision. Deregulating the insurance industry through H.R. 1880 is not one of them.

Sincerely,



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