

August 12, 2010

The President
The White House
1600 Pennsylvania Ave. N.W.
Washington, D.C. 20500

RE: Financial Stability Oversight Council

Dear Mr. President:

We write on behalf of the National Association of Insurance Commissioners (“NAIC”) to urge you to appoint a person with significant insurance regulatory experience to be a voting member on the Financial Stability Oversight Council (“FSOC”) created by the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”).

In light of the significant role that the FSOC will play in the regulation of the country’s financial system, it is critical that this council be comprised of regulatory experts. Under Section 111 of Dodd-Frank, the FSOC will be composed of 10 voting members, one of whom is an independent member “**having insurance expertise**” that is appointed by you with the advice and consent of the Senate. During the financial regulatory reform debate, the NAIC strongly urged Congress to add a state insurance regulator to the FSOC and eliminate the person “having insurance expertise” from the council. While the NAIC appreciates the addition of a non-voting state insurance regulator to the council, we remain deeply concerned that an individual without substantial insurance regulatory experience could be appointed a voting member of the FSOC, potentially undermining the input of the functional state insurance regulator.

This is highly problematic both from the perspective of protecting consumers and ensuring competitive and vibrant insurance markets. State insurance regulators have substantial experience and expertise in regulating insurance company solvency, identifying companies at risk of failure, and working with those companies through rehabilitation, receivership, sale, or liquidation, all while ensuring that claims continue to be paid. It is this expertise that protected consumers during the recent financial crisis and enabled the insurance industry to emerge from that crisis relatively unscathed. While it is highly unlikely that the insurance industry poses a systemic risk to the economic stability of the United States, insurance is a significant element of our nation’s financial system. Appointing a voting member who lacks substantial insurance regulatory experience would deprive the FSOC of valuable knowledge as it makes decisions regarding systemically important insurance companies or in addressing future financial crises.

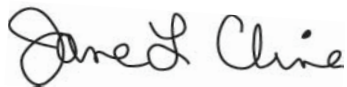
To this end, in evaluating potential appointees, the NAIC urges you to consider whether the individual: (1) has experience regulating the insurance industry; (2) understands the capital requirements and accounting standards specific to the insurance industry; (3) understands

insurance company receiverships and the guaranty fund system; and (4) has a history of prioritizing consumer protection.

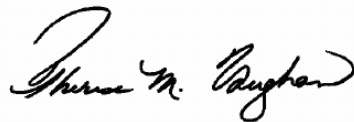
The NAIC is also troubled by the potential for a conflict of interest that could arise if a person susceptible to industry direction is appointed to the FSOC. We recognize that Dodd-Frank provides for certain safeguards, such as the protection of confidential information. However, providing a person with competing interests access to proprietary information and empowering that person with a significant role in decisions could affect the competitive landscape of insurance markets. Further, any real or perceived conflict of interest could call into question the credibility of actions taken by the FSOC. Given the significance of the role of insurance in the financial system, precautionary measures such as recusal would be counterproductive as they would deny the FSOC a knowledgeable voice and vote about insurance matters.

For these reasons, we strongly urge you to appoint an individual with substantial insurance regulatory experience. We appreciate your consideration of our request and thank you for your time.

Sincerely,



Jane L. Cline, Commissioner
West Virginia Insurance Department
NAIC President



Therese M. Vaughan, Ph.D.
NAIC Chief Executive Officer

CC: Senator Harry Reid
Senator Mitch McConnell
Senator Chris Dodd
Senator Richard Shelby