NAMIC®
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

www.namic.org

3601 Vincennes Road, Indianapolis, Indiana 46268
Phone: 317.875.5250 | Fax: 317.879.8408

122 C Street N.W., Suite 540, Washington, D.C. 20001
Phone: 202.628.1558 | Fax: 202.628.1601

September 13, 2010

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner:

The National Association of Mutual Insurance Companies (NAMIC) would like to take this opportunity to express our views on Title V of the just enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 – the creation of a Federal Insurance Office (FIO) within the Treasury.

NAMIC is the largest and most diverse national property/casualty insurance trade association in the United States. Its 1,400 member companies write all lines of property/casualty insurance business and include small, single-state, regional, and national carriers accounting for 50 percent of the automobile/ homeowners market and 31 percent of the business insurance market. NAMIC has been advocating for a strong and vibrant insurance industry since its inception in 1895.

NAMIC supports a reformed system of state-based insurance regulation and believes that any federal role in insurance should not create new and duplicative regulatory authority. NAMIC believes that the FIO was a carefully negotiated office that properly recognizes these objectives and so too must be implemented within this framework.

Before the economic crisis, NAMIC was pleased to support the Insurance Information Act, as introduced by Rep. Paul Kanjorski, D-Pa. This legislation created an Office of Insurance Information (OII), effectively providing the federal government with a source of information and expertise on the property/casualty insurance industry – particularly in times of crisis – as well as a means to facilitate international regulatory coordination. At the same time, the OII protected the confidentiality of company information and recognized the primacy of state regulation.

In many ways the FIO, as crafted in the Dodd-Frank bill, resembles the original concept of the OII – providing a federal clearinghouse for insurance information with protections in place to prevent the office from becoming a *de facto* regulator. The financial crisis highlighted the differences between the property/casualty insurance industry and others in the financial services sector that required extraordinary government assistance. One of the reasons for this is that many of the industry's almost 2,800 companies are local and regional writers that benefited from the close proximity and strict solvency requirements of their regulators. After many months of discussion the authors of the final bill

recognized that the FIO's role should not be to facilitate the federal regulation of insurance and for this reason, included strong safeguards to limit the powers of the FIO.

The legislation also includes explicit language protecting the state-based regulation of insurance. NAMIC believes the inclusion of this language recognizes that it is essential to avoid creating a dual regulatory scenario when developing and implementing the FIO.

NAMIC worked closely with Congress to address our many concerns with the FIO. Foremost among those concerns were the power of the FIO to make data calls and request document production. These requests are costly and time-consuming endeavors for insurers – particularly small insurers with few employees and little resources. Additionally, insurers regularly submit information to state regulators on all aspects of their operations. NAMIC has long supported and encouraged coordination of information requests among the states. Creating an additional reporting layer would go against the goal of simplification and coordination. NAMIC recognizes the need for information on insurance at the federal level, but believes that collection of this information can be achieved working through the systems and processes already in place. For these reasons, the authors of the bill saw fit to require the FIO to coordinate with state regulators prior to collecting data or information and limited the office's ability to request information directly from insurers. NAMIC urges Treasury to maintain these important safeguards in implementing this office.

NAMIC is similarly concerned with the potentially duplicative information gathering and collection requirements placed on insurers with the creation of the new Office of Financial Research (OFR). It is imperative that the OFR be required to coordinate with the FIO to acquire any information on insurance that it needs. Such an implementation would prevent any duplication of efforts and save consumers from additional costs.

NAMIC has long supported enhanced cooperation and coordination among the various global financial services regulatory bodies. However, this should not come at the cost of giving regulatory authority to foreign jurisdictions or international bodies. The Dodd-Frank bill properly defines the preemption authority of this new federal office narrowly and provides for joint international negotiating authority with the United States Trade Representative. These provisions strike the right balance between state regulation of insurance and the mission of the FIO.

NAMIC member companies understand that federal policymakers must have better information about the insurance industry, and confidence in the financial health of property/casualty insurers. The Dodd-Frank bill establishes a FIO that achieves these goals without taking unnecessary steps toward becoming a federal regulator of insurance. We urge the Treasury to recognize this important balance in implementing the new office.

NAMIC looks forward to working with the Treasury to create a FIO that will facilitate international coordination and improve information sharing without instituting a duplicative and costly program or dismantling the current, effective state regulatory system.

Charles M. Chamness
President and CEO
National Association of Mutual Insurance Companies