

Testimony of the
National Association of Insurance Commissioners

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Government Sponsored Enterprises
Committee on Financial Services
United States House of Representatives

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On Behalf of the National Association of Insurance Commissioners

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Chairman Kanjorski, Congresswoman Pryce, and Members of the Subcommittee, thank you for inviting me to testify before the Subcommittee on options for insurance regulatory reform.

My name is Eric Dinallo. I am the Superintendent of Insurance in New York. I am testifying today on behalf of the National Association of Insurance Commissioners (NAIC). I am pleased to be here today to update the Subcommittee on our ongoing, successful efforts to improve the state system of insurance supervision and to highlight the ultimate goals that we as state regulators feel must be met to continue modernizing insurance regulation.

I want to be clear at the start on one thing. The letter inviting me to testify asks me to discuss plans for “comprehensive insurance regulatory reform.” As you will see, my testimony today is an essentially positive presentation about what we have done and what needs to be done to ensure that Americans have a healthy competitive and safe market for insurance products and to foster strong competitive insurance companies. The current system is not perfect and there are important steps to be taken to reach those goals. Insurance regulators have been improving their skills and policies, and enhancing resources over the past several years. We are equally mindful of the need for further changes in the law and the need to standardize. Over time, this approach offers the level of comprehensive reform to which the nation should aspire.

The current state regulatory regime has been very effective for more than 150 years. Insurance oversight has been rigorous, resulting in high regulatory compliance, avoiding the level of insolvencies and market meltdowns we have seen in other sectors of the financial community. Indeed, our national solvency system has ensured that companies have the wherewithal to pay claims while remaining competitive and profitable. When problems have arisen, state insurance regulators have acted quickly and decisively to head them off and make the necessary corrections.

For example, under exceptionally difficult market conditions, state regulators, were able to stabilize the bond insurance market and provide time for the financial markets to continue dealing with the broader subprime crisis. The condition of the bond insurers had become a major focus of

the financial markets, apparently causing wide daily swings in the stock market. We were able to stabilize the two biggest companies and bring in a major new player. There are now five triple-A rated companies and bond insurance is available to municipal and other bond issuers. And this was done with private sector solutions.

Consumer protection has been a hallmark of state insurance regulation. That is due in large part to the fact that we understand the local markets and the people with whom we are dealing. There are more than 15,000 state insurance regulators with their finger on the pulse of the local insurance markets they represent—each with firsthand knowledge of the needs of their local consumers. They are true professionals with the requisite professional designations and education to prove it.

The necessary changes and reforms can be made within the current structure or by adding to it. Yet there are those who would scrap this successful state system for a dual state/federal one. They couch their complaints against state insurance regulation in euphemisms like “patchwork” and cite unfounded claims that state regulation somehow impedes international competitiveness, and yet fail to offer any solutions that are reasonable and not extreme. Do those calling for extreme reform really know the clear path of where to go, or is a more moderate voice that recognizes the need to change the voice speaking in the nation’s best interests?

Optional regulatory regimes lead to regulatory arbitrage and gaps in oversight. They are not good for anyone, least of all consumers. The states have no interest in competing in a race to the bottom that leaves our residents confused and ties the hands of state government. So I urge you strongly—please don’t leave your constituents in a regulatory abyss by creating a federal chartering option.

Consider the responsibilities of a federal insurance regulatory agency. New York’s Insurance Department alone handles more than 200,000 consumer calls and 55,000 complaints a year. We are able to resolve many of those complaints because of our close working relationship with the companies. It would be difficult to replicate that in a national agency.

I am not here merely to defend state regulation, but to offer it as a more rational starting point for the debate on insurance modernization. My testimony today will focus on principles for reform, in areas where uniformity of process and harmonization of standards is imperative. We recognize

that certain fundamental improvements to state-based oversight may require federal assistance or empowerment and we are actively working to develop proposals for these structural changes. However, we believe that a major “option” for reform is the continued effort of state regulators to improve the system through legislative, regulatory, and technology initiatives. Therefore, the second aspect of my testimony will discuss where the states actually stand in terms of achieving uniformity and ensuring competitiveness, and highlight specific successful state and NAIC efforts to ensure that insurance regulation can continue to evolve to meet changing local and global needs.

Section 1: A Look Forward - Assessing the Options for Reform

The NAIC finds itself in agreement with our critics on one key point: Insurance regulation needs to continually evolve. The marketplace is constantly changing, and regulation must change with it. Insurance will always retain its uniquely local flavor, but no one can deny that the business is becoming more global. So the challenge for us is to maintain the high level of consumer protection that arises from familiarity with the local marketplace and intimate knowledge of state tort and contract laws, while ensuring that the companies we regulate can operate effectively in both that local marketplace and the larger global one.

The NAIC and its members believe that there are aspects of insurance oversight that require uniformity of process and harmonization of standards. We do not believe that this kind of efficiency is mutually exclusive to effective supervision. State regulators have given serious consideration to the necessary evolution of insurance oversight, and we have developed several core principles by which any reform effort should be assessed:

- Any option(s) adopted should include enforceable uniform standards in targeted areas of insurance regulation.
- Any entity created to implement reforms or uniform standards should be developed and implemented by state regulators, who are the public servants closest to those whom insurance is designed to benefit. State regulators should both set the standards and enforce compliance.
- Any option(s) adopted should include uniform standards made applicable to all states.
- Any entity created should have an equal voice with other federal financial regulators and have some level of federal accountability.

- Any entity created should be the primary U.S. contact for coordination with international insurance regulators.
- Lastly, any reform effort that includes modernization of state laws and standardization should be taken over time, to allow for correction should the markets or consumers be placed in jeopardy.

It is important to keep in mind that these principles are intended for those areas of insurance oversight deemed by the states to be appropriate for a uniform approach. We would reject those reforms that are merely a veiled attempt at undermining state authority and substituting self-regulation or no regulation for effective oversight.

Uniform Standards in Targeted Areas

We recognize and appreciate the fact that there have been, and there will remain, areas where all states cannot agree on uniform standards. Producer licensing is an example of a significant level of state achievement that still may require federal assistance. While, as mentioned, we have had great success in achieving reciprocity in non-resident licensing, the goal of uniformity in resident licensing has proven more difficult. The NAIC believes that where such a lack of uniformity imperils consumer protections, then the balance must tilt towards achieving uniformity.

State Regulators Should Set and Enforce the Standards

As discussed previously, states have the expertise and proximity to consumers necessary to form a standardized body of oversight without sacrificing consumer protections. Local markets demand local regulation, despite the globalizing economy. State regulators are also accountable to governors, state legislatures, and citizens to be effective and responsive. Uniformity for its own sake is not even a priority among the regulated, as we are continually told by many of the groups testifying here today that they favor a local approach to regulation rather than a cookie-cutter, one-size-fits-all federal one. So it is essential that if it is necessary to create or empower a regulatory entity to develop and implement reforms or uniform standards, that entity must be controlled by state regulators. Just as important, any reform proposal adopted must allow state regulators to both set and enforce compliance with the standards.

Ensuring Compliance with Uniform Standards

Any option adopted or enacted should establish standards that would apply if an individual state's laws or regulations do not comply with the uniform standards within a specified period of time. We would envision an approach whereby national standards would be established in certain areas that would take effect if states do not reach a mandated level of compliance.

The NAIC has historically believed that federal legislation is generally not needed to achieve regulatory modernization. However, we have welcomed federal legislation that would permit equal access by all state insurance regulators to the FBI's criminal database, enable sharing of confidential regulatory information and grant states equal receivership powers with the federal government.

Ensure Equivalence in Financial Sector Regulation at the Federal and Global Level

Many critics of state insurance regulation continually focus on the fact that, while two of the three major financial sectors in the U.S.—banking and securities—have one or more federal entities representing them, the insurance sector is represented by state regulators.

Although state insurance regulators interact with their federal financial regulatory counterparts and other federal entities on a regular basis, it may be advantageous for Congress to make clear that state insurance regulators occupy a standing fully equal to that of the SEC, the Federal Reserve, the OCC and other federal financial regulators. Congress may also need to clarify that state insurance regulators are functionally equivalent to insurance regulators in other nations for purposes of international negotiations and dialogues.

Maintain Sufficient Flexibility to Meet Changing Global Environments

It is imperative that any regulatory change be implemented in such a way that the United States is not disadvantaged by the weight of its own regulatory system and can change as needed. Flexibility is the key. State regulators should be armed with the discretion to make decisions based on the local market and the needs of their local consumers. A regulatory strait jacket benefits no one.

Therefore, any legislative proposal adopted should provide broad guidelines for regulators, along with measures for accountability, but not be so prescriptive as to lock in practices that will be made obsolete by global economic and regulatory events.

Implement Change Gradually

Any change(s) enacted should provide sufficient time for implementation so that any economic outcomes can be viewed from an approaching distance rather than develop abruptly. Allowing a period of time to assess outcome development will allow the course of regulation to be changed in time to avoid outcomes that later prove to be intolerable or overly onerous.

State Insurance Regulation is Working

State insurance regulators serve a vital and relevant role in overseeing and fostering a vibrant, well-functioning and competitive insurance marketplace with strong state-based consumer protections. This coordinated, national system of state-based insurance supervision continues to meet the needs of the modern financial marketplace while effectively protecting individual and commercial policyholders.

As the insurance industry has grown, the regulatory community has adapted. We have responded to this dynamic environment through increased uniformity, interstate collaboration, leveraging of technology and enhanced operational efficiencies.

So let's not throw the baby out with the bath water. I would urge Members to carefully weigh the successful state regulatory system against a new untested federal bureaucracy. A race to the bottom benefits no one, least of all insurance consumers—your constituents. Let's end that fruitless race and concentrate on continuing to streamline and modernize the state system. You have our commitment as state regulators to do just that.

Section 2: Existing State “Options” for Modernization

State insurance regulation has evolved significantly over the last several years, with many recent accomplishments aimed toward modernization. As with any regulatory system, there are still areas where improvements can be made, and state insurance regulators are committed to addressing those issues. When Congress and federal agencies need technical expertise or policy guidance on matters affecting the business of insurance or insurance consumers, they call upon state insurance regulators. State insurance regulators are also the leaders in national and international efforts to streamline and harmonize insurance regulation across borders, whether state or international.

Congressional hearings have focused on industry claims of inefficiency in the state system, though few could persuasively argue that we have not been effective given the relative stability of the broader insurance market. As we discuss options for reform of targeted areas, we must do so with an understanding of reforms already underway. If there is a criticism of our efforts, it is that implementation nationwide has been difficult, often due to local industry opposition. Therefore, any federal assistance, where appropriate, should empower the states to act collectively and consider the merits of strengthening reforms already vetted and developed by state regulators with extensive industry and consumer input. In the following sections, I address some of those areas that Congress should examine, and though I am not so naïve as to assume that this will put the debate to rest, I do implore Members of this Subcommittee to look at the facts and make your own judgments.

State Solvency Regulation Continues to Get Stronger

One criticism you do not hear in the clamor for an optional federal charter is that the states have a weak solvency regulatory system. The NAIC developed several important solvency initiatives in the 1990s, including risk-based capital (RBC) minimum capital requirements that are geared toward an insurer’s exposure to certain risks; codified statutory accounting principles and a uniform statutory annual statement (“blank”) for disclosure of financial results; and analysis and examination handbooks and procedures for state insurance regulators to ensure proper solvency assessment of insurers. These core solvency initiatives are wrapped up in the NAIC Accreditation Program to prevent a “race to the bottom” where insurers would locate in states

with weaker solvency regulations. The Accreditation Program is in force in 49 states and ensures that all jurisdictions use the same solvency standards.

The above initiatives have resulted in the NAIC's ability to host more than sixty financial tools for state regulator use, which can produce more than 100 different types of reports, to help identify potentially troubled companies at an earlier time. The NAIC hosts the largest insurance financial database in the world, providing a centralized tool for use by all states which saves states the cost and resources of having to duplicate this tool. Other tools exist to allow regulators to share important confidential information on permitted accounting practices, possible changes in control of an insurer, the status of a company in receivership and examinations that have been called, among many other important issues.

States are also not averse to taking good suggestions from the federal government, as they did in making changes to the Model Audit Rule based on the best aspects from the Sarbanes-Oxley Act, which were adopted by the NAIC membership in 2006. The amendments comprising this key rule were the culmination of a three-year collaborative effort among regulators, industry representatives and trade associations.

As noted previously, state insurance regulators are working to lower collateral requirements to allow strong foreign reinsurers better access to the U.S. market, and consider a single-state "passport" system of oversight. However, it is the domestic insurance companies that are resisting this modernization effort. They claim we are moving too fast; an irony that calls into question their dubious claims of our inability to take action quickly.

Producer Licensing

The insurance agent (or "producer") community claims that the licensing process can be improved, and we agree. The NAIC identified producer licensing as one of its key strategic issues in 2007, forming the NAIC/Industry Producer Licensing Coalition to partner with the national trade groups on our uniformity initiatives. The Coalition was well represented, with ten states and twelve trades participating, including the American Council of Life Insurers (ACLI), America's Health Insurance Plans (AHIP), the Council of Insurance Agents and Brokers (CIAB), the CPCU Society (the professional association for chartered property/casualty underwriters), the Independent Insurance Agents & Brokers of America (IIABA or the "Big I"), LIMRA (a life

insurance market and research association), the National Association of Insurance and Financial Advisors (NAIFA), the Million Dollar Round Table (MDRT), the National Association of Health Underwriters (NAHU), the Property Casualty Insurers Association of America (PCI), the Society of Finance Service Professionals and the National Association of Professional Insurance Agents (PIA).

The 1999 Gramm Leach Bliley Act (GLBA), which reaffirmed state oversight of insurance, included a provision requiring that at least 29 jurisdictions meet uniformity or reciprocity requirements by November 12, 2002 in order to avoid federal preemption by the creation of NARAB. The states exceeded that threshold, set by Congress, and now have 43 reciprocal jurisdictions. Reciprocity is a good start, but shortly after passage of GLBA, the NAIC Producer Licensing Working Group focused its attention on uniformity and the development of uniform licensing standards for implementation nationwide. The NAIC adopted Uniform Licensing Standards in December 2002, and continues to track states' progress in achieving compliance with those standards. In November 2007, the NAIC embarked upon a national on-site assessment of each state's compliance with reciprocity and uniformity standards, reaffirming compliance with GLBA and identifying areas for the states to improve. The NAIC believes that the assessment process and report provides an honest assessment of producer licensing reform efforts.

Although having 43 states meet the agent licensing reciprocity requirements in the Gramm-Leach-Bliley Act may be a laudable achievement, we fully realize that 43 states do not equal a uniform national system. The ultimate goal in this area is reciprocity *and* uniformity, and if achieving that objective requires the assistance of the federal government, consistent with the principles listed above, we are not averse to that help.

The automation of the producer licensing process through technology provided by the NAIC and its affiliate the National Insurance Producer Registry (NIPR) have dramatically altered a historically paper-intensive process. Through NIPR's non-resident licensing service, producers and companies can apply for a non-resident license in 46 jurisdictions and receive confirmation within a few business days. Similarly, the NAIC's State-Based Systems (SBS) is a web-based system provided at no cost to state insurance departments to support the full life-cycle of regulatory activities, including licensing, consumer services, enforcement, product approvals and revenue management.

While the NAIC's efforts to achieve uniformity in producer licensing have been enhanced greatly by the grassroots efforts of Coalition members, the NAIC has asked the trades on numerous occasions to outline a set of uniform, national professional standards for their constituents—to specify the professional standards they would agree to be measured by and perhaps have endorsed by each of the national trades for communication and promotion among their memberships. Each time the trades have indicated that they believe their respective codes of conduct are appropriate in their current form, and that they see no benefit, value or need to develop a common set of professional standards. They state that they would prefer instead a few key fixes, including reciprocity in all states and “streamlining” (which the NAIC interprets as “elimination”) of business entity licensing.

We are providing this extensive detail on our efforts as a demonstration of our commitment and accomplishments in modernizing insurance oversight directly. It is exactly this type of effort that will be derailed if federal reform options are pushed on the states without consideration for the structures already in place. As you can see, there are systems and technologies in place now, at no cost to the federal government, which greatly improve the efficiency of the state system. If there is a criticism of those efforts, it is that not all jurisdictions take advantage of these programs, so we ask Members of Congress to work with us to identify the reasons for that and focus on ways to modernize without a new federal agency.

Interstate Compact

The interstate compact is a significant reform option developed by state regulators and the NAIC. The compact addresses the life insurance industry's call for a central point of filing and product approval, while maintaining state market conduct enforcement. You will hear more about the compact from its executive director, Fran Arricale, but I can tell you that enabling legislation is pending in New York and it is something we are seriously considering.

A New Regulatory Framework for Reinsurance

The NAIC is actively developing a new regulatory framework for the supervision of reinsurance. We recognize that reinsurance is a business to business market that is global and sophisticated. Our goal is a single point of entry for U.S. and non-U.S reinsurers. The focus of the new framework would be on broad-based risk and credit criteria, and not solely on U.S. licensure

status. The proposal calls for creating a new division within the NAIC to serve as the foundation for a risk-based evaluation of reinsurers. The evaluation would cover such key factors as financial strength, operating integrity, business operations, claims-paying history and management expertise. The NAIC's Reinsurance Task Force is developing recommendations regarding the structural changes necessary to carry out the recommended shift in the overall framework of U.S. reinsurance regulation. We would happy to provide an update to Congress on the Task Force's progress.

Company Licensing

The states have made great strides in streamlining company licensing, and that progress was recently put to the test. The NAIC's Uniform Certificate of Authority Application (UCAA) process has transformed the manner in which companies file for admission in multiple states by providing a uniform format. The NAIC has further simplified the process by making the necessary applications and forms available on its website and by publishing the UCAA Manual, which contains instructions and examples of completed forms. All fifty states plus D.C. accept the UCAA forms in hard copy, and 45 states can accept them electronically.

The recent bond insurance crisis, in which the New York Insurance Department took a leading role, demonstrates the success of this program. In short order, 48 states have reviewed and approved Berkshire Hathaway Assurance Corporation's application for licensure as a bond insurer.

Let me explain just how quickly that happened. I asked Berkshire to apply for a New York license on or about November 15. The company filed with New York on November 30 and had a New York license on December 30. As of today, only four and a half months after Berkshire first filed with us and about three months after we asked the NAIC to expedite the process, Berkshire is licensed in 48 states. That is remarkable.

Processing Rate and Form Approvals

Foremost among the arguments for an optional federal charter has been the purported slowness by state regulators in processing rate and form approvals. The facts just don't bear that out. In fact, they show the exact opposite. State regulators have greatly increased market efficiencies while maintaining consumer protections. All fifty states are currently using our electronic rate and form

filing system, SERFF, along with the District of Columbia and Puerto Rico, along with nearly 3,000 companies. Several states have mandated its use. In 2007, SERFF received 381,377 filings, an increase of 41% over 2006 filings. And little wonder—a SERFF filing can be submitted for as little as \$6 and offer companies significant cost savings by reducing or eliminating long distance telephone charges, copying, postage and other related expenses.

Analysis of Insurer Owned Investments

For over 100 years, the NAIC Securities Valuation Office (SVO), headquartered in New York City, has served the national regulatory community as an independent source of investment expertise. SVO is staffed with financial analysts, (many of whom have advanced degrees and/or CFA distinctions), economists, researchers, lawyers, appraisers, accountants and regulatory liaisons. They provide analytical tools and products to ensure that state insurance regulators have access to unbiased information about investment risks and their potential impact on insurers. Funded by fees assessed on insurance company investors, the SVO is comparable to a smaller scale nationally recognized statistical rating organization.

SVO research staff monitors economic developments, performance of specific securities or asset classes and innovations in the financial markets. With this monitoring they can alert regulators of the potential implications for insurance companies. The SVO credit units continually assess the credit risk associated with unrated securities, which serves as the basis for calculation of regulatory capital needed to support those investments. SVO valuation services are available to insurance departments upon special request and to insurers on an ongoing basis. The SVO Portfolio Analysis Memorandum analyzes the content of an insurer's investment portfolio, providing regulators with a valuable examination planning tool. These tools and information help regulators understand the investment marketplace and its impact on insurers.

Analyzing a Principles-Based Reserving Approach

New York is at the forefront of state insurance regulators who are leading the discussion on a valuation approach that is called principles-based, but is in fact based on an individual company's actual experience to set reserves rather than being forced to use formulas that may be totally unrelated to that experience. This discussion is consistent with efforts underway by our foreign colleagues. Financial regulation of the life insurance industry has traditionally relied upon the use of prescribed mortality tables, interest rates and application of the Standards Valuation Law, a formula-based approach, to verify that life insurers have established adequate reserves. The goal

of an experience-based approach is to more accurately allocate capital to reserves and surplus based upon specific risks and the experience of each individual insurer. The NAIC has created the Principles-Based Working Group, reporting directly to the NAIC Executive Committee, because the organization believes this is an important strategic issue for state insurance regulators and the insurance industry.

Efforts to Streamline Market Regulation

State insurance regulators continue our efforts to improve efficiencies in key functions of market analysis, uniformity and collaboration. We are working together to enhance the utility and automation of uniform questions used by market analysts to analyze specific companies. Twenty-four states are currently participating in the Market Conduct Annual Statement process, an initiative designed to improve the collection of information for certain key market performance issues and thereby eliminate multiple requests to insurers for the same information.

State insurance regulators have coordinated multi-state regulatory efforts through the Market Analysis Working Group. Those efforts culminated in a multi-state settlement with insurance regulators from 48 jurisdictions regarding inappropriate life insurance sales to members of the Armed Forces.

U.S. Insurance Regulation Promotes Global Competitiveness

Another favorite theme of OFC proponents is that state insurance regulation somehow impedes global competitiveness. Here are the facts:

- The United States has the largest and most competitive insurance market in the world.
- U.S. consumer, solvency and transparency standards are a model for developing markets.
- The NAIC is leading efforts to develop international standards of insurance regulation.
- State insurance regulators regularly collaborate with the federal government on issues of global financial stability and market access.
- The NAIC engages consistently with its foreign regulatory counterparts to develop international regulatory standards and promote sound U.S. regulatory standards.
- The NAIC aids in establishing sound regulatory regimes in developing countries that ensure stable, open and competitive insurance markets for U.S. companies.

The NAIC holds key leadership positions in major international bodies of financial regulators, such as the International Association of Insurance Supervisors (IAIS), which represents insurance regulators worldwide. The NAIC is leading the effort with regulators from around the world to create global standards and to minimize differences in fundamental areas of insurance regulation.

The NAIC contributes actively to the work of the Joint Forum, where banking, securities and insurance supervisors tackle cross-sectoral regulatory issues, and the Financial Stability Forum, where finance ministers from the world's largest economies address financial sector developments that could threaten global economic stability.

The NAIC serves as a technical expert for federal agencies—such as the U.S. Trade Representative and the Departments of Treasury and Commerce—in developing financial policy and pursuing U.S. trade objectives, including implementation of the North American Free Trade Agreement (NAFTA) and the General Agreement on Trade in Services (GATS).

Since 1999, the U.S. has held semiannual NAIC-EU Regulatory Dialogues to address issues affecting transatlantic insurance, leading to negotiation of an MOU on information exchange and discussions on supervision of reinsurance, critical for spreading insurance risk around the world. Similar exchanges have taken place with Japan, India, Brazil, Russia, Switzerland, Latin America and China—from which the NAIC's leadership team is just returning after concluding meetings with Chinese regulatory officials.

There is no denying that domestic insurance companies will need to increasingly compete with foreign companies for the business of U.S. consumers. While some foreign companies may avoid effective U.S. state oversight, we would note that the tax code is a far more compelling reason to remain “offshore” than any compliance inefficiencies that may exist among the states. State insurance regulators have no interest in trading proven effectiveness for minimal gains in efficiency, and lowering the quality of oversight in an attempt to attract more companies is exactly the kind of race to the bottom that your constituents cannot afford.

State Insurance Regulator Involvement at the Federal Level

Another baseless claim is that state insurance regulators don't have a “seat at the table” comparable to that of their federal banking and securities counterparts. In fact, state insurance

regulators interact with their federal financial regulatory counterparts and other federal entities on a regular basis.

The NAIC is a member of the Financial and Banking Information Infrastructure Committee (FBIIC), which reports to the Department of Homeland Security and the Office of Cyberspace Security. FBIIC is charged with coordinating efforts across the financial services sector to improve the security and reliability of the infrastructure necessary for financial markets to function. The NAIC also actively participates in meetings of the Financial Stability Forum (FSF), representing the U.S. and international insurance sectors in meetings with banking and securities regulators from the world's largest economies and those sectors' representative bodies.

The NAIC is a member of the U.S. Department of Treasury's newly formed National Financial Education Network, composed of federal, state and local government organizations for the purpose of advancing financial education for consumers. The Treasury Department selected the NAIC to participate after reviewing the NAIC's premier consumer outreach campaign *Insure U* (www.insureuonline.org) and its "virtual" curriculum based around specific life stages.

State insurance regulators have entered into MOUs with a number of federal agencies to facilitate information sharing. The NAIC is working with the Centers for Medicare and Medicaid Services (CMS), and recently drafted an MOU for states to share complaint information regarding health insurance plans and producers. The NAIC has worked with the U.S. Department of Health and Human Services, CMS and Congressional staff on a variety of issues raised by states as they create long-term care partnership programs. We have also provided testimony and other technical assistance to address Medicare prescription drug implementation issues identified by state insurance regulators in working with consumers and companies during the roll-out period.

The NAIC and its members have been working closely with the U.S. Department of Defense to facilitate information sharing and to protect military personnel and their families from improper sales of insurance and investment products on military bases.

These efforts are all important but it is clear that all regulators, state and federal, need to actively coordinate to develop a holistic, systemic view of the financial sector. The U.S. Department of the Treasury has put forward a proposal with that in mind. While we disagree with its call for an optional federal charter, we do agree that better coordination is necessary. State insurance

regulators have the expertise and the information necessary to offer federal officials a view into our segment of the financial sector so that broad-based economic decisions are not made in isolation.

Conclusion

Insurance oversight in the U.S. is strong and it continues to evolve. States have made great strides in developing tools that can be leveraged to realize the efficiencies necessary for a competitive environment, while preserving states' front-line strength of consumer protection. Congress should look past the rhetoric of a "patchwork system" to see that it is far more efficient and coordinated than proponents of an optional federal charter would have you believe.

However, there may be areas where federal assistance is necessary to realize the objectives and principles we have put forward today. We are working actively to consider specific, structural models for the best way to realize these principles, and we ask for your help in maintaining a system of oversight that is good for companies and good for consumers.

Thank you for the opportunity to testify, and I would be happy to answer your questions.