

April 12, 2007

Tom Donohue
Chief Executive Officer
U.S. Chamber of Commerce
1615 H Street, NW
Washington, DC 20062-2000

Dear Mr. Donohue:

As leaders of the National Conference of Insurance Legislators (NCOIL), we write today to commend the Chamber of Commerce for its defense of the McCarran-Ferguson Act limited antitrust exemption. As an organization of legislators whose primary purpose is sound insurance public policy, we believe that the McCarran-Ferguson Act has fostered strong insurance oversight and agree with the Chamber that McCarran is critical in promoting competition and that repealing the exemption would result in a confusing and contradictory regulatory climate.

Because we believe that NCOIL and the Chamber share a common goal—that of a competitive and thriving marketplace that serves businesses and consumers alike—we were disheartened to hear recent reports that the Chamber of Commerce is likely to support an optional federal insurance charter (OFC), and would like to share with you our concerns regarding an OFC.

Creation of an OFC would result in exactly what your March 23 letter to Congress posed as the disturbing outcome of McCarran repeal, that of “a multilayered morass of state and federal insurance rules,” promoting “confusion and uncertainty.” An OFC would bifurcate insurance regulation and cause more harm than good to the industry and the clients that it serves.

NCOIL believes an OFC would ultimately impose the costs of a needless federal bureaucracy upon businesses and the public. Though NCOIL understands that participating insurers are slated to cover expenses, estimated in millions of dollars, to establish the OFC, reason dictates that the actual costs may be above and beyond what most foresee. Businesses, both large and small, and individuals will end up paying for the additional costs created by the dual systems.

Higher business taxes are likely if state premium tax revenue is raided to support the yet-to-be determined costs of a new regime. An OFC would also compromise state guaranty fund coverage, and employers could end up absorbing losses otherwise covered by these safety nets for businesses affected by insolvencies.

A larger cost—though not in dollars and cents—is that an OFC would nullify critical state-initiated consumer safeguards, and deny important consumer access and recourse in problem times. As both legislatures and the businesses they regulate are committed to consumer satisfaction, this could be the highest price to pay.

We are concerned that the Chamber of Commerce—an organization that for so many years has worked to represent businesses and fight against increased regulation—would now advocate for more government,

which is the direct result of the dual, regulatory systems. We would think that the Chamber of Commerce would agree that the last thing business needs is more unnecessary and costly regulation.

We welcome discussing this with you in further depth. Please feel free to contact the NCOIL National Office at 518-687-0178.

NCOIL is an organization of state legislators whose main public policy interest is insurance legislation and regulation. Many legislators active in NCOIL either chair or are members of the committee responsible for insurance regulation in their respective state houses across the US.

Sincerely,



Sen. Alan Sanborn (MI)
NCOIL President
*Chairman of Michigan Senate Committee on
Economic Development and Regulatory Reform*



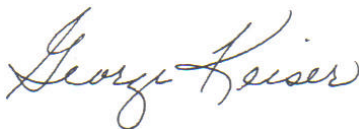
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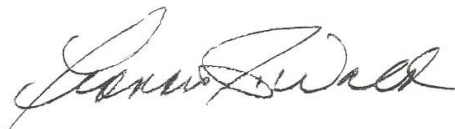
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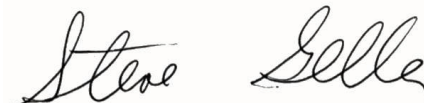
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