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Sent by electronic mail transmission only

September 2, 2004

The Honorable Joel Ario, Administrator,
Oregon Division of Insurance
350 Winter Street, NE, Room 200,
Salem, OR 97310-0700

Re: Amended NCOIL Market Conduct Surveillance Model Law

Dear Administrator Ario:

The National Association of Mutual Insurance Companies (NAMIC) and its more than 1,350 member companies would like to offer the following comments on the above-captioned proposed NCOIL model law as it now comes before the NAIC Executive Committee and Plenary Session for discussion and possible final action.

While most of the attention up to now has focused on revising the NCOIL model, little, if any, consideration has been paid to reconciling the NCOIL model with the NAIC Model Law on Examinations, a model enacted in all states as part of the NAIC financial accreditation standards program.

A preliminary review by NAMIC suggests the language in NAIC model is incongruent with the NCOIL model, in that the NAIC model language, in effect, provides regulators with unfettered discretion to conduct market conduct examinations of insurers anytime and at any cost. NAMIC believes this is not the intention of the NCOIL model, nor does it appear to be the direction the NAIC Market Regulation and Consumer Affairs (D) Committee has proposed in its discussions on developing a new market conduct paradigm emphasizing market analysis and targeted market conduct examinations over more comprehensive examinations.

For this reason, NAMIC urges the NAIC to delay taking any action on the NCOIL model until it has had an opportunity to review and rectify the inconsistencies between the two models. NAMIC believes this is a prudent step to take before the NCOIL model possibly is considered in state legislatures next year. NAMIC is prepared to offer language to the NAIC showing how the NAIC model can be reconciled with the NCOIL model.

Thank you for the opportunity to offer these comments. We look forward to continuing to work with the NAIC on this important regulatory issue.

Sincerely,

A handwritten signature in black ink that reads "David Reddick". The signature is written in a cursive style and is positioned to the left of a vertical line.

David Reddick
State Affairs Manager

cc: Senator Stephen Geller, NCOIL President
Senator James Seward, NCOIL State-Federal Relations Committee
Tim Tucker, NCOIL staff
Tim Mullen, NAIC staff