NAMIC®
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

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October 30, 2008

The Honorable Henry M. Paulson, Jr.
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Paulson:

I am writing today on behalf of the National Association of Mutual Insurance Companies (NAMIC) to express the association's opposition to the potential inclusion of property/casualty insurance companies in the Capital Purchase Program (CPP). NAMIC represents 1,400 member companies that underwrite more than 40 percent of the property/casualty insurance market. NAMIC mutual company members are solely responsible to their policyholders.

A survey of NAMIC members conducted Oct. 26-28 shows that an overwhelming majority of member companies have no interest in and no need for a direct capital infusion from the U.S. government. In addition, more than half of the top executives responding to the survey believe their companies could be at a competitive disadvantage if some insurers are successful in obtaining government assistance.

Further, the majority of respondents are projecting that the decline in their companies' surplus will be less than the industry-wide estimates of 10 to 17 percent at year-end. The survey shows that fewer than one in seven respondents believe that policyholders are concerned about their mutual property/casualty insurance company's solvency. However, if other insurers are infused with federal dollars, nearly two-thirds expect those policyholder concerns to increase.

Presumably, a primary objective of any program that involves direct capital investment from Treasury would be to improve consumer confidence. Our members believe this objective would not be met, and indeed may be undermined, by such an action.

Like other sectors of the economy, insurers have suffered investment losses; however, NAMIC members remain financially strong and resilient even under current economic conditions, and are fully capable of fulfilling their promises to policyholders.

It is worth noting that the strength of the property/casualty industry is primarily the result of two factors: prudent management and the state-based regulatory systems under which

these companies operate. These systems include strict solvency requirements that effectively protect their assets and, ultimately, their policyholders.

Some contend that the current problems in the financial services sector could be partially alleviated by creating an Optional Federal Charter (OFC) for the insurance industry. NAMIC does not support an OFC for property/casualty insurers and believes that an objective review of the current dynamics can only conclude that the state-based system of solvency regulation has performed admirably in comparison to its federal counterparts in the banking and securities sectors.

In fact, creating an alternate federal regulatory scheme for insurers as a policy response to the current crisis would dismantle the one area of financial services regulation that has proven effective. Clearly, there are areas of financial services that need further regulatory scrutiny. However, vast new federal regulatory requirements for insurers would not solve the problems that led to the situation today.

NAMIC urges Treasury to exclude property/casualty insurance companies from any program that would provide direct capital assistance to insurers, and to leave our solvent and effectively regulated segment of the financial services industry out of any new federal regulatory requirements.

We stand ready to work with you to develop public policy alternatives that create solutions to the challenges facing the American economy.

Sincerely,

Charles M. Chamness
President and CEO