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April 18, 2010

The Honorable Christine O. Gregoire
Governor of Washington
P.O. Box 40002
Olympia, Washington, 98504-0002

Sent via facsimile to:
360.753.4110

RE: NAMIC's Request to Governor Gregoire to veto Sections 803 and 937 of ESSB 6444

Dear Governor Gregoire:

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit a veto request letter to you for your consideration as you evaluate the legal and public policy implications of Sections 803 and 937 of ESSB 6444.

NAMIC is a full-service national trade association with more than 1,400 member companies that underwrite approximately 43 percent (\$196 billion) of the property & casualty insurance premium in the United States. NAMIC membership includes four of the seven largest property/casualty insurance carriers in the nation, and every size regional, national and state specific property & casualty insurer, including hundreds of farm mutual insurance companies. NAMIC has 110 member insurance carriers doing business in the state of Washington, who write approximately 31% of the property/casualty insurance business in the state.

On behalf of NAMIC's members, I respectfully request that you veto Sections 803 and 937 of SB 6444 include language that would "sweep" \$10 million from the Regulatory Account of the Office of Insurance Commissioner (OIC) into the state General Fund.

NAMIC's members are concerned that the proposed transfer of OIC regulatory account funds collected from insurance companies through assessments and premium taxes, which pay for the administrative operations of the OIC, is inconsistent with current state law, detrimental to the operation of the OIC, and potentially harmful to the insurance market.

Although we appreciate the thoughtful efforts of the Washington Legislature to create a balanced supplemental budget, NAMIC is concerned that transferring a significant portion of the Commissioner's regulatory account to the General Fund is problematic for the following reasons:

- **The proposed transfer could lead to higher insurance costs for consumers** – The proposed "sweep" could create new economic burdens for insurers and their policyholders as a result of the OIC being potentially placed in a financial position of having to procure additional funds directly from insurers in order to pay for their routine regulatory operations. Increased regulatory assessments from insurers will lead to higher over-head costs and expenses for insurance companies, which will ultimately lead to higher insurance premiums paid by policyholders.

- **The proposed “sweep” could expose Washington domestic insurance companies to “retaliatory insurance taxes” for business conducted outside of Washington State borders** - If the State of Washington transfers OIC funds to the General Fund necessitating higher OIC surcharges on insurers, other states will have the right to assess “retaliatory insurance taxes” on these Washington Domestic companies for business conducted in their state. This could adversely impact the competitive nature of Washington Domestic companies in other states, which could hamper Washington Domestic companies in their efforts to “grow their company” and expand their business in surrounding states.
- **The proposed transfer of OIC funds could hinder the OIC in its efforts to provide thorough, timely, and effective regulatory oversight of the insurance industry** - Current OIC funding is used to pay the cost of approving new insurance products and insurance product rate changes; providing insurance consumer education and protection services; examining insurers to ensure their financial solvency; prosecute insurance fraud; and enforcing state insurance laws and regulations.

For the aforementioned reasons, NAMIC respectfully requests that you **Veto Sections 803 and 937 of ESSB 6444**.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you have any questions about NAMIC’s Veto Request Letter.

Respectfully,

Christian John Rataj, Esq.
NAMIC Western State Affairs Manager