To: Financial Condition (E) Committee Chair: Joseph Torti III, Superintendent, Rhode Island Department of Business Regulation, Division of Insurance, Vice Chair: Eric A. Cioppa, Superintendent, Maine Department of Professional & Financial Regulation Bureau of Insurance, and the Chair of the Receivership and Insolvency (E) Task Force (RITF)

Date: January 26, 2015

RE: Request for Comments on Paper Titled “Receivers’ Expectations for Guaranty Fund/Association (“SGA”) Dues and Expenses”

The goals of these comments will not be to persuade for the adoption of the paper titled “Receivers’ Expectations for Guaranty Fund/Association (“SGA”) Dues and Expenses,” but, rather, will be to inform those considering these matters.

The national state-based systems for handling insolvent insurers have developed over decades to work remarkably well. In these decades the US economy has gone through depressions and recessions that have severely tested these systems. Those involved with the national state-based systems have learned from these testing times and any mistakes made over these decades and have improved these systems based on what has been learned.

As the international regulation of insurance shifts, to some degree, from nation-states to international treaty based organizations (see, https://www.ted.com/talks/paddy_ashdown_the_global_power_shift and https://www.ted.com/playlists/73/the_global_power_shift) the history of how the receivership community (the state departments, deputy receivers, SGAs and national SGA organizations that deal with the receiverships and resolutions of insurers) has managed to deal with organizations that cross many jurisdictions, could provide some ideas of how to deal with these more global shifts.

An observer looking only at what is covered in this SGA Expenses paper could possibly erroneously conclude that these systems are not working well or that there is a large scale problem with these expenses. The fixed costs of the SGAs, their membership dues for the applicable national organizations to which they belong, and their travel costs are matters that have been dealt with by the supervising courts of individual receiverships, by the individual SGAs and in those cases where the number of receiverships to which SGA costs may be allocated are too few, by these entities and the state departments involved with these receiverships. It may be useful to point out in a Receiver’s Handbook that there are fixed costs, membership dues for the applicable national organizations, and their travel costs of SGAs that need to be transparent so that those needing to deal with these have the information needed to do so, but it may not be the place to relay, “To minimize the need for an audit [of SGA expense] classifications, detail [SGAs should do the following].” I plan to submit more but this will have to do for now.

Respectfully submitted,
/s/
Douglas A. Hartz