



Wayne Mehlman

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David Vacca, CPA
Senior Financial Analysis and Receivership Manager
NAIC Financial Regulatory Services Division
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Dear Mr. Vacca:

We are writing in response to the Restructuring Mechanisms for Troubled Companies (E) Subgroup's request for comments relating to its study of restructuring mechanisms for troubled insurance companies. The American Council of Life Insurers (ACLI) is the primary trade association of the life insurance industry, representing 353 member companies that account for 93 percent of the industry's total assets in the United States.

Rather than addressing each of the specific questions in your Call for Comments, we would like to provide a summary of our position with respect to restructuring mechanisms. The ACLI generally supports the existing state-based receivership system with regard to impaired and insolvent life insurance companies. Restructuring mechanisms or "schemes of arrangements" for both solvent and insolvent companies fall outside the purview of this longstanding and widely-accepted receivership system and could jeopardize important protections, both substantive and procedural, provided to various interested parties by the current receivership system.

With regard to insolvent schemes of arrangements, our primary concern is that these schemes generally do not adhere to statutory priority of distribution rules. As a result, certain stakeholders, particularly policyholders, may not receive the protections required (or allowed for) under current receivership and guaranty association laws. These new arrangements should not allow for the circumvention of current distribution rules, so that one class of claimants benefits at the expense of another class.

As to solvent schemes of arrangements, our main concern is that these schemes allow for the reduction or cancellation of contractual obligations outside the scope of the current receivership system which is designed for impaired and insolvent companies. Under such a scheme, solvent companies can force certain policyholders to commute (or buy-back) mutually agreed-upon insurance coverage despite their objections. Healthy insurers should not be permitted to take such steps, and troubled companies should be subjected to the normal receivership processes before they are allowed to do so.

State receivership laws have been in place (in one form or another) in this country for decades, and should be respected. Therefore, we urge that any and all proposed restructuring mechanisms be fully studied and analyzed in order to determine its potential negative effects on all classes of claimants.

Thank you for the opportunity to comment on this important matter, and we look forward to working with the NAIC on this issue. If you have any questions, please contact me at (202) 624-2135 or waynemehlman@acfi.com.

Sincerely,

A handwritten signature in black ink that reads "Wayne A. Mehlman". The signature is written in a cursive, flowing style.

Wayne A. Mehlman
Counsel, Insurance Regulation

cc: Members of the Restructuring Mechanisms for Troubled Companies (E) Subgroup
Catherine J. Weatherford, NAIC Executive Vice President / CEO