June 27, 2013

Dr. Andreas Dombret
Member of the Executive Board of Deutsche Bundesbank and
Chair of the FSB Peer Review of the United States
Wilhelm-Epstein-Straße 14
60431 Frankfurt am Main
Germany

Dear Dr. Dombret:

We appreciate the opportunity to provide feedback to the Financial Stability Board on its "Peer Review of the United States." The report acknowledges that the US insurance supervisory system is effective at providing policyholder protection and ensuring the solvency of individual insurance companies. We can think of no more important and fundamental responsibilities for insurance regulators than policyholder protection and a solvent industry, so we're pleased to see agreement on these critical and primary objectives and recognition that our system meets this cornerstone responsibility.

The draft report suggests that "significant additional work is required to adequately address the FSAP recommendations…", however, US insurance regulation was found to observe or largely observe 25 of the 28 Insurance Core Principles (ICP) and has made progress on the FSAP recommendations even as some of the ICPs are being revised, so we think this characterization is misleading and would suggest modifying this statement to better reflect the overall high degree of consistency with IAIS standards.

The report cites a lack of systemic focus, however insurance is within the purview of the US Financial Stability Oversight Council. This is one of the only statutorily empowered bodies in the world with the authority to mitigate systemic risk, so we fail to see how the insurance sector is not accounted for as part of a systemic focus. In terms of our sector, we are also looking at what activities insurers engage in, if any, that could contribute to systemic risk, and the NAIC has formed a high-level task force for this purpose to address any additional regulatory steps in parallel with FSOC's activities. The states have broad authority to ensure solvency even in adverse situations, proven receivership systems to provide for an orderly resolution of insurers, and what the IMF described as "world leading" data analysis capability to assess market trends, all of which contributes to financial stability and complements FSOC's efforts.

The report cites a lack of group wide supervision, however the states are actively implementing legislation and new regulatory ERM tools to provide a more holistic view of risks posed group wide. The states have also conducted or have scheduled supervisory colleges on virtually every US insurance group that meets the current IAIS definition of an internationally active insurance group (IAIG). All 320 US insurance groups have a single lead supervisor with coordinating responsibilities, but the states will not abdicate their responsibility to policyholders and empower a preemptive group regulator. We recognize that for financial products or services where capital may need to be moved more easily among affiliates, a more consolidated approach has certain appeal, but in the US we focus on preserving assets to pay policyholder claims within insurance affiliates, so a preemptive consolidated regulator adds little value and could in fact be detrimental to that goal. As an example, had such power been granted to the Office of Thrift Supervision (OTS) (AIG's federal consolidated regulator) as AIG was failing, OTS could have raided the healthy insurance assets to settle the gambling debts of its parent company and financial products unit. This example illustrates the importance of ring fencing insurer's assets necessary to honor policyholder promises.

There is a general theme throughout the report that is critical of the decentralized nature of insurance regulation in the US, citing a lack of uniformity. In the United States we have a more decentralized government than exists in many other parts of the world, and our regulatory system is a reflection of that. Individual sovereign states by definition are unlikely to be perfectly uniform (the U.S. Congress was no doubt aware of this when continuing to delegate this authority to the states), but over time we have worked to make our system as consistent and efficient as possible, to minimize costs ultimately borne by consumers without compromising the strengths of our system. All regulation is a balance of cost and benefit. This report focuses almost exclusively on the perceived cost of having a state-based system, but spends no time examining the benefits of this approach. Our multiple sets of eyes, our checks and balances, our ability to act more quickly and in closer proximity to consumers, are not just hyperbole or a matter of opinion. These aspects provide tangible benefit for consumers and our track record speaks for itself - our industry is competitive, profitable, and solvent, and consumers benefit from choice, security, and a local regulatory response that is second to none. The more centralized nature of other financial regulatory approaches in this country and abroad were no guaranty of better results and the financial crisis was a dramatic illustration of this fact. The draft report fails to provide a factual basis for justifying a transfer of power from the states to the federal government, and beyond the vague notion of uniformity for uniformity's sake, does not identify a clear problem that such a transfer would solve. We would encourage the FSB to focus more on regulatory outcomes, as the IMF FSAP and the IAIS standards do, and less on promoting different governmental structures as a proxy for better regulation. If US state based insurance regulation is judged on the outcomes we provide for policyholders and the industry and not on opinions regarding its structure, we are confident that the strength and effectiveness of our system is easily confirmed and readily apparent.

Lastly, we recognize that the FSAP recommends we consider changes to the commissioner selection process, but as we have indicated, we respectfully disagree with this recommendation as it seems largely subjective. As is the case at the federal level, there are different leadership structures and appointment processes for financial regulators, but we are unaware of any analysis or data that suggests the selection process, at least with respect to state regulation, is relevant to regulatory effectiveness.

We appreciate the opportunity to comment and will commit to examining the opinions and recommendations of the FSB to determine what if any changes to our proven system are necessary.

Respectfully,

<table>
<tr><td>Commissioner James J. Donelon
NAIC President and Louisiana
Insurance Commissioner</td><td>The Honorable Ben Nelson
Chief Executive Officer, NAIC</td></tr>
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cc: Secretary Jack Lew, U.S. Department of the Treasury, US FSB Steering Committee member
Governor Daniel Tarullo, Board of Governors of the Federal Reserve, US FSB Steering Committee member
Commissioner Elisse Walter, Securities and Exchange Commission, US FSB Steering Committee member