

February 25, 2016

The Hon. Lynn Westmoreland
U.S. House of Representatives
2202 Rayburn House Office Building
Washington, DC 20515

The Hon. David Scott
U.S. House of Representatives
225 Cannon House Office Building
Washington, DC 20515

Dear Representatives Westmoreland and Scott:

We write on behalf of the National Association of Insurance Commissioners (NAIC) to express our support for your legislation, H.R. 4248, the FSOC Designation Review Act.

State insurance regulators have long been troubled by the lack of transparency with the Financial Stability Oversight Council's (FSOC) operations, process, and reasoning for its nonbank designation decisions. FSOC's opaque process and failure to provide regulators and companies sufficient clarity on the specific activities that lead to a designation undermine its fundamental mission to mitigate risks to the financial system. Without this information, regulators cannot fully understand FSOC's concerns regarding the nature of the risks the firm poses or take appropriate action to reduce such risks. The goal of FSOC should not be simply to capture certain large firms and subject them to additional regulation, but rather to take meaningful and appropriate steps to mitigate the likelihood that failure of those firms jeopardizes the stability of the U.S. financial system.

Of particular concern to state insurance regulators is the lack of transparency and process associated with the FSOC's annual review of designated firms. An explicit de-designation process should be a critical and necessary component of FSOC's operations. Such a process should clearly identify specific concerns that a regulator or the designated company should be seeking to address. It should also provide an opportunity for companies to present plans to de-risk and receive feedback as to whether such changes would sufficiently mitigate the threat that the FSOC believes the firm potentially poses to U.S. financial stability.

Your proposed reforms to the FSOC's designation review process address several of our concerns and represent a positive step forward in improving FSOC's operations, procedures, communication, and transparency. Your legislation requires written analyses of specific elements of the company's exposures or activities relevant to the designation. Companies under review will also have the opportunity to submit written materials to the Council such as a plan to obtain rescission of the determination and receive specific feedback from the FSOC regarding such plan including the opportunity to resubmit it. We are also very supportive of your requirement that the Council give special consideration to the views of the primary financial regulatory agency for nonbank financial companies. This is especially

important in the case of insurance companies as the company's primary state insurance regulator may not necessarily be a member of FSOC and, even if it were, would not have a vote on the Council.

We thank you for your leadership on this issue and we look forward to continuing to work with you as you move forward with your legislation.

Sincerely,



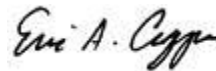
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State of Maine, Department of Professional and
Financial Regulation, Bureau of Insurance



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