



National Association of Insurance Commissioners

February 27, 2009

VIA E-MAIL

Mr. Thomas C. Baxter, Jr.
General Counsel & Executive Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045-0001

Dear Mr. Baxter,

On behalf of the National Association of Insurance Commissioners, I would like to thank you and your staff for taking the time to meet with State insurance commissioners, directors and superintendents, and their staffs, by conference call on Wednesday, February 25. We value the candor and cooperation that have characterized our dialogue with the Federal Reserve Bank of New York ("FRBNY") during our collective response to matters affecting AIG.

I am writing specifically to comment on the letter dated February 20, 2009 from Ms. Sarah Dahlgren, FRBNY Senior Vice President, to each of the 20 State insurance commissioners with primary regulatory oversight of the AIG insurance companies and to clarify the discussion from our conference call. We appreciate your willingness to explain the internal processes leading to the drafting of the letter as well as your efforts to alleviate some of our concerns about the letter's content and tone.

As you are aware, State insurance regulators are concerned about the potential implications of the letter's broad assertions related to State insurance regulation and the Supremacy Clause. As a result of our conference call, we have a better understanding of the FRBNY's interest in protecting the AIG Credit Facility Trust from State oversight. While we understand your position that the Trust is an instrumentality of the United States exempt from State law, we also understand that the FRBNY acknowledges that any insurance entities owned by the Trust, directly or indirectly, remain subject to State insurance regulation. Similarly, State insurance regulators view questions of State laws applied to the Trust *itself* and of State laws applied to an insurer *owned by* the Trust as separate and distinct issues.

As State insurance regulators, we have an acute interest in ensuring that State insurance laws are not subject to improper federal preemption and that the nation's consumers and the AIG insurance companies continue to receive the benefits of the protections provided by State law. Under the McCarran-Ferguson Act, 15 U.S.C. § 1011 et seq., State laws regulating the business of insurance are not subject to federal preemption unless Congress specifically legislates otherwise. Because of the unique circumstances involving the AIG companies, we worked with the FRBNY to design a process to expedite any necessary regulatory approvals and to grant exemptions from formal regulatory processes where allowed by law and as appropriate. It nonetheless remains our position that State insurance holding company laws will continue to apply to direct or indirect changes of control and material affiliate transactions involving an AIG insurance company.

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This letter is not intended to affect our collective commitment to work with the FRBNY to expedite State regulatory processes as necessary and appropriate. State insurance regulators wish only to make clear our position that State insurance laws continue to apply to the AIG insurance companies. State insurance regulators believe we share a common interest in maintaining the vitality of the AIG licensed insurers, and effective State insurance regulation provides the means to achieve this.

If you have any questions or comments concerning this matter, we will be happy to continue our dialogue. Again, we appreciate your candor and cooperation in this challenging time.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'RAS', with a stylized flourish extending from the end.

Roger A. Sevigny
President