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February 29, 2012

Insurance and Real Estate Committee
Connecticut General Assembly
Room 2800, Legislative Office Building
Hartford, CT 06106

Dear Members of the Insurance and Real Estate Committee:

On behalf of the Navy Mutual Aid Association, I am writing to urge your support of H.B. No. 5229. I am the President of Navy Mutual and a retired Rear Admiral of the U.S. Navy. During my naval career, I was privileged to serve a tour of duty at the Groton, Connecticut submarine base. After leaving the Navy I came directly to Navy Mutual as its President, and have served here for approximately seven years.

Navy Mutual has a long and honorable history of providing outstanding benefits to members of the Navy, Marine Corps, Coast Guard, U.S. Public Health Service and National Oceanic and Atmospheric Administration, to which we refer collectively as the "Sea Services." Navy Mutual's Mission has remained essentially unchanged since its formation in 1879. We offer high-quality, low cost life insurance to members of the Sea Services and their immediate families. We also support our Members' loved ones with personalized beneficiary services, present benefits educational sessions on Department of Defense bases nationwide at the request of the base commanders, and represent veterans before the Veterans Administration as the nation's oldest Congressionally-chartered Veteran Service Organization.

Since its inception, Navy Mutual has never been required to be licensed by any state. When inquiries occasionally came in from the state insurance departments, Navy Mutual's leadership presumed that our association fell within a provision in the Model Fraternal Code that exempts from regulation fraternal benefit societies whose members are engaged in one or more hazardous occupations. It has become apparent in recent years that not all state insurance departments agree with that view. We are, therefore, voluntarily coming forward to ask that our regulatory status in Connecticut be clarified with an express exemption. Our goal is not to evade oversight, but merely to codify what has been the case for 133 years.

As a not-for-profit mutual aid association, Navy Mutual is able to offer its Members reliable life insurance that they might not otherwise be able to obtain. We are proud that our policies contain no active duty limitations, nor do they contain war, aviation, terrorism or travel clauses that might keep an active duty Sea Service member from being able to purchase life insurance at a reasonable cost, if at all. We work hard to serve our Members with the utmost integrity. When a scandal erupted a few years ago concerning how some commercial life insurance companies were selling unsuitable products to our young men and women in uniform, the Deputy Inspector General of the Department of Defense specifically found that there had never been even a

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“breath of scandal” around Navy Mutual or its Army-Air Force counterpart. As a result, the National Association of Insurance Commissioners’ model law on life insurance sales to the military (codified in Connecticut at Conn. Agencies Regs. § 38a-819-72) expressly exempts us from its requirements. The Department of the Navy has issued SECNAV Inst. 1740.2E, which expressly authorizes us to maintain offices and do business on the Henderson Hall Marine base in Arlington, Virginia. If there were any question concerning our association’s integrity or commitment to honorably serve the men and women of the Sea Services, I do not believe that Navy Mutual would enjoy its current privileges.

We recognize that our regulatory status is unusual, and work hard to ensure that Navy Mutual is financially sound and operated consistent with best industry practices. We voluntarily comply with the Insurance Code of our domiciliary Commonwealth of Virginia, as well as the National Association of Insurance Commissioners’ model laws and regulations. We retain an auditing firm that specializes in insurance accounting to conduct our annual financial audit. We obtain an annual actuarial review to confirm the sufficiency of our reserves, and use a nationally-respected actuarial firm for additional periodic audits of our practices. We also submit each year to outside review by the Fitch Rating Agency. I am pleased to report that Navy Mutual has maintained an A+ rating with a stable outlook for the last several years, even through the recent economic downturn. We are also careful to comply with the consumer protection statutes of the various states, and are proud of our outstanding market conduct record.

The regulatory exemption in H.B. No. 5229 is narrow, applying only to Navy Mutual and our Army-Air Force counterpart. Several other states (Virginia, North Carolina, South Carolina, Maryland, and most recently Hawaii) have already granted us comparable exemptions, and we hope that Connecticut, home to the Groton submarine base and the Coast Guard Academy, will do so as well. We value our relationship with Connecticut and wish to ensure that our presence is fully transparent and consistent with law. Please support our proposed legislation.

Sincerely,


RADM Bruce B. Engelhardt, USN, Ret.
President