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Rep. John Dingell
Room 2328
Rayburn House Office Building
Washington, D.C. 20515-2216

Dear Congressman:

I noticed in the *SEC Today* your comments regarding the Securities Investor Protection Corporation. I largely agree with them.

However, I would like to bring to your attention another matter involving excess SIPC insurance coverage of brokerage accounts. As you probably know, most large wirehouses and other broker-dealers have excess SIPC insurance. With respect to my own account and accounts of various clients, I have asked for and grudgingly obtained, copies of the so-called insurance policies for the excess SIPC insurance. I find the policies to have been written by insurance counsel who generally do not understand SIPC coverage. The policies have a number of deficiencies including notice provisions, exceptions and other things that in some cases are just flat out contradictory or may make it extremely difficult for a customer to effect recovery under the policy. I have obtained interpretations with respect to my own coverage that ameliorate some of these deficiencies. Further, I believe courts would construe the policies in favor of customers.

I would suggest that the SEC review excess SIPC insurance coverage of broker-dealers where it is in place and particularly review the policies versus how they dovetail with SIPA. Since the insurance is advertised as excess SIPC coverage, it should cover everything that is covered by SIPC and be automatic. (In my view, additional coverage should be also provided.)

It has also come to my attention that the excess SIPC insurance policies are generally not reviewed by legal counsel broker-dealers that have an extensive background in the Securities Investors Protection Act. Consequently, there are many fine points and mismatches that in good faith are missed and may not be understood. I believe that while the broker-dealers advertise excess SIPC coverage and do so in good faith, they may not really understand that in some cases their policies are unclear and/or do not in fact provide excess SIPC coverage within the ordinary meaning of such term. In addition, most of the policies that I have seen provide that excess SIPC coverage would not be effective until the SIPC claim was allowed or determined which could be some considerable period of time.

I would be pleased to discuss this issue further with you or your staff. In some cases, because of the attorney-client restrictions I would be unable to discuss specifics. However, with respect to my own account and companies that I do not represent where I have obtained copies of their policies, I would be pleased to discuss those at your convenience. I wish to emphasize that I believe all of the companies whose policies I have reviewed are acting in absolute good faith but the complex nature of SIPA and the dovetailing of outside insurance coverage creates extremely difficult legal issues that only someone with an extensive SIPC experience would be able to recognize mismatches and similar problems. I would suggest that SEC staff, who are intimately familiar with SIPA, review excess SIPC policies of broker-dealers that have such coverage.

I would also suggest that there be a further clarification and disclosures to customers of what SIPA and excess SIPA coverage does not cover. As you well know, SIPA does not cover a significant number of possible claims. I would also add that it is my experience as a securities practitioner for many years that most of the industry would generally be in favor of a broader SIPC coverage even if they have to pay higher assessments.

If you have any questions regarding this, I would be pleased to discuss them with your staff.

Very truly yours,

Paul B. Uhlenhop

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