CSG NCOIL National Conference of Insurance Legislators ...for the states NATIONAL CONFERENCE of STATE LEGISLATURES The Forum for America's Ideas

April 2, 2009

The Honorable Christopher J. Dodd Chairman Senate Committee on Banking, Housing, & Urban Affairs 534 Dirksen Senate Office Building Washington, D.C. 20510	The Honorable Richard Shelby Ranking Member Senate Committee on Banking, Housing, & Urban Affairs 534 Dirksen Senate Office Building Washington, D.C. 20510
The Honorable Barney Frank Chairman House Committee on Financial Services 2129 Rayburn House Office Building Washington, D.C. 20515	The Honorable Spencer Bachus Ranking Member House Committee on Financial Services Rayburn House Office Building Washington, D.C. 20515

Dear Chairmen Dodd and Frank, and Ranking Members Shelby and Bachus:

As state legislative leaders responsible for sound insurance public policy, we request that you reject any efforts to create an optional federal charter (OFC) for insurance. While committed to financial stability, the National Conference of Insurance Legislators (NCOIL), the National Conference of State Legislatures (NCSL), and the Council of State Governments (CSG) strongly oppose an OFC or any such scheme that would further burden our already stressed economy. An OFC is not only unnecessary—it is dangerous. It would undermine ongoing efforts to modernize insurance supervision and maintain consumer protections.

State insurance regulation was not a factor in the economic downturn and should not be swept into any proposed financial services overhaul. State-based regulation continues to safeguard American policyholders and industry. The insurance market remains viable while many in the financial services sector—particularly in banking—have failed. An OFC would replace state oversight with a regulatory structure similar to that of the banking industry.

The adverse effects of an OFC would outweigh any purported benefits. An OFC would create a dual system of insurance regulation and result in confusing and overlapping federal and state directives. And, by its very nature, a federal insurance office also could not respond—as state regulation does—to unique state markets and constituent concerns. An OFC would threaten state guaranty fund coverage, leaving already struggling employers to absorb losses that would otherwise be covered by these safety nets.

OFC proposals would jeopardize state budgets and jobs. State insurance fees, assessments, and premium tax revenue—which total around $16 billion nationwide—are used to fund state insurance departments and state general funds, which support key priorities, including healthcare, education, and infrastructure.

States are leading efforts to speed rate and form filings, to achieve efficiencies in agent and company licensing, and to enhance market conduct and suitability practices. An OFC would undercut this ongoing modernization at no small cost to consumers and the insurance industry.

An OFC would hamstring one such key state-based initiative—the Interstate Insurance Product Regulation Compact—which provides a one-stop process for life insurance product approval in 34 jurisdictions, and growing. Life insurance companies can get the speed-to-market in the Compact that they seek in an OFC, without compromising the strict solvency and suitability oversight of state regulation.

We advise you to recognize the strength of state insurance regulation as you consider reforming financial services oversight. The states—during our more than 135 years of experience—have developed an insurance regulatory system that responds to market and consumer needs, and we will continue to improve and modernize.

As state policymakers, we join with many others closely affected by insurance regulation—including consumers, agents and brokers; health and numerous life insurers, as well as property-casualty insurers—who oppose this ill-advised proposition, one which would penalize those who have successfully regulated through this time of crisis.

Sincerely,

Sen. Bart Davis (ID)	Sen. James L. Seward (NY)	Rep. Phil Montgomery (WI)
CSG Chair	NCOIL President	NCSL Chair, Committee on Communications, Financial Services & Interstate Commerce

cc: U.S. Senate Committee on Banking, Housing, and Urban Affairs
U.S. House Committee on Financial Services

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