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Insurance Insider News CALIFORNIA BROKER

by Leila Morris | January 21, 2009

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Letter to the Editor On the Federal Insurance Charter

I read with interest the piece titled, "GAO Says Federal Insurance Charter Could Have Unintended Consequence," in the January 14, 2009 Insurance Insider News section.

The quote which you ran from the January 2009 General Accounting Office study titled, A Framework for Crafting and Assessing Proposals to Modernize the Outdated U.S. Financial Regulatory System, is taken out of context. The quote in its entirety reads:

In addition, Congress could consider the advantages and disadvantages of providing a federal charter option for insurance and creating a federal insurance regulatory entity. We have not studied the issue of an optional federal charter for insurers, but have through the years noted difficulties with efforts to harmonize insurance regulation across states through the NAIC-based structure. The establishment of a federal insurance charter and regulator could help alleviate some of these challenges, but such an approach could also have unintended consequences for state regulatory bodies and for insurance firms as well.

This is just one more example of misinformation provided by opponents of an optional federal charter (OFC). Insurance agents and brokers are frustrated with state based regulation. An OFC will minimize time spent on licensing issues, increase speed to market of products, and allow producers to serve their customers no matter where they live (or move). Insurers would be able to bring their products to market more quickly because they would only have to obtain approval from a single regulatory body, rather than in multiple states as they do now under the patchwork quilt of state regulation. And consumers, who often move from state to state in today's economy, would benefit from more stable insurance premiums and consistent administration and regulation of their insurance policies. But, most importantly, an OFC is just that - optional. Proponents are not advocating the implosion of the state regulatory system. Insurance regulation reform will occur over the next several years. Look no further than AIG. The federal government is on the hook for more than \$150 billion but has no jurisdiction over insurance. How does this make any sense? Producers should have the option to take advantage of an OFC if it will create efficiencies that will benefit their customers.

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