

# United States Senate

WASHINGTON, DC 20510

April 23, 2008

## *Cosponsor the National Insurance Act (S. 40)*

Dear Colleague:

There is increasingly widespread consensus that the status quo for insurance regulation is unacceptable and that the states have failed to deliver on repeated promises to reform and modernize the existing system. This fragmented system of 56 insurance regulatory jurisdictions has no place in a modern economy. The United States' insurance industry, agents, brokers and consumers are currently hamstrung by a regulatory regime that is redundant, inefficient, burdensome, complicated and costly. As a result, fewer insurance products are available nationwide, and the products that are available reflect the additional operating costs imposed by inefficient regulations.

America's \$5 trillion insurance industry operates in a global marketplace, and international competitiveness has become a real concern for our insurance sector and for the entire U.S. financial services industry. While efforts are underway to take a look at all sectors of the financial services industry and their corresponding regulatory frameworks, modernizing the insurance regulatory system, which lacks any kind of uniform regulation, and has no federal insurance regulator to speak for the United States nationally or internationally, should be a priority.

While all other financial services regulators were modernized less than a decade ago, the system of insurance regulation is still stuck in the 19<sup>th</sup> Century. While the other financial services are rightly concerned about maintaining competitiveness internationally, the regulatory framework for insurance is so far behind that it is often ignored altogether on the international scene.

Recently, a discussion has been taking place in the editorial pages of the *Financial Times* regarding the National Association of Insurance Commissioners' (NAIC's) 5-year effort to reform regulation of reinsurance. Non-U.S. reinsurance companies claim that it is too difficult to open U.S. affiliates because of the regulatory structure in the United States. U.S. reinsurers claim that the accounting rules and treatment by European courts put U.S. companies at a disadvantage in Europe. There is no doubt that without a more uniform insurance regulatory structure and one central federal regulator to represent the United States in these types of disputes, we will be seeing many more of them in the years to come.

In April 2006, we began our call for insurance industry regulatory modernization when we introduced a bill to create an Optional Federal Charter (OFC) for insurance regulation. On May 24, 2007, we reintroduced an updated version of our legislation, the National Insurance Act of 2007. Our legislation provides a choice for insurers to become chartered at the national level, enabling them to work under a uniform set of regulations and in a more market-oriented fashion without undermining necessary and important consumer protections. The National Insurance Act is a bill that we believe is the right and reasonable approach to insurance regulation modernization.

Others agree with our approach. Both the Schumer/Bloomberg and U.S. Chamber of Commerce reports on competitiveness recommend an OFC to enhance the global competitiveness of the United States insurance sector.

Additionally, on March 31, 2008, the Treasury Department released its "Blueprint for a Modernized Financial Regulatory Structure." One of its key recommendations is to establish an optional federal charter for insurance. The Treasury's plan states:

"Much like other financial services, over time the business of providing insurance has moved to a more national focus even within the state-based regulatory structure. The inherent nature of a state-based regulatory system makes the process of developing national products cumbersome and more costly, directly impacting the competitiveness of U.S. insurers."

We urge you to become a cosponsor of this important legislation. If you would like to cosponsor the National Insurance Act or to request additional information, please contact Laura Swanson with Senator Johnson at 4-5842, or Scott Eckel with Senator Sununu at 4-2841.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Johnson", written over a horizontal line.

Tim Johnson  
United States Senator

A handwritten signature in black ink, appearing to read "John Sununu", written over a horizontal line.

John Sununu  
United States Senator