

March 22, 2007

The Honorable Chris Dodd
Chairman, Senate Banking Committee
United States Senate
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member, Senate Banking Committee
United States Senate
Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby:

As strong supporters of an optional federal charter, the following twelve insurance trade associations look forward to working with you on reform of the current state-based insurance regulatory system and are grateful that the intent to hold hearings was announced earlier this year.

Today's global insurance industry is governed by fifty-one separate state regulatory regimes and is the only sector of the financial services industry whose regulatory system has not been modernized. Two hearings before your Committee last year demonstrated how this system suffers from inconsistent and inefficient regulation and enforcement across state lines, statutory barriers to product introduction and innovation, inconsistent and duplicative market conduct regulation, and a patchwork of other state laws that have remained unchanged for decades. This regulatory structure presents a significant obstacle to providing the best products, price, and overall service to our customers.

An optional federal charter proposal would embrace the best of state insurance regulation and allow insurers, insurance agencies and insurance producers to take advantage of the regulatory flexibility banks have long enjoyed – the option of doing business under one set of national rules. By establishing an optional federal charter, Congress would allow the U.S. insurance industry to compete more equitably on a global basis and insurance industry regulation would catch up to banks and securities firms, whose regulation has been reformed and modernized. As recent studies such as the Schumer/Bloomberg report detail, an optional federal charter should be given serious consideration in order to improve the competitiveness of the U.S. financial services industry.

As you know, Senators Johnson and Sununu introduced S. 2509, the National Insurance Act last year, which proposes an optional federal charter regulatory regime. We look forward to the introduction of an optional charter bill later this year and look forward to working with you on this important issue.

Sincerely,

Agents for Change
Association for Advanced Life Underwriting
The American Bankers Association
The American Bankers Insurance Association
The American Council of Life Insurers
The American Insurance Association
The Council of Insurance Agents and Brokers

The Financial Services Forum
The Financial Services Roundtable
Life Insurance Companies, (LOMA)
The National Association of Independent Life Brokerage Agencies
Reinsurance Association of America