

Questions & Answers



"Simplifying Regulation for Agents and Brokers..."



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Q. How would an optional federal charter work?

A. An optional federal charter would give insurers and producers the opportunity to seek a federal license or remain regulated by a single state or states. In many ways, the regulatory structure envisioned in the Sununu-Johnson legislation mirrors the banking regulatory system, where banks choose between federal and state regulation.

Q. Won't this just create more paperwork for companies and confusion for consumers?

A. The exact opposite will result from an optional federal charter. The present patchwork of inconsistent state laws and regulations has confused consumers and resulted in differing products and features among the states. These differences have provided no meaningful benefits to consumers and have required insurers to dedicate labor and money on red tape instead of product and service innovations, among other things.

Q. Will an optional federal charter hurt consumer protections because some companies will be subject to a federal bureaucracy rather than my state's insurance office?

A. Consumer protections will be strengthened. Under an OFC, a federal Division of Consumer Affairs within the Office of National Insurance would be established to specifically address consumer issues, questions and concerns. The Commissioner of the Office of National Insurance is authorized under the legislation to establish an unlimited number of district offices dedicated to consumer affairs, and a Division of Insurance Fraud would also be created to address consumer concerns about fraudulent practices.

Consumer protections are furthered ensured because the OFC regulatory focus will be on insurer solvency and market conduct.

Q. Will companies still be subject to state premium taxation?

A. Yes. Insurers will continue to pay state taxes at rates set by the state, just as they do now. Right now, a state can tax any insurer doing business within its borders, and that will not change with the enactment of an OFC bill. States will continue to make their own determination of insurers' tax obligations under an OFC system, just as they have the ability to determine the state tax obligation of national banks under the dual regulatory banking system.

Q. Aren't these companies advocating for federal regulation just supporting the legislations to escape from tougher state laws?

A. No. The major problem is that the current system of regulation is composed of 56 separate jurisdictions, each distinct from the others. Allowing the option of being regulated by one national regulatory structure allows insurance entities and the consumers they serve to realize operational efficiencies that will redound to the benefit of all.