

Media Release

United States Congress

Rep. Ed Royce (CA-40)



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Time for an Optional Federal Charter for Insurance

WASHINGTON, D.C. – Congressman Ed Royce (R-CA) issued the following statement.

“In this ever changing global marketplace, we must have a world class regulator able to properly regulate this insurance industry. I believe an optional federal charter is necessary to achieve this result.

Earlier this year, Representative Bean and I introduced H.R. 3200, the National Insurance Act, which creates an optional federal charter for insurance. It is a companion bill to legislation introduced by Senators Sununu and Johnson in May.

If we are to maintain our success in the financial services industry, we must take a hard look at the industry, identify our weaknesses, learn from the best practices of other nations, and adopt legislative and regulatory changes necessary to adapt to an ever changing marketplace.

We must examine the current regulatory structure overseeing the insurance industry. The present patchwork structure, consisting of 51 different regulators, is not consistent with a world-class regulator necessary for the U.S. to remain competitive.

While I believe the National Association of Insurance Commissioners (NAIC) has operated with the best of intentions, it is structurally impossible for 51 separate regulators to agree upon a single set of rules and regulations – a critical step which has eluded the NAIC for 136 years.

These concerns received the attention of the two leading reports on U.S. competitiveness of our capital markets. Both the *Bloomberg-Schumer Report* and the U.S. Chamber's *Commission on the Regulation of U.S. Capital Markets in the 21st Century* recommended an optional federal charter for insurance.

The American consumer has the most to gain via the introduction of an OFC, gaining access to innovative products and services which can currently take months if not years to reach the national market.

Furthermore, unlike all other financial products, insurance products are non-transferable between states. The lack of portability disproportionately penalizes members of our armed forces -- one-third of who relocate every year pursuant to federal order. While they are able to keep their banking and investment products, they are forced to start from scratch when it comes to their insurance products.

Because of our fragmented system, members of the military -- and all insurance consumers -- pay the price. The time and money spent whenever they relocate to another state is in addition to the compliance costs passed down by the insurer who are operating under 51 state regulators.

A recent analysis published by ACLI estimated that the ability to choose between state and federal regulation could cut compliance costs by about \$5.7 billion annually -- and that is not including property/casualty insurers. In a competitive market -- like the one which would be created under an optional federal charter -- those savings will undoubtedly be passed on to the consumer”.

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