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## **BROAD COALITION ASKS CONGRESS FOR AN OPTIONAL FEDERAL CHARTER FOR INSURERS AND INSURANCE AGENTS**

*Letter requests modernization of outdated insurance laws*

WASHINGTON, June 14 — The financial services industry demonstrated its overwhelming support for insurance regulation reform today as 135 national and regional insurance companies and agencies, banks and trade associations asked the U.S. Senate to enact optional federal insurance charter legislation.

"Consumers, and the insurers and insurance agents that serve them, need a modern insurance regulatory system that provides greater product choice and portability," the Optional Federal Charter Coalition (OFCC) said in its letter.

The letter also noted that establishing an optional federal charter would not supplant state regulation or state premium taxation. The new system would allow insurers and agents to choose between state and federal regulation, similar to the dual-banking system that has been in place for more than 140 years.

"The burden of having to comply with rules from fifty-six separate insurance regulators is too inefficient for companies, agents and consumers to manage, especially those whose interests are national in scope," the letter continued. "Individual state regulators cannot speak to our national or global interests with the same scope and effectiveness as a strong, federal entity, such as the U.S. Department of Treasury or the Federal Reserve."

The need for modernization, the OFCC noted, is a necessity to successfully compete in today's market. To operate or deliver a product to market, insurers face obstacles such as inconsistent regulations, barriers to innovation and conflicting agent and education requirements, among others.

"We have been working with the states to develop model laws and uniform product standards but after literally decades of effort and despite good intentions, state regulators have been unable to provide an efficient, uniform regulatory structure," the coalition said. "An optional federal charter preserves states' rights, while allowing insurance regulation to move into the 21st Century."

The OFCC represents the largest and most diverse group to push for a modernized insurance regulatory system. Corporate supporters serve millions of consumers and represent every branch of the insurance and banking industry. Trade group members include Agents for Change, American Bankers Association, American Bankers Insurance Association, American Council of Life Insurers, American Insurance Association, The Council of Insurance Agents and Brokers, The Financial Services Forum and The Financial Services Roundtable.

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**June 13, 2005**

The Honorable Richard Shelby  
United States Senate  
Washington, D.C. 20510

The Honorable Paul Sarbanes  
United States Senate  
Washington, D.C. 20510

Dear Chairman Shelby, Ranking Member Sarbanes and Members of the Senate Banking Committee:

In 1999 Congress modernized regulation of the banking and securities industries under the Gramm-Leach-Bliley Act; however, the insurance industry continues to be regulated under the same state-based regulatory system established more than a century ago. As a result, insurers are unable to keep pace in a marketplace filled with greater competition, product innovations and technological advances. Consumers, and the insurers and insurance agents that serve them, need a modern insurance regulatory system that provides greater product choice and portability, takes into consideration the demands of both the national and regional insurance marketplaces, and creates a national insurance regulator in Washington to address the growing list of national and international issues facing our industry. Accordingly, we are writing to urge you to study the problems with the current state-based regulatory system and to consider an Optional Federal Charter as an appropriate solution.

A market-based Optional Federal Charter proposal would embrace the best of state insurance regulation and would allow insurers, insurance agencies and insurance producers to take advantage of the regulatory flexibility that banks have long enjoyed – the option of doing business under one set of federal rules while at the same time, preserving state regulation for those that choose it. Federal rules would be enforced by a federal regulator and the cost of regulation would be borne by those that choose it – insurers and agents who opt for a federal charter. In addition, state premium taxes would be preserved and would continue to flow into state treasuries just like they do currently.

**Establishing an Optional Federal Charter would not supplant state regulation; it would simply provide an alternative to it.**

The burden of having to comply with rules from fifty-six separate insurance regulators is too inefficient for companies, agents and consumers to manage, especially those whose interests are national in scope. In an increasingly mobile society, regulations that vary from state to state deny consumers access to products approved in one state but not another and confuse consumers by mandating different disclosure requirements. The system is very costly to administer and provides no advantage to the consumer. We have a better way. By establishing an Optional Federal Charter, the problems arising out of state regulation will finally be addressed. Some of these problems include:

- inconsistent and inefficient regulation;
- statutory barriers to product introduction and innovation;
- government rate regulation;
- inconsistent and duplicative market conduct regulation;
- conflicting agent licensing and continuing education requirements;
- the inability to provide products and services to consumers via e-commerce;
- the lack of a federal insurance advocate to represent financial/regulatory interests on a global basis; and,
- a growing patchwork of other applicable state laws

The lack of a federal insurance regulator is especially troublesome. Because insurance is solely regulated by the individual states, there is no Federal regulatory agency to represent the financial/regulatory interests of the U.S. insurance industry on the national or international stage. For example, when the EU considers insurance-specific directives which carry global implications, the interests of America's multi-billion dollar insurance industry are generally represented by only one state insurance department. The insurance sector in this country has grown well beyond the state/regional-specific markets it once was. Simply put, individual state regulators cannot speak to our national or global interests with the same scope and effectiveness as a strong, federal entity, such as the U.S. Department of Treasury or the Federal Reserve.

We have been working with the states to develop model laws and uniform product standards but after literally decades of effort and despite good intentions, state regulators have been unable to provide an efficient, uniform regulatory structure. True, some progress has been made. But, success has always been limited since the creation of uniform state insurance regulations depend upon the states' willingness to subordinate their legislative and regulatory prerogative. By contrast, an Optional Federal Charter preserves states' rights, while allowing insurance regulation to move into the 21<sup>st</sup> Century, thereby giving insurers the ability to better serve their customers and to compete with other financial services companies.

We hope you will consider the merits of an Optional Federal Charter.

Sincerely,

**Acacia Life Insurance Company**

**AEGON USA**

**AIG**

**Alabama Bankers Association**

**Alaska Bankers Association**

**Allianz of America**

**Allstate Group of Companies**

**American Healthcare Providers Corp., Suffolk, VA**

**American Insurnet Agency, Inc., Cincinnati, OH**

**American National County Mutual**

**American National de Mexico, Dompania de Seguros de Vida**

**American National General Insurance Company**

**American National Insurance Company**

**American National Life Insurance Company of Texas**

**American National Lloyd's Insurance Company**

**American National Property and Casualty Insurance Company**

**American National Reinsurance Company**

**Ameritas Life Insurance Corporation**

**Ameritas Variable Life Insurance Company**

**Ameritas Acacia Companies**

**AmSouth Bank**  
**ANB Insurance Services, Inc. Birmingham, AL**  
**ANPAC Louisiana Insurance Company**  
**Assurant Inc.**  
**AXA Financial**  
**Banc Insurance Services, Inc., a Jack Henry & Associates Company**  
**BancorpSouth**  
**Bank of America**  
**Bank of the West**  
**Bankers Fidelity Life Insurance Company**  
**BB&T**  
**Berger Financial Group, L.L.C., Neptune, NJ**  
**Bryant Group, Inc., St. Louis, MO**  
**Bufkin, Hefferon & Siegel, Inc, New York NY**  
**Capital One**  
**Cendant Marketing Group**  
**CF Efron Company LLC**  
**Chubb**  
**CIT Group Inc.**  
**Colorado Bankers Association**  
**Columbus Life Insurance Company**  
**Connecticut Bankers Association**  
**Critical Illness Insurance Services Inc., Tarzana, CA**  
**CUNA Mutual Group**  
**DRIASI**  
**Eastern Bank, Boston, MA**  
**Employee Benefits Group, Bethesda, MD**  
**Farm Family Casualty Insurance Company**  
**Farm Family Life Insurance Company**  
**Farmers Insurance Group of Companies**  
**Fidelity & Guaranty Life Insurance Company**  
**First Ameritas Life Insurance Company of New York**  
**First Financial Insurance**  
**First Horizon**  
**First HSA, Reading, PA**  
**Frost Insurance Agency, A Subsidiary of Frost Bank**  
**Garden State Life Insurance Company**  
**Golden Rule Insurance Company**  
**Great-West Life and Annuity Insurance Company**

**Hancock Insurance Agency, a Subsidiary of Hancock Bank**  
**Hawaii Bankers Association**  
**Hibernia National Bank**  
**HSBC North America**  
**Huntington National Bank**  
**IDS Life Insurance Company**  
**ING U.S. Financial Services**  
**Insurance Coverage Specialists, Inc., Clarksburg, MD**  
**Insurance Marketing Center, Rockville, MD**  
**J.P Morgan Chase**  
**John Hancock Life Insurance Company**  
**Kansas Bankers Association**  
**Karr Barth Associates, Bala Cynwyd, PA**  
**Lincoln Financial Group**  
**Living Life Insurance Services, Oceanside, CA**  
**Louisiana Bankers Association**  
**Manulife Financial**  
**Marsh, Berry & Company, Inc.**  
**Maryland Bankers Association**  
**MassMutual**  
**Mellon Financial Corporation**  
**Midland National Life Insurance Company**  
**Missouri Bankers Association**  
**Munich American Reassurance Company**  
**National City Corporation**  
**National Life Insurance Company**  
**New Jersey Bankers Association**  
**New York Life Insurance Company**  
**North Carolina Bankers Association**  
**Northwestern Mutual**  
**Ohio National Life Insurance**  
**Oklahoma Bankers Association**  
**OMNIA (Bermuda) Ltd.**  
**OneAmerica Financial Partners**  
**Pacific Life Insurance Company**  
**Pacific Property and Casualty**  
**Penn Mutual**  
**Pennsylvania Bankers Association**  
**Pension Benefit Insurance Services Inc., Parsippany, NJ**

**Phoenix Life Insurance Company**  
**PNC Financial Services Group, Inc.**  
**Popular Insurance, A Subsidiary of Popular Inc.**  
**Principal Financial Group**  
**Protective Life Corporation**  
**Prudential Financial**  
**Reliance Standard Life Insurance Company**  
**RGA Reinsurance Company**  
**Rhode Island Bankers**  
**S&T Insurance Group, LLC**  
**Sapers & Wallack, Cambridge, MA**  
**Securian Financial Group**  
**Security Benefit Life**  
**South Carolina Bankers Association**  
**St. Paul Travelers Companies, Inc.**  
**Standard Insurance Company**  
**Standard Life and Accident Insurance Company**  
**State Farm Insurance Companies**  
**Sun Life Financial Inc.**  
**SunTrust**  
**Swiss RE**  
**Symetra Financial Corporation**  
**Tennessee Bankers Association**  
**The Hartford Financial Services Group, Inc.**  
**Thrivent Financial for Lutherans**  
**Tober Associates, Oakton, VA**  
**Tompkins Insurance Agencies, Inc.**  
**Union Central Life Insurance Company**  
**United Farm Family Insurance Company**  
**USAA**  
**W.R. Berkley Corporation**  
**Wells Fargo & Company**  
**Western and Southern Financial Group**  
**Willis Group Holdings Limited**  
**Wyoming Bankers Association**  
**XL America**  
**Zions Bank**  
**Zurich Financial Services**

**The Optional Federal Charter Coalition:**

**Agents for Change**

**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**

