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NCOIL PANS FEDERAL INSURANCE OFFICE PROPOSAL

Washington, DC, October 27, 2009 — The National Conference of Insurance Legislators (NCOIL) on Friday reasserted its strong opposition to a Congressional Federal Insurance Office (FIO) proposal. In an October 23 letter to House Financial Services Committee Chairman Barney Frank (D-MA) and Ranking Member Spencer Bachus (R-AL), NCOIL Officers wrote that H.R. 2609, the *Federal Insurance Office Act of 2009*, moves well beyond previous Committee discussions and towards the establishment of a federal insurance czar at the U.S. Treasury Department—a kind of slippery slope that NCOIL cautioned against throughout 2008.

This morning, before the Committee was scheduled to begin consideration of the H.R. 2609 draft, NCOIL President Sen. James Seward (NY) said:

NCOIL has long argued that the creation of any FIO, OII, or ONI would represent the first step down a path to federal insurance chartering—a concept that few interests outside some large banks and insurance companies endorse. And now we understand that optional federal charter proponents are pushing the Committee to approve an amendment for the FIO to study “State insurance regulatory structures” during markup this week. Given the self-evaluative nature of state insurance regulation, we feel that an FIO study is neither necessary nor warranted.

Along with NCOIL President Sen. Seward, NCOIL Officers—President-Elect Rep. Robert Damron (KY), Vice President Rep. George Keiser (ND), Secretary Sen. Carroll Leavell (NM), and Treasurer Sen. Vi Simpson (IN)—in the letter wrote, “We continue to disagree with the necessity for such an office and question its accountability and effectiveness. We believe that state regulation is successfully guiding insurers through the current economic downturn. Under state regulation, the insurance industry has always been, and continues to be, financially stable and solvent, unlike federally regulated entities.”

The NCOIL Officers continued:

The office’s enhanced preemptive power and lack of answerability are alarming to state officials who have seen the success of checks and balances in the state system. H.R. 2609 permits a FIO—to be led by an unconfirmed appointee of the Secretary—to override existing law without meaningful dialogue with the states. In fact, as currently drafted, the FIO only must consult the states *prior* to requesting insurance data from the private sector and *after* a determination that a state law will be preempted. Other

consultation with state officials is limited “to the extent the Director determines appropriate.”

Regarding a state-federal approach to addressing systemic risk in U.S. financial markets, the NCOIL leaders—citing a May 2009 NCOIL letter to Congress—said:

We stressed the importance of building on the strengths of—not replacing—our existing regulatory structure, including the system of state-based insurance oversight. We highlighted the need for state and federal coordination and wrote, “...the new horizontal structure should equally respect the expertise and contributions of the various financial services regulators, both state and federal.” We stand by those positions.

NCOIL lawmakers also informed their Congressional counterparts that NCOIL would consider a *Resolution Opposing H.R. 2609, the Federal Insurance Office Act*, in November. The State-Federal Relations Committee will vote on the proposed resolution on Friday, November 20, in conjunction with the November 18 through 22 NCOIL Annual Meeting in New Orleans, Louisiana.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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