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# NCOIL URGES SCHUMER TO RECONSIDER DUAL CHARTERING

**Albany, New York, January 18, 2002**  The National Conference of Insurance Legislators (NCOIL) urged Sen. Charles Schumer (D-NY) in a January 16 letter to reconsider his sponsorship of optional federal chartering legislation that would carry substantial cost implications for states and consumers.

The letter, signed by New York State Sen. Neil Breslin (D-Albany), chair of NCOIL’s State-Federal Relations Committee, said that Schumer’s proposal for a bifurcated regulatory system would threaten the revenue stream that now flows to the states in insurance premium taxes.  States collected $9.7 billion in those taxes in 2000, according tot he U.S. Census Bureau.

Though acknowledging that Schumer’s bill still would require insurers operating under a federal charter to continue paying premium taxes, Breslin feared that “such a provision has no chance of survival as Congress looks for ways to exercise fiscal discipline … and to fund a federal insurance regulatory bureaucracy.”

Breslin wrote that the millions of dollars in start-up expenses and billions more in operating costs required by a new federal regulatory system were costs that consumers and taxpayers ultimately would pay.  He added that insurers, trying to protect their interests during the transition to bifurcated regulation, would incur additional lobbying and litigation costs that they [the insurers] would pass on to consumers.

Reasserting the over 130-year success-story of state insurance regulation, Breslin spoke of current state efforts to reform market conduct examinations, speed products to market, and overcome state disparities in agent and broker licensing.  With states “well on their way to responding effectively to the realities of financial modernization,” he concluded, consideration of dual chartering legislation would blunt state initiatives aimed at greater efficiency and competition.

Schumer’s legislation, introduced in late December, closely followed an American Bankers Insurance Association (ABIA) proposal released last January.  The bill would create within the Treasury Department an Office of the National Insurance Commissioner, charged, among other things, with the authority to establish capital, reserve, and accounting standards.  Under the bill, the commissioner would enforce certain market conduct standards, would create some standards for insurance policies, and would require insurance companies to participate in state residual market mechanisms.  The legislation further would require insurer participation in “qualified” state insurance guaranty funds (defined as meeting standards established in the bill) and would create a federal guaranty association as backup for “non-qualified” states.

An agent, under Schumer’s legislation, would have to obtain federal certification in order to sell insurance for a federally licensed insurance company.

NCOIL is an organization of state legislators whose main area of public policy concern is insurance legislation and regulation.  Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country.

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[**Text of Letter**](http://www.ncoil.org/news/lettertex.htm)