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NCOIL URGES LONG-TERM STATE SOLUTIONS OVER FEDERAL QUICK-FIXES

Washington, DC, April 21, 2008—National Conference of Insurance Legislators (NCOIL) President Rep. Brian Patrick Kennedy (RI) expressed concern today regarding H.R. 5840, the *Insurance Information Act of 2008*—legislation introduced late last week by Congressman Paul Kanjorski (D-PA), chairman of the U.S. House Capital Markets Subcommittee—creating a new federal insurance office and in effect preempting long-established state structures.

The NCOIL President said

Instead of ‘tilting at windmills’ and laying the foundation for untried federal approaches like an Office of National Insurance (ONI) and an optional federal charter (OFC), we are hoping that Chairman Kanjorski will look to the many state-based successes, such as the Interstate Insurance Product Regulation Compact. With 31 member jurisdictions, and many other states considering passing the necessary legislation to join, the Compact has proven itself a model for insurance reform.

Rep. Kennedy said

We understand and share many of the chairman’s concerns regarding insurance regulation. States are working individually and collectively to modernize and streamline regulation, where appropriate, to make certain that insurance companies continue to thrive while protecting the interests of consumers, policyholders and investors. We believe that the primary authority to oversee the insurance industry must remain with the states—states who for 150 years have maintained a strong track record regarding insurance regulation.

Rep. Kennedy noted, “With any legislation, regardless of whether it is a congressional or a state proposal, the devil is always in the details. H.R. 5840 raises many questions concerning proper insurance oversight and the role of the states under the proposed bill’s parameters. We don’t want to be Monday morning quarterbacks and discover that the sneak play that looked good on the field instead leaves the states ‘holding the bag’ and having to punt because we’re now further from our goal of creating proper insurance reforms that protect and serve consumers.”

Rep. Kennedy opined that the bill is not clear as to

- the scope of the federal government’s authority
- magnitude of resulting state preemptions
- enforcement of the federal policy
- responsibility for consumer protections
- the role of state legislators and other state officials under the bill

“NCOIL questions what the future would hold for successful state mechanisms—including the National Insurance Producer Registry (NIPR) and the National Association of Insurance Commissioners (NAIC) accreditation program for financial solvency—after a federal insurance office is established in Washington, DC,” Rep. Kennedy said.

Rep. Kennedy said, "None of my constituents has ever called, emailed or even verbally communicated to me that the insurance industry is broken and that the best approach to reform is an Office of Insurance Information. Congress should think carefully before wielding a big stick approach to solving a problem that merely needs tinkering.”

H.R. 5840 would create a new Office of Insurance Information (OII) within the U.S. Department of the Treasury to collect, analyze, and disseminate insurance data, establish federal policy on international insurance issues, and advise the Treasury Secretary on domestic and international insurance policy. The OII—headed by a Deputy Assistant Secretary—would have the authority to preempt state laws and regulations inconsistent with new federal policies.

The OII resembles a Treasury Department *Blueprint for a Modernized Financial Regulatory Structure* recommendation that Congress immediately establish an Office of Insurance Oversight (OIO). The *Blueprint* was released on March 31.

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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