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While most within the industry still believe the system of state regulation, while imperfect, best serves the industry and the public, there is growing sentiment for a dual if not outright federal system instead.

Many in the life insurance industry and some within the ranks of the property casualty business believe the time is right for a change to more federal involvement.

Fortunately there are others willing to defend the states and, we believe, the industry's and public's interest, in Washington.

NAMIC, the National Association of Mutual Insurance Companies, put the best words to the issue that we've heard recently in its statement to Chairman John McCain, R-Ariz., who presided over the Senate Commerce, Science & Transportation Committee's recent hearing on federal involvement in the regulation of the insurance industry.

The NAMIC message was direct: While insurance regulation reforms are needed, federal regulation of insurance is the wrong approach at the wrong time.

NAMIC was not alone in voicing its sentiments. Among others, the Independent Insurance Agents & Brokers of America expressed similar support for modernization, not destruction, of state regulation.

But IIABA also struck a middle-of-the-road pose, remaining open to compromise.

IIABA contends that all of the perceived shortcomings of state regulation of insurance fall into two primary categories: It simply takes too long to get a new insurance product to market, and there is unnecessary duplicative regulatory oversight in the licensing and post-licensure auditing process.

That configuration may not capture all shortcomings of state regulation. But left unanswered is how federal intervention would improve on existing efforts to solve

these problems and others?

IIABA defended its moderate approach as offering "the best of all worlds."

We fear that walking in the middle of the legislative road in Washington will cause an accident.

"It will promote the establishment of more uniform standards and streamlined procedures from state to state, protect consumers while enhancing marketplace responsiveness, and emphasize that the primary goals of insurance regulation can best be met by improving and streamlining the state-based system that has been in place for over 150 years," IIABA testified.

But it's not clear where the federal government would intervene or why federal intervention is even required to promote more uniform standards.

The National Conference of State Legislatures (NCSL), The National Conference of Insurance Legislators (NCOIL), and the American Legislative Exchange Council (ALEC) are already leading reform efforts in the states.

Additionally, the National Association of Insurance Commissioners (NAIC) is as or more capable than any federal bureaucrat of getting state insurance departments to implement policies enacted by the legislatures in their respective states.

Most agree, as NAMIC says, that the key to regulation reform is elimination of unnecessary barriers that impede competition while respecting those regulatory and legal differences that reflect a state's unique underwriting and risk assessment environment. As an example, NAMIC notes, prior approval of rates is an outdated method of regulation that impairs the ability of insurers to bring new products to market quickly.

But achieving balance between market conduct and competition is best left to states. As NAMIC sets forth in its summary, a federal regulator, or even a dual charter, is not

in the best interest of the industry or consumers for several reasons:

- social regulation would, in all probability, be employed, harming the industry's ability to accurately and fairly price risk;
- there is no guarantee that proven free market reforms would be incorporated;
- a system of dual regulation would add a layer of bureaucracy and cost that would ultimately be paid by policyholders; and
- any regulatory mistakes will not be contained within a single state, but rather will have an immediate national impact.

These concerns are not theoretical. Senate Bill 1373, the Insurance Consumer Protection Act of 2003, would ensure that federal regulation of insurance will become reality. In the final analysis, before Congress intercedes, state legislative action must be the focus of modernization initiatives, without compromise. □