



Press Release

Senate Panel Begins Insurance Reform Hearings

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WASHINGTON (Reuters) - State insurance regulators on Tuesday criticized a Senate insurance reform bill that would allow U.S. life and property insurers to choose federal rather than state charters.

An industry-backed bill recently introduced by Republican John Sununu of New Hampshire and Democrat Tim Johnson of South Dakota seeks to create a more uniform regulatory system for insurance companies modeled after the nation's dual banking system. It would give insurers the option of choosing a federal or state charter.

The legislation was among the options discussed at a Senate Banking Committee hearing on Tuesday, the first in a series of hearings planned by the panel as it looks at ways to modernize U.S. insurance regulation.

The National Association of Insurance Commissioners urged the Senate committee to reject the Sununu-Johnson legislative proposal.

"State officials are best positioned to respond quickly and to fashion remedies that are responsive to local conditions," Alessandro Iuppa, president of the state commissioners group, testified. "We are directly accountable to consumers who live in our communities, and can more effectively monitor claims-handling, underwriting, pricing and marketing practices."

Currently, insurance companies are regulated by individual states, which they say can be costly and burdensome because of widely varying requirements.

The Consumer Federation of America also opposes proposals giving insurance companies the option of seeking a federal charter. That approach is a "prescription for regulatory arbitrage" that would undermine consumer protection, Travis Plunkett, legislative director of the advocacy group, told the hearing.

The head of Fireman's Fund Insurance Company, a unit of Allianz Group, said the patchwork of U.S. state insurance regulations does not allow companies to keep up with consumer needs.

"An optional federal charter approach, which relies on a combination of free markets and a tightly focused regulatory system, represents our best opportunity to advance regulatory modernization that works for consumers, the industry and the economy," said Joseph Beneducci, president of Fireman's Fund. Beneducci and some other industry executives spoke in favor of the Sununu-Johnson bill.

The chairman of the Senate panel said he wanted to learn about all the insurance reform approaches available. "Insurance is too important for too many Americans for us not to examine all our options for modernizing our system of insurance regulation," said Alabama Republican Richard Shelby.

The industry must have the flexibility to develop new insurance products and the capacity to pay claims, Shelby added. The Senate Banking Committee will hold another hearing on insurance regulation reform next Tuesday to hear testimony from Treasury Undersecretary Randal Quarles.