

NAIFA ADVOCACY

Keeping the U.S. Competitive

A national charter will foster greater industry innovation and agility.

Rep. Melissa L. Bean

The ability of the United States to compete in the global marketplace and maintain economic pre-eminence depends upon its international leadership in the financial-services industry. To sustain that primacy, American businesses need an environment that fosters innovation and growth—a regulatory environment that, at present, the insurance industry lacks.

Last year, New York City Mayor Michael Bloomberg and Sen. Charles Schumer, D-N.Y., commissioned a report on the changes needed to keep the United States competitive in the global marketplace. One of the report's top recommendations was the creation of an optional federal charter (OFC) for insurance.

This report was followed by the Treasury Department's release of the *Blueprint for a Modernized Financial Regulatory Structure*, a report by the U.S. Chamber's bipartisan commission on capital market competitiveness. Included in each of these proposals is the call for an overhaul of the nation's 135-year-old system for insurance regulation.

Along with my colleague, Rep. Ed Royce, R-Calif., I have introduced the National Insurance Act to address issues of competition and consumer choice. The NIA would create an OFC for life and property/casualty insurance providers. Designed to emulate the regulatory structure found in the dual banking system, the NIA would give insurance providers the choice of being regulated at the state level or by the new federal regulator.

Drawbacks of the current system

The current state-based regulatory system has hurt the U.S. insurance industry's ability to compete globally. In 2006 alone, the U.S. insurance-services trade deficit totaled \$24 billion, suggesting that



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domestic insurance providers are operating at a significant competitive disadvantage. The current system—which requires insurers to work with 51 different state regulators—is burdensome and slows new products' time to market, sometimes by years. These obstacles discourage insurance innovation and product development. A national charter will foster greater industry innovation and agility.

The NIA gives consumers what they want: choice and protection. Insurance customers will have more pricing and product options, driven by a competitive marketplace freed from state price controls and regulatory hurdles. Consumer protection would be strengthened through the creation of a Division of Consumer Protection that would protect against unfair and deceptive practices by insurance providers and agents for the advertising, sale and administration of insurance products.

Recently, I joined Rep. Paul Kanjorski, D-Pa., chairman of the House Financial Services Capital Markets, Insurance, and Government Sponsored Enterprises subcommittee, in introducing legislation to create an Office of Insurance Information.

Under this proposal, the OII would have the authority to address international insurance-policy issues, coordinate state insurance regulators' responses to those issues and serve as a voice on insurance policy at the Treasury Department.

Although this authority would be further enhanced under H.R. 3200 by giving our nation's insurers a

seat at the table alongside the Federal Reserve, the Office of the Comptroller of the Currency and the SEC in responding to a national crisis, formulating tax policy or negotiating a major free trade agreement, I see Kanjorski's legislation as an important step toward providing greater industry agility and a modern regulatory alternative to today's antiquated patchwork system.

The insurance industry has evolved dramatically since 1871 when the National Association of Insurance Commissioners was established. But for 137 years, the regulatory system has not significantly changed. It's time to allow the insurance industry to move into the 21st century so it can more effectively compete on the global stage and provide more pricing and product alternatives to consumers. **■**

Rep. Melissa L. Bean, D-Ill., is a member of the House Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises.