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BIG "I" STRONGLY OPPOSES OPTIONAL FEDERAL REGULATION BILL

Nation's largest insurance association seeks modernization and reform of state-based system

WASHINGTON, D.C., April 5, 2006—The Independent Insurance Agents & Brokers of America (the Big "I") strongly opposes S. 2509, the National Insurance Act of 2006, introduced today by Sen. John Sununu (R-N.H.) and Sen. Tim Johnson (D-S.D.).

The Big "I" opposes federal regulation, and more specifically an optional federal charter (OFC), for a number of reasons, several of which are noted below. It instead supports a middle-ground approach to regulatory reform, the State Modernization and Regulatory Transparency (SMART) Act proposed by Chairman Mike Oxley (R-Ohio) and Subcommittee Chairman Richard Baker (R-La.) of the House Financial Services Committee. SMART would improve and modernize state insurance regulation, without creating a federal regulator.

"There is no question in the insurance industry that the existing regulatory system needs comprehensive reform," says Big "I" CEO Robert A. Rusbuldt. "Change is long overdue, and virtually every industry stakeholder agrees the existing system is a slow, inefficient patchwork of differing laws and regulations. The Big 'I' agrees strongly with the need to update the regulatory system, but a one-size-fits-all scheme that creates a new federal bureaucracy is not the answer."

The Big "I" is among the leaders in advocating reform of state insurance regulation. Although the need for greater efficiency and uniformity is clear, IIABA believes optional federal chartering, federal regulation and the creation of a new federal bureaucracy go too far—the equivalent of throwing the baby out with the bath water.

The Big "I" has many reasons for opposing OFC, including the following:

- Local insurance regulation works better for consumers and the state-based system ensures a level of responsiveness that could not be matched at the federal level.

- Establishing a dual state/federal system would be very confusing to consumers who may have some insurance products regulated at the state level and others at the federal level.

- Federal regulation would lead to additional regulatory burdens on agents and brokers and would negatively impact our members' ability to represent their customers.

- The dual structure established by an optional federal charter would complicate solvency regulation which ensures that companies meet their obligations to consumers.

- Federal regulation could eventually threaten state premium tax revenue, critical funding heavily relied upon by the states for various purposes

- Federal regulation would unnecessarily infringe on states' rights and lead to a needless federal bureaucracy.

- Federal regulation could have a negative impact on state residual market mechanisms and other state funds which ensure that high-risk individuals and businesses obtain the insurance coverage they need.

- Federal regulation could have a negative effect on the surplus lines marketplace that serves such an integral role as the "safety-valve" for the insurance marketplace for hard-to-place risks.

"OFC would substitute a dual, federal/state patchwork of regulation for the existing state-by-state system, which would heighten, rather than diminish, regulatory burden on our membership and create confusion for the customers we serve," says Charles E. Symington Jr., Big "I" senior vice president for government affairs and federal relations. "We strongly oppose a new federal regulator located in Washington, D.C. that will be unable to respond to market differences among the states. The solution to modernizing insurance regulation is to reform the state-based system through targeted federal legislation, not the creation of a cumbersome federal bureaucracy."

In supporting the SMART proposal, IIABA is advocating a pragmatic, middle-ground approach that proposes federal legislative tools to fix state insurance regulation by creating a more uniform and streamlined regulatory system. This approach would overcome state-level impediments to reform and build on, rather than dismantle, the states' inherent strengths—diversity, geographical uniqueness, innovation and responsiveness to consumers—to meet the challenges of a rapidly changing insurance marketplace.

Founded in 1896, IIABA (the Big "I") is the nation's oldest and largest national association of independent insurance agents and brokers, representing a network of more than 300,000 agents, brokers and their employees nationally. Its members are businesses that offer customers a choice of policies from a variety of insurance companies. Independent agents and brokers offer all lines of insurance—property, casualty, life, and health—as well as employee benefit plans and retirement products. Web address: www.independentagent.com.

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