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## NEWS

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### **BIG "I" OPPOSES FEDERAL CHARTER BILL Seeks "federal tools" to modernize state-based system**

WASHINGTON, D.C., Sept. 28, 2006—The Independent Insurance Agents & Brokers of America (the Big "I") opposes H.R. 6225, introduced today by Rep. Ed Royce (R-Calif.) in the U.S. House of Representatives.

The Big "I" opposes legislation such as H.R. 6225 and S. 2509, introduced earlier this year in the Senate, which would create an optional federal charter (OFC). It instead supports targeted federal legislation to reform the insurance regulatory system, which relies on more than 100 years' worth of skill and experience the states have as insurance regulators. An example of such a pragmatic approach is H.R. 5637, the Nonadmitted and Reinsurance Reform Act, which would help create uniformity in the surplus lines and reinsurance markets without undermining the current regulatory system.

"We agree with virtually all insurance industry stakeholders, including consumers, regulators, and companies, that the existing regulatory system needs greater uniformity and efficiency," says Thomas Minkler, president of Keene, N.H.-based Clark-Mortenson Agency, chairman of the Big "I" national Government Affairs Committee, and an independent agent. "We are long overdue for change, the existing system is slow, inefficient, unnecessarily complicated and expensive. That said, 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 for meaningful reform of state insurance regulation. Although the need for greater efficiency and uniformity is clear, IIABA believes that the creation of a federal regulator and a new federal bureaucracy would create many new problems and conflicts that do not exist under the current regulatory structure. For example, the Big "I" believes that:

- Local insurance regulation works better for consumers and the current state-based system ensures a level of responsiveness that could not be matched at the federal level.
- Property-casualty issues are localized in nature – hurricanes, earthquakes, mudslides, tornadoes, as well as the rate of auto thefts and accidents, and much more are tied to states and localities. Bureaucrats in Washington will not address these issues with more expertise and efficiency than local officials.

- 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 will negatively impact state licensing revenue and could eventually threaten state premium tax revenue, critical funding heavily relied upon by the states for their insurance departments and other purposes.
- Federal regulation would result in a new 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.

“An OFC would create more problems than it solves and is not the answer to the current marketplace concerns,” says Charles E. Symington Jr., Big “I” senior vice president for government affairs and federal relations. “We believe that targeted reform will address the existing problems without depriving consumers of the strengths offered by state regulators – knowledge of local marketplace conditions and responsiveness to consumer concerns.”

“While proposals such as an ‘optional’ federal charter or mandatory federal regulation will continue to be debated for years to come, we can achieve true, measurable reform of insurance regulation in the very near future with legislation such as H.R. 5637, the Nonadmitted and Reinsurance Reform Act, which recently passed the House of Representatives with overwhelming bipartisan support,” Symington says.

The Big “I” believes that federal legislation that mandates uniformity where needed and when necessary by preemption and national standards would make the appropriate reforms to state insurance regulation. 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 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](http://www.independentagent.com).