
May 27, 2009

LETTERS

Regulating Insurers: Two Perspectives

To the Editor:

The concern voiced in "[Regulator Shopping](#)" (editorial, May 21) is unwarranted.

Life insurers are asking Congress to enact legislation to create an optional federal charter in which consumer protections meet the highest state standards and are uniform across the country. In the wake of the financial crisis, Congress is in no mood to do less.

The federal standards would serve as a model for states that lag behind. Indeed, the current state-by-state system leaves some consumers vulnerable.

In an April report, the Government Accountability Office said of the current system, "Lack of uniformity and reciprocity may lead to inefficiencies, higher insurance costs and uneven consumer protection across states."

One further point: The economic crisis was not triggered by regulatory shopping but by regulatory gaps. Congress is working on a legislative package to enhance oversight of the financial sector. These initiatives include improving coordination among regulators and eliminating gaps that could result in similar problems occurring in the future.

Ignoring a \$5 trillion life insurance industry that is systemically significant both domestically and globally is not in the best interests of our financial markets or consumers.

Frank Keating

President

American Council of Life Insurers

Washington, May 21, 2009

To the Editor:

Your May 21 editorial makes a compelling case against allowing insurance companies, currently regulated by the states, to opt for federal regulation. There is another reason to be cautious about weakening the states' role in insurance regulation: it could undermine the state-based insurance guaranty fund system, which provides a well-financed and effective safety net for policyholders whose companies face insolvency.

The state guaranty funds protect policyholders from insurer default. Although coverage limits vary by state and type of insurance, these funds pay claims and provide continuing coverage to policyholders in the wake of an insurer's bankruptcy. The money to maintain the funds at adequate levels comes from assessments on insurance companies required under their state charters.

This national network of guaranty funds represents an essential “insurance on insurance” that affords an extra layer of security for consumers. Although greater federal regulation of insurance may make sense in certain areas (for large financial companies whose failure would pose a systemic risk), in “fixing” the current regulatory system, Congress should “first do no harm.”

Mark G. Peters
Special Deputy
Superintendent in Charge
New York Liquidation Bureau
New York, May 21, 2009