

WASHINGTON February 05 (BestWire) — U.S. Treasury Secretary Henry Paulson predicted the idea of an optional federal charter would "receive careful consideration" by the Bush administration, prompting an anti-federal regulation group to express alarm.

During a Senate Banking Committee hearing focusing on exchange rate policies and China, Paulson expressed interest in the idea of an optional federal regulator for the insurance industry — a few months after another Treasury official told the same committee that the National Association of Insurance Commissioners has not moved swiftly enough to modernize insurance regulation in the states.

In response to Paulson's comments, the chairman of the Coalition Opposed to a Federal Insurance Regulator, a group of insurance companies, trade groups and agents and brokers, said he was "concerned."

"COFIR members are hopeful that we can establish a dialogue with the Treasury Department as this issue is discussed and debated," COFIR Executive Director Greg Wren said in a statement. "I am hopeful that no official position will be taken by the secretary and the Bush administration before our members have an opportunity to express our concerns and views on this matter."

Paulson told the senators his thoughts about federal regulation of the insurance industry did not represent the official White House line, and that they were only his opinion. Wren said he understood that Paulson's comments were "not an official position" and the anti-OFC group "welcomes the opportunity to discuss this issue in more detail."

Paulson's personal opinion, however, echoes the Treasury Department's official take on federal regulation for insurers. Randal K. Quarles, the agency's undersecretary for domestic finance, told the Senate banking panel last year that there is now "virtually no disagreement that the current insurance regulatory system is in need of modernization" and that "differing state regulatory treatment can lead to inefficiencies and undue regulatory burdens."
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The National Insurance Act, S. 2509, which would create an optional federal charter for property and casualty, life, and health lines was introduced in the Senate last year; a similar bill was filed by Rep. Ed Royce, R-Calif. Similar bills are expected to be filed in the current Congress, as well. The COFIR group instead advocates changes to existing state-based insurance laws and opposes a federal regulator, which it says is "not a viable solution."

The Independent Insurance Agents and Brokers of America, the National Association of Mutual Insurance Companies, the National Alliance of Life Companies, and the National Association of Professional Insurance Agents all

oppose an optional federal charter. The American Council of Life Insurers and the American Insurance Association have lobbied in favor of it.

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