

Some Insurer Groups 'Disappointed' With OFC Recommendation

WASHINGTON March 21 (BestWire) — Last week, a commission created by the U.S. Chamber of Commerce to make recommendations about capital markets regulation said it supports federal regulation for insurers — a divisive topic among insurance companies and the trade groups that represent them on Capitol Hill.

Yet the Chamber itself, in a private letter to insurance trade groups and other member companies, said it had not yet made up its mind about whether it supports an optional federal charter.

So does the Chamber support OFC or not? Not yet, said a senior vice president for the Washington, D.C.-based business group. But a letter circulated privately by the Chamber indicates the group was cognizant of the negative impact such a recommendation would have with some of its insurance company members.

The Independent Insurance Agents & Brokers of America, which has long opposed an optional federal charter for insurers, issued a statement condemning what it initially described as the Chamber's support of OFC. Charles Symington Jr., head of the group's federal government affairs program, later clarified to say IIAA recognizes the distinction between the recommendations of the Chamber's panel and the Chamber itself — though even the group's chief executive officer, Robert Rusbuldt, initially conflated the two.

In a letter to U.S. Chamber President Thomas J. Donohue, Rusbuldt said the group is "already receiving numerous inquiries from small businesses around the country asking why the Chamber of Commerce, an organization that works to promote the interests of America's businesses, has endorsed a proposal that would create competitive inequalities, create one of the largest proposed additions to the federal bureaucracy in recent history, and bring new baggage to the insurance regulatory system."

The National Association of Mutual Insurance Companies also expressed disappointment, and said it hopes the Chamber will consider the needs of small insurance companies when deciding whether the full Chamber will support federal regulation for insurers.

Carl Parks, NAMIC's senior vice president for government affairs, said his group is disappointed that a group that fights for less red tape and regulation would consider supporting an optional federal charter.

The group recognizes "that this is merely a proposal from its commission," Parks said, but that "we would encourage the Chamber to weigh the impact an OFC would have on the thousands of smaller insurance companies that comprise the bulk of the U.S. insurance marketplace."

The confusion stems from a March 14 report released by the Commission on the Regulation of U.S. Capital Markets in the 21st Century, a group formed by the Chamber in 2006 to look at the regulatory structures in the United States with the goal of improving the U.S. position in global markets (BestWire, March 14, 2007). After a year of studying and discussing U.S. capital markets regulation, the Chamber's commission produced a report in which it said it "believes that the proposed optional federal insurance charter will enable large insurance companies to engage more efficiently on a national or international scale, thus increasing competitiveness and reducing costs for consumers."

Privately, however, the Chamber said the overall group — as opposed to the commission the

Chamber created — was not officially in favor of OFC. In a letter sent to some member companies in the week prior to the March 14 report, David Hirschmann, a senior vice president for the Chamber, said the full U.S. Chamber had not yet made up its mind.

"Next week, an independent, bipartisan commission formed by the U.S. Chamber of Commerce to study the legal and regulatory structure of the U.S. capital markets will issue its report. In advance of that, I wanted to apprise you that among its recommendations is that Congress should enact legislation to establish an optional federal insurance charter," Hirschmann wrote.

Noting the issue is "very important" to the member companies, Hirschmann wrote "While we will consider all the recommendations of our Commission ... the Chamber's own policy on an optional federal insurance charter will be determined only after additional input from its members." He said the Chamber will consult with its members "in a timely fashion to develop a policy statement to further guide the Chamber's position on insurance oversight and regulation."

Hirschmann said OFC "is an issue we'll take a very close look at," though he did not yet know when the Chamber would make a decision.

"Clearly, we have members who strongly understand the benefits, and others who have legitimate concerns," he said. The group will make a decision "over the next couple of weeks ... It's too soon to tell exactly where we'll come down on that. We want to be thoughtful. We want to be quick, but we want to be thoughtful."

A bill creating a federal regulatory option for insurers and producers is likely to be reintroduced in the Senate in April, with a House version to be filed soon after. Sen. John Sununu, R-N.H., earlier this month told a gathering of industry professionals in Washington D.C., that he will reintroduce a revised version of the National Insurance Act, the optional federal charter bill he cosponsored in the 109th Congress (BestWire, March 9, 2007).

Sununu's OFC bill last year proposed to create an Office of National Insurance within the Treasury Department, which would oversee a system of federal regulation for insurers and producers that would rather be regulated at the federal level, rather than by state regulators. (By Chris Grier, Washington correspondent, BestWeek: Chris.Grier@ambest.com) BN-NJ-03-21-2007 1211 ET #