



ISSUES

Modern State Regulation of Insurance

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PIA members support the states as primary regulators of the business of insurance under a modernized system. Our existing system of insurance regulation is, in fact, a national system that is state-based, which provides vital checks and balances to ensure financial stability, safety and soundness, and should therefore be preserved. PIA:

- **Supports the existing national system of state-based insurance regulation.**
- **Supports systemic risk regulation of banking, securities and capital markets.**
- **Opposes preemption by a federal insurance regulator, or federal preemption of state insurance oversight, whether optional or mandatory.**

PIA urges Congress to focus on the repairing the federal oversight of banking and securities, which failed during the current economic crisis, rather than attempting a wholesale restructuring of the business of insurance, which would not protect consumers or safeguard our financial system, and would have many unintended consequences.

The state insurance oversight system has demonstrated far better than others its ability to effectively protect consumers and support a solvent market over many decades, and particularly during the current economic crisis. Congress does not need to make radical reforms to insurance oversight as part of reforms to oversight of the other financial services sectors.

PIA supports insurance regulatory modernization efforts through the use of state-based tools. An example is expanded use of an all-jurisdiction compact structure, an approach that would be more successful than either an Optional Federal Charter or full federal oversight in encouraging soundness and stability, and avoiding marketplace disruptions.

PIA opposes proposals calling for a federal insurance regulator (whether optional or not), or any system that displaces or interferes with the state insurance law and its state based regulatory system for insurance. Such large-scale federal changes would adversely affect the soundness of insurance markets, restrict the availability of insurance products and undermine successful consumer protections — requirements that are currently either greatly impaired or absent under the federal oversight of the other financial services sectors.

PIA supports a more effective and successful federal systemic risk regulator for banking, securities and capital markets that would, through the current Gramm-Leach-Bliley Act (GLBA), coordinate with the existing national system of state-based insurance supervision.

The McCarran-Ferguson Act has served our insurance customers, markets and state general revenues well for over a half-century and should not be altered or repealed.

The national system of state-based insurance regulation currently in place is successful and improving every day. PIA supports state efforts to streamline, simplify, and modernize insurance regulation. PIA urges lawmakers to work with the states to make sure they continue to make improvements to insurance oversight.

For additional information on this issue, please contact PIA's federal affairs department.