

## **Congress to Consider Optional Federal Charter for Life Insurers**

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Insurance in the United States has traditionally been regulated by individual states. With the recent meltdown in the financial services industry, Congress is considering legislation to allow life insurers to operate under a federal charter, similar to the banking industry's dual regulatory system that would allow companies to choose between the state system and a national regulatory structure. The life insurance industry has been pushing for federal legislation for years as they see the current state system as overly complex, anticompetitive and unduly burdensome in that it increases the cost of compliance and delays the launching of new products. A good article discussing this can be found at the Insurance Information Institute's website:

<http://www.iii.org/media/hottopics/insurance/opt/>

One proposal would create a framework for a national system of state-based regulation, which would create uniform standards in such areas as market conduct, licensing, the filing of new products and reinsurance. Among those supporting an optional charter are large insurers that sell coverage to major corporations, reinsurers, brokerage firms, life insurers and banks that are moving into the insurance business.

The Treasury Department has a proposal which describes state regulation as cumbersome, making it more costly for insurers to develop products for sale nationally and creating problems for U.S. insurers operating abroad and for foreign insurers in the U.S. The Treasury's proposal notes that insurers choosing to be regulated by a federal system would still be subject to some compliance with state laws, such as state tax laws, compulsory coverage for workers compensation and individual auto insurance, as well as the requirements that they participate in state mandatory residual risk mechanisms and guarantee funds. The Executive Summary of the Treasury Department's proposals can be accessed at:

<http://www.treas.gov/offices/domestic-finance/regulatory-blueprint/>