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Insurance Associations Spell Out Wish List for Federal-Regulation Bill

WASHINGTON 04/13/2004 (BestWire)-Two of the leading insurance trade associations have written a joint letter to U.S. House Financial Services Committee Chairman Michael Oxley, R-Ohio, spelling out with the greatest detail so far what they want to see in a proposed federal-regulation bill likely to see action this summer.

The American Insurance Association and the Independent Insurance Agents & Brokers Association of America delivered the letter to Oxley on April 12, detailing what they would like to see in legislation now being drafted by Oxley and Rep. Michael Baker, R-La., chair of the House Financial Services Subcommittee. The letter is the first piece of paper publicly available from the insurance industry on the matter since Baker's subcommittee held a hearing on insurance regulatory reform two weeks ago (BestWire, March 31, 2004).

"We're going to work closely with the AIA, the committee members and the other property/casualty trade association parties in order to move this proposal forward," said Charles E. Symington Jr., the IIABA's head of federal government affairs.

The Big "I" and the AIA both want the "federal tools" legislation, as it's being called, to eliminate state price controls and to establish other federal preemptions of state insurance rules. Both groups also want to ensure that any proposed federal dispute-resolution mechanism does not have any regulatory authority on its own.

What the two trade groups want specifically, according to their letter:

-- Federal preemption of rate approval laws. Both groups hail Illinois' market-based system of oversight as a model. Meanwhile, state "information filing" laws should stay, as should state prohibitions against illegal discrimination.

-- Federal preemption of most policy-form approval laws, including prior approval statutes. The most restrictive form review allowed, both groups say, should be file-and-use systems that limit a state regulator's objections to 30 days, after which it would be considered approved. If a state regulator disapproves within that month-long period, the regulator would have to "clearly and specifically" state the legal basis for the disapproval.

-- Federal preemption of policy-form approval laws for commercial lines manuscript policy forms.

-- Federal preemption of specific state laws that hinder multistate commerce, such as countersignature statutes. Many of those countersignature statutes have been successfully challenged in federal courts (BestWire, Feb. 10, 2004).

-- A national authority that can resolve disputes over those preemption issues--but which has no regulatory authority. That authority could be placed in the federal courts, a new federally created arbiter or some combination.

Congress is currently on a break and scheduled to return to Washington on April 19, when it will begin tackling several insurance matters. That week, Senate Majority Leader Bill Frist, R-Tenn., is expected to bring to the Senate floor a revamped bill seeking to limit insurers' exposure to further asbestos claims (BestWire, April 12, 2004), and U.S. Treasury officials will appear at a hearing later in the month to testify on the feasibility of extending the federal backstop for terrorism insurance.

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