

House Subcommittee Passes Insurance, SEC Changes

by dow-jones

WASHINGTON -(Dow Jones)- A U.S. House subcommittee on Wednesday passed a measure creating an insurance policy office within the Treasury Department, marking a potential broadening of the federal government's role in an industry traditionally governed by the states.

A House Financial Services subcommittee approved by voice vote a bill to create the Office of Insurance Information, a policy advisory office that would report to Congress and the White House. The new office, which would cover all insurance lines except for health insurance, would review both international and domestic insurance issues and would be given the authority to preempt state laws that violate international regulatory agreements.

Separately, the panel passed legislation giving the Securities and Exchange Commission new authority to serve subpoenas, levy fines and bar individuals from working as brokers, advisors, or municipal bond dealers. The panel also voted to make it easier for insurance brokers to be licensed across state lines.

Allowing the federal government to preempt state insurance laws has been a source of consternation for some in the insurance industry, reflecting a broader debate among insurance firms over the role of the federal government in regulating the insurance industry.

Though insurers have traditionally been regulated by each of the 50 states, some large and international insurers have aggressively lobbied Congress to create an optional federal charter that would free them from state oversight. Small and mid-size insurers oppose such a move, wary that it's an effort by their larger competitors to ease regulation for firms that already control a majority of the industry.

Former Montana Governor Marc Racicot, the head of the American Insurance Association - which represents larger insurance companies - said the creation of the federal offices acknowledges "an immediate need exists for federal expertise regarding the important national and international insurance trends in today's rapidly changing and globalized marketplace."

The vote marks a minor victory for the Treasury, which proposed a similar federal insurance information office as part of its financial regulatory "blueprint" released earlier this year. Though many of the proposals in that document have not progressed beyond the discussion phase amongst policymakers, the insurance office bill seems likely to at least pass the House of Representatives this year.

The committee also approved bills that would allow interest groups, such as doctors, to create risk retention pools for commercial property insurance, as well as the changes for insurance brokers. The latter measure would create national association of registered insurance brokers, which would be governed by both state regulators and industry participants.

"We believe that this type of targeted federal legislation makes the appropriate reforms to the marketplace and improves insurance regulation without having to take the unprecedented path of creating a new federal regulator," said Charles E. Symington, Jr., senior vice president of government affairs for the Independent Insurance Agents and Brokers of America.

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