



**COALITION OPPOSED TO A FEDERAL INSURANCE REGULATOR  
(COFIR)**

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The Honorable Paul Kanjorski  
Chairman, House Financial Services Capital Markets Subcommittee  
Washington, D.C. 20515

Dear Chairman Kanjorski:

As Executive Director of the Coalition Opposed to a Federal Insurance Regulator (COFIR), which is comprised of property and casualty companies, life and health insurance companies, and insurance trade associations, I would like to provide a different perspective to correspondence sent to you from supporters of an optional federal charter (OFC). I also would like to take this time to explain to you the method that our coalition believes would be the best approach for achieving reform of the state-based insurance regulatory system.

Insurance market participants are sharply divided on the issue of a federal insurance regulator. Proponents would lead you to believe that the industry comes as a united front when, in fact, many associations and companies—and a clear majority of consumers – do not agree with efforts to create a massive new federal bureaucracy far removed from the states.

As for specific concerns that we have on the proposed legislation, COFIR believes that a federal charter eventually will not be optional, and ultimately would be more of a Hobson's choice federal charter for insurance. Proponents like to compare an OFC with the banking industry, but this is an incomplete analogy. In the banking context, the Federal Deposit Insurance Corporation stands as the ultimate guarantor and protector of the public's trust in the entire banking system – both state and federal. The optional federal charter proposals lack the same foundation in which both a state and federal system can prosper. We are concerned that it creates an uneven playing field that could mark the beginning of the end of the state insurance regulatory system.

We also believe that another bureaucracy housed in a federal agency in Washington, as would be created through an optional federal charter bill, will not benefit consumers. COFIR has surveyed

over 115,000 consumers in 91 Congressional Districts indicating an overwhelming opposition to the centralization of insurance under a federal insurance regulator in Washington D.C.

While COFIR does not support the creation of a federal insurance regulator, we do believe that the current state-based insurance regulatory system needs to be reformed and modernized. But we believe that such reform can be achieved through targeted federal legislation, an example of which is the *Nonadmitted and Reinsurance Reform Act of 2007*. This bill has overwhelming congressional and industry support and, in September 2006, a similar version passed the House of Representatives by a unanimous 417-0 vote. COFIR believes that targeted legislation such as this can bring about uniformity and improve efficiencies in the state-based insurance regulatory system without having to take the drastic step of creating a massive new federal bureaucracy.

Finally, we believe that the creation of a federal insurance regulator will put state revenues at risk. In 2005, state governments received approximately \$2.2 billion from non-premium tax revenues (e.g. fees and assessments). These revenues are critical to fund a vast array of state government operations such as Medicaid and CHIP programs, public and mental health services, law enforcement, senior citizen services, and economic development programs. If only 50 percent of insurance companies actually choose the federal “option,” states could lose in excess of \$1 billion of revenue thereby jeopardizing essential services in each state.

Overall, we believe that there is no “crisis” in the insurance industry that warrants creating a dual, bifurcated system of state and federal insurance law and regulations. What is needed is federal leadership in targeted reforms to help states create a more efficient and uniform market in which consumers are protected.

As you study this important issue, I hope you will consider the arguments presented by COFIR. Our members look forward to meeting and working with you and your staff on this critical issue as it is debated in Congress and throughout America.

Thank you for your consideration.

Sincerely,

Greg Wren  
Executive Director