



Insurance Regulatory Reform

*Regulatory Modernization
for the Benefit of
Consumers, Agents, Regulators and Insurers*

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Is there any doubt? Change is coming



- Financial services regulatory reform is a top priority for the 111th Congress and the Obama Administration.
- What will it look like?
- How will it impact insurance?

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Regulatory Reform Will Include the Insurance Industry



The Insurance Industry is a Key Player in the Capital Markets:

- The industry held nearly \$5 trillion in government and corporate securities in 2007
- U.S. total premium for P&C and Life Insurance equaled \$1 trillion in 2008
- There were 2,723 P&C companies and 1,190 L&H companies in the U.S. in 2007
- The industry is a major U.S. employer, providing some 2.3 million jobs

The AIG Bailout Illustrates the Need for Insurance Regulatory Reform:

- The most costly corporate collapse to date was not a bank, but an insurance company
- The federal government has "loaned" \$180 billion to AIG
- Large, multi-line insurance companies are critical to our financial system, and to the fundamental security and stability of the national and global economy

Regulatory Gaps Need to be Closed:

- No single regulator has a complete picture of the activities of modern insurance conglomerates
- The state system cannot provide the oversight needed to protect consumers

Systemic Risk Regulator

- Definition of systemic risk not clear yet
- Insurance industry could pose risk of systemic stress if not breakdown
- New oversight authority is likely

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Today's Regulatory Scheme --



51 Jurisdictions/Regulators

• 50,000 Insurance Laws

52 Volumes/ 46,124 Pages of Insurance Laws

• 12,000 Regulations

53 Volumes/ 61,533 Pages of Regulations



• 8,700 Related Regulations

33 Volumes/ 12,441 Pages of Related Regulations

• 2,300 Insurance Bulletins

17 Volumes/ 1,802 Pages of Insurance Bulletins

• State Case Law

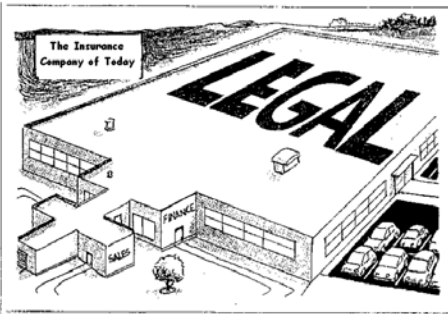
• 2,000 Circular Letters

10 Volumes/ 8,500 Pages of Circular Letters

• Litigation

• "Desk Drawer Rules"

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Shortcomings of State Regulation for National Carriers & Agents



Lack of *Uniformity*

Regulatory Redundancies

Limited Authority

- > Cannot Address Systemic Risk
- > Regulatory Gaps
- > Cannot Make Agreements with Foreign Authorities on Behalf of U.S.

Agent Licensing

Cost of Compliance

Pricing & Underwriting Controls

Product/Form Controls

Lack of Portability for Consumer

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What some others have recently said



- The Government Accountability Office report released in April of 2009 highlighted these issues, stating that the "lack of uniformity and reciprocity may lead to inefficiencies, higher insurance costs and uneven consumer protection across states."
- In addition, the Obama Administration declared a need for increased national uniformity through either a federal charter or effective action by the states. In its white paper entitled, _____, the U.S. Treasury Department stated:

"Our current insurance regulatory system is highly fragmented, inconsistent, and inefficient. While some steps have been taken to increase uniformity, they have been insufficient."

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The Majority of the Market Supports National Charter



Life Insurance Companies and its trade, the ACLI, support National Charter.

Despite claims to the contrary, large P&C carriers are generally united in their support for a National Charter – there are only a few dissenters among the top 15 P&C carriers. P&C carriers supporting National Charter represent over 50% of the market share.

Top 15 U.S. P&C Companies	Market Share %
State Farm	10.09
AIG	6.46
Zurich	5.69
Allstate	5.43
Liberty Mutual	5.32
Travelers	4.41
Berkshire Hathaway (GEICO) *	3.28
Nationwide	3.20
Progressive *	2.78
Hartford	2.23
Chubb	1.99
USAA	1.93
ACE	1.75
CNA *	1.72
Allianz	1.23
Total	57.51%

* Do not support National Charter

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Consumers Support National Regulation



- American insurance consumers believe that the best way to regulate national insurance companies is through national regulation.
- Sixty-nine percent (69%) of registered voters agree that insurance companies doing business nationally and internationally should be regulated at the national level.
- In the wake of the current financial crisis, this makes sense because seventy-four percent (74%) of registered voters also recognize that the financial health of the insurance industry is connected to the overall health of the economy.

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Why be Skeptical of State Regulation Reform?

Regulator Position on Uniform Insurance Regulation:

“The Commissioners are now fully prepared to go before their various legislative committees with recommendations for *a system of insurance law which shall be the same in all States*, not reciprocal but identical, not retaliatory but uniform.”

NY Insurance Commissioner George W. Miller, 1871

Let's Work Together



- Need to modernize and improve the system
- Learn more at allstate.com/ModernReg

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