



July 3, 2008

Senator George V. Voinovich
United States Senate
524 Hart SOB
Washington, D.C. 20510

Re: HR 5611: “National Association of Registered Agents and Brokers Act of 2008”
HR 5840: “The Insurance Information Act of 2008”

Dear Senator Voinovich:

I am writing this letter to bring to your attention two bills pending in Congress -- HR 5611 and HR 5840. I believe that both of these bills would seriously disrupt the insurance market to the detriment of Ohio consumers and would significantly restrict the sovereign authority of the Ohio General Assembly to regulate Ohio’s insurance industry. It is for these reasons that I urge you to oppose both.

I understand HR 5611 is expected to be marked-up in the Capital Markets, Insurance, and Government-Sponsored Enterprises Subcommittee on July 9, 2008. This legislation would create the National Association of Registered Agents and Brokers (NARAB) as a quasi-public entity to license and regulate the conduct of insurance agents operating outside of their home state.

Here are my primary concerns with HR 5611:

- **State-based insurance regulation works well.** In 1999, Congress enacted the Gramm-Leach-Bliley Act (GLBA), which called on states to enact laws that would allow insurance agents licensed in their home state to easily obtain a non-resident license in another state. The original mandate of GLBA was for 29 states to adopt reciprocal licensing requirements for non-resident agents by 2002. States responded positively to GLBA and far exceeded the benchmarks set by Congress. Today, 45 states and territories are GLBA compliant, including Ohio, with two more states soon to be added to this list. Also, 47 states, working with insurance agent and industry representatives, have established a joint electronic system (called the National Insurance Producer Registry) that we use to coordinate and streamline our non-resident agent licensing efforts. In these participating states, a non-resident agent can usually obtain a license in 24 to 48 hours.

Despite the significant achievements post-GLBA, HR 5611 seeks to preempt state non-resident insurance agent licensing laws and replace the current system with a system controlled by a quasi-public entity that is not accountable to state legislators. Many people believe that creating this quasi-public entity is the only way to achieve full reciprocity among the remaining states who are not GLBA compliant. There are many less intrusive ways for Congress to incentivize GLBA compliance without preempting the authority of state legislators or state regulators.

The current system of state-based agent licensure is a visible success, and there is simply no need to create a duplicative and costly national system with questionable accountability to state legislators and regulators. States have exceeded the GLBA goals previously set by Congress and a new regulatory structure establishing NARAB membership as the path to non-resident agent licensure would supplant state sovereignty at additional cost without any added benefit to the participants or the public.

- **Consumers are best served by state based insurance regulation.** The establishment of NARAB would severely limit states from taking enforcement action against non-resident NARAB members. Under HR 5611, states will be prevented from disciplining non-resident agents to the extent that state laws are inconsistent with federal law. The impact of undermining state enforcement authority will be borne squarely by consumers who will no longer be able to have their complaints addressed at the local level. The legislative and executive branches of state governments will also find themselves powerless to address constituent complaints regarding non-resident agent issues. Notably, the system established by NARAB to replace state oversight will be controlled by a private, non-profit board composed of insurance industry representatives who are appointed by insurance industry trade groups who have no obligation to be responsive to consumers or state or federal officials, and also state insurance regulators, who would only have a bare majority on the board. Regardless of the board composition, the end result is that states will lose control over the integrity of their insurance markets if HR 5611 becomes law, and consumers will bear the consequences.

The underlying aim of HR 5611 is to allow insurance agents licensed in their home state to easily obtain licenses to sell insurance in other states. Already, 45 states and territories have GLBA-compliant systems in place. If Congress is to get involved, all that it needs to do is establish a requirement that the few remaining states come into compliance with GLBA licensing standards. GLBA compliance is important for the continued success of our dynamic insurance markets. I fully support licensing reciprocity among all states and I am very willing to work with Congress and stakeholders to achieve that goal. However, I am concerned that HR 5611 unnecessarily preempts state laws and the authority of state legislators.

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As to HR 5840, here are my primary concerns:

- **The Office of Insurance Information is unnecessary.** Currently, the National Association of Insurance Commissioners collects data from state insurance departments, insurance companies and agents. This information is readily available to the GAO, Congress and the Executive Branch. There is no need to create an additional infrastructure for the collection of data when one already exists.
- **HR 5480 would preempt state law in areas needed for safe and sound insurance markets in the United States and also for consumer protection.** State insurance regulators often consider transactions between domestic insurance companies and foreign reinsurers in assessing the solvency of the domestic company. In doing so, state insurance regulators may place requirements on such transactions because foreign reinsurers are not subject to the same solvency requirements as U.S. reinsurers. HR 5840 may preempt state law in this area. Doing so could undermine the solvency of U.S. companies doing business with foreign reinsurers and this would harm Ohio consumers. State regulators have worked together for almost two years to assure the soundness and stability of our nation's insurance markets. We need to assure that any federal efforts to enter into insurance regulation are narrowly tailored so that the balance and integrity of the state-based markets is not disrupted.

Thank you for your time and attention to these issues. As I have explained, HR 5611 and HR 5840 would seriously undermine a proven system of state regulation that protects consumers. I urge you to oppose these measures in their current form and work to improve the current system by focusing not on the states that have adopted reciprocity, but instead, on those states that have not. HR 5611 in particular extends far beyond the bounds of the GLBA goal of achieving licensing reciprocity for non-resident insurance agents.

If you have any questions or would like to discuss this further, please do not hesitate to contact me by telephone at (614) 728-1003, or by email at maryjo.hudson@ins.state.oh.us. I am planning to be in Washington the week of July 14, and I am working to schedule a meeting with you to discuss my opposition to HR 5611 and HR 5840 in more detail and other matters important the residents of our great state.

Best regards,



Mary Jo Hudson
Director