

Insurance industry remains healthy; state regulation is the reason

May 22, 2009

This week, state insurance regulators from across the country gathered in Washington to discuss the role of the insurance industry in today's struggling economy. Proposals to revive the economic heartbeat of the nation inevitably include regulatory reform of the financial industry, and insurance is often part of the dialogue.

If the United States has genuine intentions of demonstrating to the world that we are committed to pursuing reform efforts that strengthen our financial system, we should move quickly to enact measures that add additional checks and balances to the regulatory process, not remove them.

Some in the insurance industry and their allies in Congress advocate creating a new federal bureaucracy to regulate this industry, and in some cases displace the role of state insurance regulators. They would be displacing a nationwide network of state regulators with a 150-year track record of success. This network promotes the financial solvency and solidity of these institutions through information-sharing and collaboration, and we ensure consumers are treated fairly by their insurance providers.

Here in Missouri, our system protects policyholders by effectively monitoring 4,7000 insurance companies that generate \$35 billion in premiums. We also regulate more than 118,000 insurance agents.

As a result of robust state regulation, the insurance industry has provided a relative source of calm in an otherwise turbulent time. State oversight has kept insurance companies stable and protected policyholders from the worst of the financial meltdown, even as banks and investment firms failed under federal regulation.

Let's look at AIG, the financial services giant making headlines. While it has sometimes been referred to as an insurance company, it is not. AIG owns a number of companies, many of them insurers. And while the parent AIG has had financial problems, its insurance subsidiaries are far more healthy, thanks to the oversight of regulators in the states where those insurance companies operate.

Without question, to better identify and manage systemic risk in the broader financial system, we must update our federal regulatory structures. But any framework must integrate, not displace, state insurance regulation. This oversight has succeeded for a century and a half in holding insurance companies accountable to their obligations to the individuals and businesses who, as policyholders, have put their trust in them.

Those of us who are part of this national state-based regulatory system want to work with the administration and Congress to help enact responsible, inclusive reform efforts that preserve and strengthen this system — laying the foundation for another 150 years of continued service to the Missourians who depend on us. 13,000 people work in our nation's insurance departments, and they have unique expertise and experience to lend.

We have shared key principles for regulatory reform with our Congressional delegation and other officials in the Obama administration. We trust that our representatives in Washington will help us retain our successful state-based model of regulation as we work together to bring stability to the financial services sector.

John M. Huff is director of the Missouri Department of Insurance, Financial Institutions and Professional Registration.

[Press release on Director Huff's visit to Washington to bring this message to Congress.](#)

About the Missouri Department of Insurance, Financial Institutions & Professional Registration

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) is responsible for consumer protection through the regulation of financial industries and professionals. The department's seven divisions work to maintain consumer confidence by examining and monitoring industries and professions and by establishing coherent and evolving policies. DIFP works to enforce state regulations both efficiently and effectively while encouraging a competitive environment for industries and professions to ensure consumers have access to quality products.