



October 2, 2009

The Honorable Melissa Bean
United States House of Representatives
432 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Bean:

Third Way is pleased to endorse H.R. 1880, the National Insurance Consumer Protection Act (NICPA), sponsored by you and Rep. Ed Royce. This legislation is an important component of financial services regulatory modernization, and we strongly support its inclusion in a final regulatory reform package.

Last year's financial crisis made apparent that regulatory modernization for insurance companies is long overdue. As evidenced by the near-collapse of AIG, the fragmented structure of the current system precludes insurance regulators from having a comprehensive view of the insurance marketplace. Insurance companies have become so multifaceted that they have outgrown the present state-based system of insurance regulation. According to an analysis by McKinsey and Company, more than 96% of premiums collected in 2007 were collected by insurers operating in more than one state. In addition, some of the nation's largest insurance companies have become increasingly involved in lines of business other than insurance, which has made effective oversight increasingly difficult. Last, state regulators have limited ability and limited authority to detect and deal with systemic risks arising from the operation of multi-state and often multi-national corporations.

H.R. 1880 remedies these gaps by creating a national system of regulation and supervision for insurers, insurance agencies, and insurance producers; proposing mechanisms that recognize the need for monitoring the insurance sector for systemic threats to the economy; and implementing uniform national consumer protections. These reforms would create a robust and coordinated regulatory regime that can more easily monitor an institution's safety and soundness, thereby helping to forestall future crises.

Finally, the reforms proposed by H.R. 1880 would also benefit consumers. Today, multi-state insurers need to comply with the requirements of the insurance regulatory regimes for all states and territories in the United States. These compliance requirements result in more than \$13 billion in annual transaction costs that are undoubtedly passed on to consumers in the form of higher premiums. The current state-based system has also led to uneven enforcement of consumer protections. H.R. 1880 addresses these problems by creating a national insurance regulator that will streamline inconsistent regulatory requirements, lower transaction costs and implement the National Association of Insurance Commissioners' model laws on consumer protections.

Third Way commends you on your dedication to this important issue and your efforts to ensure the financial stability that is so critical to middle class success and future economic growth.

Sincerely,

A handwritten signature in blue ink, appearing to read "Anne Kim".

Anne Kim
Director, Economic Program