Treasury Secretary, Henry Paulson recently outlined President Bushes' recommendations to overhaul regulation of the financial services industry including the insurance industry.

Federal control of the insurance industry is not a new issue. In 1999, the financial modernization act, better known as the Gramm-Leach-Bliley Act, was enacted. The Gramm-Leach act GLB allowed for the consolidation of commercial and investment banks, opening up competition for banks, securities and insurance companies. It also required mandatory state reciprocity licensing of insurance agents.

In December of 1999, the National Association of Insurance Commissioners, NAIC, established the National Association of Registered Agents and Brokers, NARAB Working Group, which developed revisions to the NAIC Producer Licensing Model Act (PLMA) to help states meet the mandated reciprocity requirements of GLBA. Within a year the required number of states had passed legislation meeting the GLB Act requirements regarding state licensing reciprocity. This allowed for continued state control of the insurance industry, rather than giving this authority to the federal government.

Federal control of the insurance industry probably would not significantly impact the everyday activities of an insurance agent. The change from being state regulated to being federally regulated would impact insurers. Insurance companies such as American Family who have a close working relationship with their state insurance regulator/ insurance commissioner in Wisconsin would find themselves less likely to develop the same relationship with a federal regulator, thus reducing the influence any one carrier would have at the federal level.

States do not like giving up control of any of their state regulated industries which would happen if the insurance industry were to come under federal control. The NAIC will fight to prevent federal control of the insurance industry because it would mean the end of their career as regulators. The battle for state versus federal control of the insurance industry will be fought by the carriers and state regulators. There might be some positives coming from a federally controlled industry such as a standardization of forms, coverages, and policy language as currently used with ISO.

On the down side, there would be a more complex administrative bureaucracy than currently exists with regulations controlled by each individual state and it would be impossible to imagine a federally-run program which could be as cost effective as a state-run regulatory system.

Even though Secretary Paulson unveiled Mr. Bush's plan of over hauling the financial regulation of the financial services industry, this will be a long fought, drawn out battle which is expected to extend well beyond the current president's term in office. We can expect American Family to eventually request agents to weigh in on this issue with their federal legislators. In the meantime, it would be to the agents' advantage to become familiar with the potential impact federally regulated industry would have on you, your agency, your company and your clients.
http://www.treas.gov/offices/domestic-finance/regulatory-blueprint/