



# Kansas Insurance Department

## Sandy Praeger, Commissioner of Insurance

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*For more information, contact:*

Bob Hanson  
Public Information Officer  
785-296-7807

**Editorial page editor/media news director:** Below is an opinion/editorial essay (661 words) by Sandy Praeger, Kansas Commissioner of Insurance. The piece concerns federal legislation that would markedly limit states from regulating insurance in the best interests of consumers.

## **Federal bill unnecessary**

**By Sandy Praeger**  
**Kansas Commissioner of Insurance**

The Kansas Insurance Department excels in consumer protection. During 2007, for example, our Consumer Assistance Division recovered a record \$15.1 million for consumers through settlements of insurance claims disputes. We are especially proud of the work we do in this area.

Our focus during each of the past five years has been in regulating insurance for the benefit of our consumers, advocating on their behalf when they need a helping hand, and educating the general public about insurance.

Our ability to help Kansas consumers, however, is being challenged by proposed federal legislation that would let a federal agency handle insurance matters. Kansans should be wary of assigning this important work to a new agency ill-equipped to handle it. On top of that, the new agency could take away needed money from the state general fund budget.

Optional Federal Charter (OFC) bills were introduced in 2007 in both the U.S. Senate and the U.S. House of Representatives. Except for industry attention, these bills have flown “under the radar” of most Americans.

The bills would establish an Office of National Insurance in the Treasury Department, headed by a Commissioner of National Insurance. The bill would require the national commissioner to supervise and license national insurers and national agencies.

The key problem with this supervision is it would remove national insurers and agencies from direct Kansas oversight of insurance business practices. Also, it could take away the funds the Kansas Insurance Department brings in from fees and premium taxes and turns over to the state general fund — almost \$114 million in fiscal year 2007.

That’s a lot of money to remove from the state’s general fund budget.

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The OFC proposal would create a massive federal bureaucracy with limited insurance experience and little accountability. Our state insurance department, on the other hand, is accessible, accountable and responsive, and we operate with greater efficiency than would a vast new federal bureaucracy.

The proposal is conspicuously vague on critical regulatory details, leaving much to the determination of a national commissioner, who could then delegate all but licensing and merger approvals to a self-regulatory organization of industry insiders.

The National Association of Insurance Commissioners (NAIC), of which I am president for 2008, takes a dim view of these proposals.

The current state system encourages regulatory innovation; it allows states and the NAIC to work together to modernize insurance regulation. This voluntary activity, known as the Interstate Insurance Product Regulation Commission, works on behalf of the consumers of more than 30 states, and the NAIC is working to increase the number of states involved.

State regulators enforce laws developed by their own legislatures. The Kansas Insurance Department, as well as other states' departments, is uniquely positioned to accurately reflect local values, concerns, culture and economic conditions.

The argument increasingly put forward by federal charter advocates is that U.S. insurance regulation needs to change in order to catch up to foreign countries. The reality is this: When state insurance markets are compared to other national insurance markets around the globe, the size and scope of those states' markets — and therefore the responsibility of state regulators — typically dwarfs the markets of whole nations. Four of the top 10 and 26 of the top 50 insurance markets in the world are U.S. states.

Kansans and those in other states also benefit very directly through the advocacy of our department. The record recovery amount for 2007 is just one example. Can you imagine trying to get recovered money from federal government in a timely fashion? Even getting a live person on the phone at a national agency can be an adventure in exasperation.

The National Governors Association, the National Council of Insurance Legislators, the National Council of State Legislators, and the Council of State Governments have also publicly opposed the federal charter, and smaller insurers and agents' groups have expressed grave reservations about a federal regulator.

We Kansans need to keep our insurance regulation — and our general fund dollars — here at home.

*Go to [www.ksinsurance.org](http://www.ksinsurance.org) for more information about insurance regulation, consumer protection and biographical information about Commissioner Praeger, including photos. The Kansas Insurance Department, established in 1871, assists and educates consumers, regulates and reviews companies and licenses agents selling insurance products in the state.*