



---

Portfolio Media, Inc. | 648 Broadway, Suite 200 | New York, NY 10012 | www.law360.com  
Phone: +1 212 537 6331 | Fax: +1 212 537 6371 | customerservice@portfoliomedia.com

---

## Congressmen Ask Geithner For Insurance Oversight

By **Liz McKenzie**

Law360, New York (January 23, 2009) -- Members of the House Financial Services Committee have asked U.S. Secretary of the Treasury-designate Timothy F. Geithner to establish an office that would provide national insurance oversight.

Representatives Melissa Bean D-Ill.; Andre Carson, D-Ind.; Michael Castle, R-Del.; John Campbell, R-Calif.; Ed Royce, R-Calif.; Dennis Moore, D-Kan.; and John Adler, D-N.J., sent a letter to Geithner on Friday, calling on the newly-appointed secretary to establish a division of the Treasury dedicated entirely to insurance matters.

"The events of the past several months have reinforced the widely-held belief that the U.S. financial regulatory model must be reformed," the representatives wrote in the letter.

"We encourage you – upon confirmation – to either create an office within the Treasury Department or assign a high-level Treasury appointee an insurance portfolio to fill a void on insurance oversight and expertise at the federal level."

Following the failure and bailout of American International Group Inc., which has already swallowed more than \$122.8 billion in government funds, the government should have an interest in regulating the insurance industry, according to the representatives.

"Events in the insurance sector during the past 12 months have had a significant impact on the broader capital markets and economy," the letter said.

The congressmen claim that the government's decision to bail out AIG, rather than face the "systemic shock to the broader economy," is evidence enough to consider establishing an insurance oversight office.

"We all share the belief that we must take steps to ensure that a similar situation does not occur in the future, and we believe that an important first step ought to be the establishment of an office

within Treasury which would have a knowledge-base and understanding of insurance operations," they said.

The group said it was "disconcerting" that there was such a lack of expertise within the federal government concerning insurance matters, despite its "critical role" in the U.S. and global economies.

Francine L. Semaya, a member of Cozen O'Connor LLP's global insurance group, said she was surprised that members of the Financial Services Committee submitted the letter so soon after the new administration took control.

"I'm surprised it happened so quickly," Semaya said. "I didn't expect that on Day Two of the new treasurer being in office that he would get a letter from members of the House Financial Services Committee. They want to put it on his front burner."

Still, Semaya said, it could take some time before Geithner is able to address the issue.

"We believe it will happen, but maybe not immediately," she said. "It probably won't be the top priority."

Wolcott Dunham, a co-chair of Debevoise & Plimpton LLP's insurance and financial institutions group, said the push for more oversight was inevitable.

"This is one part of the many developments during 2009 occurring as the new Congress examines how all financial institutions are regulated, including insurance companies, which have traditionally been — for more than 150 years been — regulated primarily by the states," Dunham said. "Currently there is no established position in the Treasury or elsewhere in administration that is a focal point of expertise for insurance."

"It seems clear to me that there will be legislative activity this year, though the exact form it takes remains to be seen," he said.

The representatives aren't the first to ask the Treasury for an insurance division. Rep. Paul Kanjorski, D-Pa., introduced legislation last year to create an Office of Insurance Information within the Treasury, but the bill failed to take off.

"Whether or not this office is established, there is no doubt that the Treasury will be working with Congress to consider whether changes in the regulatory structure are needed," Dunham said.

---

All Content © 2003-2009, Portfolio Media, Inc.