CAPITAL INSURANCE AGENCY OF WI

Who Regulates Insurance?

Insurance regulation is dominated by state laws due to insurance not considered to be a tangible good. If it were, it would be commerce which is regulated by the federal government. Since insurance was defined as an intangible good, its regulation fell to the individual states. Following are some key events that helped create the regulatory status of the insurance industry.

Paul vs. Virginia

In the 1860s, a New York insurance agent extended his dealings to Virginia. Legal action was filed against the agent for failing to comply with Virginia law. The case made it to the U.S. Supreme Court, which had to address whether individual states maintained the right to regulate insurance. The court preserved the assumption that insurance was not interstate commerce and should stay under each state's jurisdiction.

South-Eastern Underwriters

In 1943, the Department of Justice sued a group of insurers known as the Southeastern Underwriters Association (SEUA) for violating the Sherman Anti-trust Act. The SEUA members' agreement to use uniform insurance rates amounted to price fixing, a violation of federal law. The association's defense contended that insurance was not commerce, so it was not subject to federal law. The case was appealed to the U.S. Supreme Court and in June of 1944, the Court reversed itself and ruled that insurance was commerce and, therefore, subject to federal regulation.

McCarran-Ferguson Act

This act was passed in 1945. Through this law, Congress reaffirmed the power of individual states by permitting the states to continue to regulate insurance. However, in order to maintain regulatory control after July 1, 1948, each state had to enact the same type of anti-trust laws used by the federal. All of the states eventually passed their own anti-trust laws, keeping insurance regulation at the state level.

Gramm-Leach-Bliley

A recent law's impact on insurance regulation is currently evolving. In late 1999, President Clinton signed the Gramm-Leach-Bliley Financial Services Modernization Act. This law removed long-standing distinctions that existed between insurance companies, banks, and investment services. The law was in response to marketplace and technological developments that blurred the traditional roles of different financial service providers. The law's primary goal is to allow players in the financial services market to offer more complete services to consumers more efficiently and at less cost. The act also has created

serious obligations on the use of information gathered on financial service consumers. The impact of this important act will likely be more insurance regulation at the federal level.