

2006 Congressional Outlook for the Financial Services & Insurance Industry

by F. MARION TURNER

The second session of the 109th Congress promises to feature an aggressive agenda regarding financial and insurance institutions, with efforts underway on bank regulatory relief, reforms to the deposit insurance system, GSE and predatory lending reform, as well as rigorous debate over how to better insure against natural catastrophes such as Hurricane Katrina.

Since their return in February, the House Financial Services Committee has already passed a bill to provide regulatory relief for the nation's banks, which aims to eliminate a number of obsolete and time-consuming requirements. The bill (H.R. 3505) would, among other

things, revise capital stock ownership requirements for directors of national banks and national bank dividends as well as repeal the capital requirements for new intrastate branches, including capital stock and surplus requirements. Legislation is expected soon in the Senate from Sen. Michael Crapo (R-Idaho).

The House bill also amends the National Bank Receivership Act and the FDIA to permit a bank placed in receivership to pursue an order in federal court requiring removal of the receiver.

Another major area expected to transform the financial services landscape in 2006 is deposit insurance reform. A number of provisions have been included as part of budget reconciliation legislation (S. 1932). The legislation has been sent to the President but remains stalled due to clerical errors. If enacted, the reforms, implemented by the FDIC, will allow insurance coverage levels to be adjusted for inflation, insure retirement accounts up to \$250,000, and merge the Bank Insurance Fund with the Savings Association Insurance Fund.

The issue of predatory lending will also continue to occupy members' time, as discussions will continue on reforms to rules mandated by the Real

Estate Settlement Procedures Act. With individual states and localities adopting their own legislation at a feverish pace, many within the lending industry feel that federal pre-emption is needed to create more uniform standards. This year, however, the issue will more likely be an academic one, as comprehensive legislation remains unlikely.

Finally, Congress and the insurance industry will continue to grapple with the issue of a federal backstop for natural disaster insurance coverage. With hurricanes Katrina and Rita, as well as the storms of 2004, causing billions of dollars in property damage, Allstate and State Farm are leading a charge in support of legislation (H.R. 2688) which would allow insurance companies (other than life insurance companies) to make tax-deductible contributions to a tax-exempt policyholder disaster protection fund for paying policyholders' claims arising from certain catastrophic events, such as windstorms, earthquakes, fires, or floods.

The legislation faces a tough road to enactment, however, as many members and various segments of the industry remain divided on whether the entire country should subsidize people living in high risk areas.

Jim Jorden will co-chair the ALI-ABA Eleventh Annual Conference on Insurance Industry and Financial Services Litigation, March 30-31, 2006, in Washington, D.C.