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National Conference of Insurance Legislators
...for the states

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March 16, 2009

The Honorable Christopher J. Dodd
Chairman
United States Senate Committee on Banking, Housing, & Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Dodd:

As leaders of the National Conference of Insurance Legislators (NCOIL), we write—in advance of tomorrow's hearing—to strongly advise against pursuing an optional federal charter (OFC) for insurance. If the ongoing financial crisis has taught us anything, it is that state-based insurance regulation continues to safeguard American consumers and the insurance industry. While many in the financial services sector—particularly in banking—have failed, the insurance market remains viable. An OFC would begin to dismantle sound state insurance oversight and replace it with a regulatory structure similar to that of the banking industry—an industry into which the federal government has poured billions of taxpayer dollars.

It is clear that banking regulation should not serve as a model for future insurance oversight. Which begs the question, who is actually asking for an insurance OFC?

- **Not American consumers.** The Consumer Federation of America (CFA) and Consumer Watchdog have opposed optional federal regulation, as have insurance consumers in more than 190 Congressional districts—according to surveys taken by the Coalition Organized for the Future of Insurance Regulation (COFIR).
- **Not State lawmakers.** Major national legislative organizations including NCOIL, the National Conference of State Legislatures (NCSL) and the Council of State Governments (CSG) have all adopted resolutions opposing OFC bills. Even individual state legislatures have taken a stand on the issue.
- **Not State regulators.** The National Association of Insurance Commissioners (NAIC) strongly opposed OFC efforts.
- **Not the Governors.** The National Governors Association (NGA) adopted a standing policy position in 2006 opposing OFC legislation.
- **Not State Attorneys General**. In December 2008, the National Association of Attorneys General (NAAG) reaffirmed its opposition to OFC bills, outlined in a 2007 resolution.
- **Not most Insurance Agents and Brokers.** The Independent Insurance Agents & Brokers of America ("Big I") and the National Association of Professional Insurance Agents (PIA) oppose OFC legislation.
- **Not many Property-Casualty insurers.** The National Association of Mutual Insurance Companies (NAMIC) and the Property Casualty Insurers Association of America (PCI) continue to actively oppose an OFC.
- **Not Health insurers.** No health insurance company that we know of has been a vocal supporter of an OFC.
- **Not all Life insurers.** Certain life insurers, as evidenced by Jackson National Life Insurance Company, Aflac, and the numerous companies represented by the National Alliance of Life Companies (NALC), oppose an OFC.

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As you can see, those most closely affected by insurance regulation—including State policymakers, regulators, and numerous market participants—oppose an OFC. Those who support an OFC—big banks with insurance businesses and many life insurance companies—think they would benefit from looser federal regulation, regulation that in no small part contributed to the mortgage and AIG crises. Life insurance companies could achieve many of their purported OFC goals through an Interstate Insurance Product Regulation Compact.

The Compact—which comprises 33 jurisdictions—provides life insurance companies the speed-to-market that they seek in an OFC, without compromising the strict solvency and suitability oversight of State regulation. A company can submit a product with the Compact Commission and, once approved, offer that product in ALL member states. The Compact Commission serves as a central point of electronic filing for life insurance, annuities, disability income and long-term care insurance products.

The states continue to work on targeted modernization reforms, such as the Compact, achieving efficiencies in agent and company licensing, and market conduct and suitability oversight. An OFC would undercut these ongoing efforts and create regulatory arbitrage at a great cost to industry, and more importantly, consumers.

State insurance regulation was not a factor in the economic downturn and should not be wrapped into any proposed financial services overhaul. NCOIL and other state officials will continue to modernize insurance oversight and look forward to dialoguing with Congress on ways to enhance coordination between financial services sectors.

NCOIL is an organization of state legislators whose main area of public policy concern is insurance legislation and regulation. Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country.

Sincerely,

James L. Seward

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