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NCOIL TO DODD: STATE REGULATION WORKS, OFC WOULD NOT

Washington, DC, March 16, 2009 — The National Conference of Insurance Legislators (NCOIL) today reinforced its strong opposition to insurance optional federal charter (OFC) proposals, and asserted that there is limited support for this approach. In a letter to U.S. Senate Committee on Banking, Housing & Urban Affairs Chairman Christopher Dodd (D-CT), NCOIL Officers wrote that, “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.”

The letter stresses that, “State insurance regulation was not a factor in the economic downturn and should not be wrapped into any proposed financial services overhaul.”

In the letter, NCOIL President Sen. James Seward (NY) and NCOIL Officers—President-Elect Rep. Robert Damron (KY), Vice President Rep. George Keiser (ND), Secretary Sen. Carroll Leavell (NM), and Treasurer Sen. Vi Simpson (IN)—stated that, “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.”

The NCOIL letter—which comes one day before a Senate Committee hearing on insurance regulation—begs the question, “who is actually asking for an insurance OFC?” It states that American consumers have not called for an OFC, state officials, including lawmakers, regulators, governors, and attorneys general, have opposed it, and many in the insurance industry have not endorsed it.

The letter continues:

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.

NCOIL Officers argued that an OFC would cripple state progress, saying “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.”

While assuring the Senate Committee that the states will continue efforts to modernize insurance regulation, it says that NCOIL and other state officials “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 interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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