

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)

Resolution Urging Opposition to Optional Federal Charter Proposals

Adopted by the NCOIL State-Federal Relations Committee on November 19, 2010, and Executive Committee on November 21, 2010.

Sponsored by Rep. Greg Wren (AL)

WHEREAS, U.S. states have successfully regulated the insurance industry for more than 135 years and continue to modernize oversight as conditions warrant; and

WHEREAS, state-based insurance regulation has protected a vital industry as other financial sectors struggled and/or failed during the nation's continuing financial crisis; and

WHEREAS, despite the relative strength of the industry and the achievements of state-based regulation, certain interests continue to advocate for the creation of a federal insurance regulator; and

WHEREAS, U.S. House Committee on Financial Services Chairman Barney Frank (D-MA) reported to NCOIL on July 9, 2010, that the Committee would debate Optional Federal Charter (OFC) legislation in 2011; and

WHEREAS, NCOIL believes that Members of Congress (Members) should uniformly oppose OFC legislation; and

WHEREAS, Members who argue for enhanced consumer protections should oppose OFC legislation because it would allow insurance companies to handpick their regulators and opt out of state insurance rules and regulations; and

WHEREAS, a federal regulator, by its very nature, could not respond—as state regulation does—to consumer concerns in unique state markets; and

WHEREAS, Members concerned about increasing the size of the federal government, the budget deficit, and/or the national debt should oppose OFC legislation because it would create a vast new bureaucracy at the Department of Treasury, requiring substantial new federal funding; and

WHEREAS, Members who believe in states' rights should oppose OFC legislation because a newly created federal bureaucracy would usurp state authority and preempt state insurance laws and regulations; and

WHEREAS, an OFC would hamstring key state-based modernization initiatives, including an Interstate Insurance Product Regulation Compact—a national compact that provides a one-stop process for life insurance product approval in 36 jurisdictions, and growing.

WHEREAS, if OFC legislation were enacted, states are threatened with the loss of over \$17 billion from state insurance premium taxes and assessments, and these resources are currently used to fund vital state programs including education, infrastructure, and healthcare initiatives; and

WHEREAS, numerous consumer organizations, property-casualty insurers and trade groups, and insurance agents and brokers, among others, have opposed optional or mandatory federal insurance regulation; and

WHEREAS, NCOIL, the Council of State Governments (CSG), National Association of Attorneys General (NAAG), National Association of Insurance Commissioners (NAIC), National Conference of State Legislatures (NCSL), and National Governors Association (NGA) are against the concept of an OFC and have opposed proposed OFC bills in Congress; and

WHEREAS, Members who value the perspectives of their state colleagues should oppose OFC legislation because optional federal chartering has been rejected by state legislators, regulators, governors, and attorneys general, as well as by many other interested and involved parties; and

NOW, THEREFORE, BE IT RESOLVED that the National Conference of Insurance Legislators (NCOIL) strongly urges Members of Congress to express their opposition to forthcoming Congressional optional federal charter proposals early and often; and

BE IT FURTHER RESOLVED that NCOIL calls on state legislators from across the country, as well as state regulators, attorneys general, and governors to once again voice their strong opposition to OFC proposals to their respective Congressional delegations; and

BE IT ALSO RESOLVED that NCOIL urges the CSG, NAAG, NAIC, NCSL, and NGA to reinforce existing policies opposing OFC legislation and to transmit such opposition to Congress, as appropriate; and

BE IT FINALLY RESOLVED that a copy of this resolution be printed and forwarded to:

- President Barack Obama, Treasury Secretary Timothy Geithner, and the Federal Insurance Office;
- current Members of Congress and all Members of the 112th Congress, when convened;
- state legislative leaders and members of the Committees with jurisdiction over insurance public policy;
- state insurance regulators, governors, and attorneys general; and
- CSG, NAAG, NAIC, NCSL, and NGA representatives.