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NCOIL STRONGLY OPPOSES OPTIONAL FEDERAL CHARTER— SAYS OFC DOES NOT SERVE PUBLIC

Troy, NY, April 5, 2006 — In response to the long-threatened introduction of S. 2509, the *National Insurance Act of 2006*, the National Conference of Insurance Legislators (NCOIL) reasserts its strong opposition to optional federal charter legislation on grounds that it has been crafted not to serve the public but to gratify the industry.

NCOIL believes that S. 2509 would nullify critical state-initiated consumer safeguards, deny important consumer access and recourse in problem times, and ultimately impose the costs of a needless federal bureaucracy upon the public—all without consumer demand.

“I’ve had no constituent or consumer call me to tell me that he or she wants the federal government to take over from the states the regulation of insurance, or anything else for that matter, and I doubt that any Member of Congress or U.S. Senator has received one either,” said Rep. Craig Eiland (TX), NCOIL Immediate Past President and Chair of its State-Federal Relations Committee.

S. 2509 would nullify carefully crafted protections resulting from years of consumer and business input and thoughtful consideration by state legislatures. The proposed legislation would unnecessarily preempt states’ proven ability to protect consumers against insolvencies and fraud in order to answer industry demands. S. 2509 does not, and cannot by its very nature, respond, as does state regulation, to states’ individual and unique insurance markets and constituent concerns.

S. 2509 would deny consumers easy access to local insurance experts when they seek aid and advice regarding insurance coverage. Under the *National Insurance Act of 2006*, consumers would be hard-pressed to communicate with and seek redress from a distant federal bureaucracy in Washington.

S. 2509 would force consumers to pay for yet another unwieldy federal mechanism. Though NCOIL understands that the life insurance industry has agreed to cover costs, estimated in millions of dollars, for setting up an optional federal charter scheme, reason dictates that such costs would be passed on to individual policyholders—who for their money will receive fewer consumer protections than they now do under state regulation.

And, in addition, S. 2509 would threaten state premium tax revenue, which states rely on for funding of critical programs such as education, infrastructure, and health services. Any experienced observer can foresee that Congress will eventually reach out for state premium tax dollars to fund what will likely be enormous operational costs.

Equally important, S. 2509 would endanger ongoing and productive state financial modernization reform efforts, such as the Interstate Insurance Regulatory Compact for life, disability, annuity and long-term care insurance products. Compact legislation has now been adopted in 23 states of the 26 necessary for its implementation, is being considered in 13 more, and is expected to be up and running by year-end.

NCOIL vows to join with other advocates of sound public policy regarding the regulation of insurance, in order to oppose what it believes is a flawed proposal—one that would bifurcate insurance regulation and cause more harm than good to the industry and the clients it serves.

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

For more information, please contact the NCOIL National Office at 518-687-0178.

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