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CONTACT:
Susan Nolan
NCOIL National Office
518-687-0178

Mike Humphreys
NCOIL Washington, DC Office
202-220-3014

NCOIL MARSHALLS STATE OFFICIALS AGAINST PREEMPTIVE FEDERAL INSURANCE PROPOSAL

Washington, DC, June 25, 2008 — The National Conference of Insurance Legislators (NCOIL) reached out to state Governors and Attorneys General today, urging their involvement in a dialogue with federal lawmakers regarding H.R. 5840, the Insurance Information Act of 2008—which would preempt state insurance laws and consumer protections. The letters follow in the wake of a June 10 U.S. House Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises hearing, only days before the Subcommittee is rumored to mark up the proposal.

NCOIL President Rep. Brian P. Kennedy said, “As strong advocates of states rights, we transmitted these letters to caution our state-level government colleagues about this impending federal threat. While we have no doubt that the sponsors of H.R. 5840 have only the best intentions, we continue to assert that the proposal would infringe on state insurance efforts.”

The NCOIL president continued:

As state officials, we cannot shy away from a dialogue with federal leaders about a proposal that could undo much of our hard work. State statutes and regulations—not federal intervention—have fostered the vibrant insurance marketplace that exists today. We owe it to our constituents—who have never asked for a federal insurance regulator—to protect what we have done well, and that is regulate the insurance market.

Rep. Kennedy said, “States have, and will continue to, modernize insurance regulation in appropriate areas including producer and company licensing, market conduct, and speed-to-market. An Interstate Insurance Product Regulation Compact, which will soon welcome its 33rd member jurisdiction, shows that states can enact comprehensive reform—without federal intervention.”

Rep. Kennedy echoed concerns expressed by state legislators and other officials that H.R. 5840 could potentially lead to optional federal chartering, which would not only jeopardize state innovations, but would establish duplicative and costly dual regulation, and would force consumers and businesses to interpret overlapping and ambiguous statutes. He questioned, “How can the bill’s sponsors say that H.R. 5840 is not the first step towards an OFC when members of the Subcommittee—proponents of an OFC—are claiming bragging rights to that very fact?”

MORE
When forewarning other state officials, NCOIL Officers—Rep. Kennedy, NCOIL President-Elect Sen. James Seward (NY), NCOIL Vice President Rep. Robert Damron (KY), NCOIL Secretary Rep. George Keiser (ND), and NCOIL Treasurer Sen. Carroll Leavell (NM)—caution that H.R. 5840 would:

- preempt state laws that the OII determined were “inconsistent” with new federal international insurance agreements
- dramatically diminish the role of state officials, including governors, attorneys general, legislators, and individual regulators, while expanding the role of the private National Association of Insurance Commissioners (NAIC)
- lay the foundation for an “inappropriate federal scheme” such as an Office of National Insurance (ONI) or an optional federal charter (OFC)

NCOIL attests that while H.R. 5840 would create an Office of Insurance Information (OII) to collect data and serve as a federal “advisor” for international and domestic insurance policy—which alone seems innocuous—state officials know that the “devil is in the details.” As written, the letters say, the bill does not confine the powers of the OII to merely those of information gathering. Because H.R. 5840 is not specific in its scope and its advisory nature, it paves the way for larger preemptive power despite the good intentions of its main sponsor Congressman Paul Kanjorski (D-PA).

NCOIL in the letters again voiced its concerns regarding NAIC “conditional support” for the bill. Immediately after the June 10 Subcommittee hearing, NCOIL leadership wrote to state insurance regulators to ask them if they, as individual regulators, shared the NAIC stance. The June 12 letter strongly urged commissioners to stand up for the state-based system and oppose state preemption.

NCOIL will continue its efforts to forestall federal preemption in the form of H.R. 5840. At its upcoming Summer Meeting, NCOIL, at its State-Federal Relations on Friday, July 11 and the NCOIL-NAIC Dialogue later that day will spotlight H.R. 5840 and NAIC “conditional support.”

The NCOIL Summer Meeting will take place from July 10 through 13 at the Marriott Marquis in New York City’s Times Square.

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.

For further details, please contact the NCOIL Washington, DC Office at 202-220-3014, or by email at mhumphreys@ncoil.org.