

## OFC Concerns Uniting State Officials

BY JIM CONNOLLY

Washington

The threat of an optional federal charter is one factor encouraging a turnaround in relations between state insurance legislators and regulators, industry observers noted during the spring meeting of the National Conference of Insurance Legislators here.

A theme that threaded through several of the sessions at the meeting was how state regulation of insurance could better serve consumers than a federal regulator and how all state public officials need to work together to offer tangible proof about why this is so. In fact, NCOIL adopted a resolution opposing an OFC at the meeting.

A portion of the industry maintains that having the choice of national regulation is an important option as insurers face global competition. The American Council of Life Insurers and the American Insurance Association, both in Washington, support an OFC. In fact, the ACLI commissioned a just released study by two academics, Martin Grace and Robert Klein from Georgia State University that found the growth of insurance regulatory expenses appears to be outstripping inflation and general employment growth.

At press time, both Rep. Brian Kennedy, D-Hopkinton, R.I., NCOIL's new president, and Sandy Praeger, Kansas insurance commissioner and new president of the National Association of Insurance Commissioners, said they had not read the report and declined comment.

But both left no doubt where they thought consumers would be best served. During a panel in which all members of the NAIC 2008 leadership participated, Praeger noted, "We are unified in presenting our ability to protect consumers in our states. ... Do you want to call someone in your state who understands the issues or a 1-800 federal number?"

Kennedy said he doubts there would be cost savings with a federal regulator, noting that at least in Rhode Island cost-cutting efforts are making state government lean. He asked rhetorically if it is better to turn over insurance regulation to a federal system that would do nothing to help consumers in his state, consumers who are also his constituents.

State insurance regulators and legislators need to "head off further rhetoric about an OFC," according to Kennedy. He pointed to ideas such as one described during a session by Texas Insurance Commissioner Mike Geeslin.

Geeslin outlined a plan that would allow state regulators and legislators to be able to go to Washington and have something to discuss about how state regulation is more efficient if an OFC bill is introduced in 2009 or 2010. He noted during his presentation before legislators that

this option was being looked at in Texas and was just one of a number of options being considered by the NAIC.

Among the points in the framework he presented are:

--Preserve states' expertise and experience.

--Standardize lines of business where practical, realizing that it is not practical to do this for all lines of business.

--Position the states, and thus, the nation so that the U.S. is not disadvantaged or faced with the possibility of starting from a "dead standstill" but not at the expense of consumers.

--Create a body of standards.

In emergency situations, states would need to be able to move quickly, Geeslin noted, and in order to achieve these goals they could set up a national body with a 5- to 7-year time clock similar to a compact.

Indeed, the Interstate Insurance Product Regulation Commission was offered as an example of how state regulation is being streamlined and refined now. Jane Cline, West Virginia insurance commissioner, NAIC vice president, and chair of the Commission, described how the IIRPC was operating and actually receiving product filings.

Roger Sevigny, New Hampshire commissioner and NAIC president-elect, detailed how a task force had gone to states to make sure they are still in compliance with the National Association of Registered Agents and Brokers, a requirement in the Gramm-Leach-Bliley Act of 1999. If they are not, he said, a number of states are promising quick action to bring them back into compliance.

State Rep. Greg Wren, R-Montgomery, Ala., described how as an agent for Northwestern Mutual Life, he was asked to write business for an acquaintance living in Virginia. He did not have the appropriate license to do business in that state, but because of producer licensing processing developed by the NAIC, his staff was able to get him licensed there by 9 o'clock the next morning so he could write that business.