

# THE HILL



## Insurance industry divided over federal regulation

By Jessica Holzer  
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There is a split among insurers over a Senate bill to create a federal insurance regulator, but the opponents of the legislation have some heavy ammunition on their side: two of the industry's largest political war chests.

The life insurer Aflac and the Independent Insurance Agents & Brokers of America, a trade group known as the "Big I," are dead-set against the legislation, and they have the second- and third-largest political action committees (PACs) in the industry.

Meanwhile, the National Association of Insurance & Financial Advisors (NAIFA), which boasts the largest insurance PAC, has yet to take a stance on the bill.

"The ones that are against it are very passionate and very willing to fight it both through grassroots and PAC dollars," said Justin Roth, a senior lobbyist for the National Association of Mutual Insurance Companies (NAMIC), which is opposed to the legislation.

Aflac's PAC lavished nearly \$1.5 million on federal candidates in the last election cycle, only slightly less than the sum NAIFA's PAC spent. And the Big I's PAC contributed about \$990,000 to federal campaigns.

By contrast, the two main insurance groups pushing the legislation, the American Insurance Association (AIA) and the American Council of Life Insurers (ACLI), contributed \$115,000 and \$365,000, respectively, to federal candidates.

Called the National Insurance Act, the bill would institute an optional federal charter (OFC) for insurers, which currently are regulated at the state level. The legislation's sponsors, Sens. Tim Johnson (D-S.D.) and John Sununu (R-N.H.), first introduced it last year. Rep. Ed Royce (R-Calif.) is expected to unveil a similar bill in the House soon.

In a meeting with reporters last month, Sununu said he expected the legislation to move through committee this year.

Proponents claim the legislation will slash the costs associated with complying with a patchwork of regulations across 50 states. Aside from large banks and insurers, the legislation has attracted the support of most of the life insurance industry, which competes with the federally regulated securities industry for baby boomers' retirement assets.

The president of the ACLI and the former Democratic governor of Oklahoma, Frank Keating, called the OFC "the No. 1 issue facing the life insurance industry in the U.S."

But property and casualty insurers are nearly united against the bill, which they say would create an unnecessary two-tiered system. State insurance commissioners and the National Governors Association have also come out against the bill. Consumer groups argue that it will spark a race to the bottom in terms of consumer protections.

One big worry cited by opponents is that the legislation will put insurers at the mercy of a massive federal bureaucracy — regardless of whether they opt into it.

An OFC would result in “federal preemption or intervention in an industry that has not asked for it,” declared Greg Wren, the executive director of the Coalition Opposed to a Federal Insurance Regulator, or COFIR.

Another concern is that the legislation could attract some unwanted provisions due to the climate of hostility toward insurers that developed after Hurricane Katrina.

Aflac is not the only life insurer opposed to an OFC. Jackson National Life Insurance Company, a top-20 insurer based in Michigan, and the National Association of Life Companies (NALC), a small trade group, are fighting the bill. Like Aflac, they are members of COFIR.

A federal regulator would trample on state insurance commissioners, Jackson National’s vice president of government relations, John Brown, said: “Inevitably conflicts will arise; where those conflicts benefit the federally chartered companies, states will have virtually no choice but to follow the federal regulator.”

The Big I is fighting the legislation partly because it would create an administrative headache for the group’s 300,000 brokers and salesmen, according to the association’s vice president of government relations, Charles Symington.

They are typically small-business owners who offer policies from 10 to 12 insurance companies. Under an OFC, some would be regulated at the state level, others by the federal government, creating confusion for policyholders, Symington argued: “We feel that local regulation works best for consumers.”

The legislation’s backers are not without their own firepower: ACLI members New York Life Insurance and Massachusetts Mutual Life Insurance Company have sizeable PACs. And the legislation is supported by lobbying heavyweights the Financial Services Roundtable and the American Bankers Insurance Association, the insurance arm of the American Bankers Association.

Proponents hope that the prospect of big cost savings will tempt more insurers to support OFC legislation. The ACLI, of which Aflac is a member, unveiled a study last week that concluded a federal regulator would generate up to \$5.7 billion in savings for the 284 life insurers analyzed.

Keating said the ACLI would keep on pressing its case with Aflac: “We will continue to attempt to persuade them that the devil they know is worse than the devil they don’t know.”