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

NCOIL LEADERSHIP TO U.S. CHAMBER—“JUST SAY NO” TO OFC

Washington, DC, April 18, 2007—Leadership of the National Conference of Insurance Legislators (NCOIL) in an April 12 letter to the U.S. Chamber of Commerce has urged caution regarding the Chamber’s rumored support of an optional federal insurance charter (OFC). In the letter to Chamber President Tom Donohue, NCOIL officers and past presidents—most of whom are in business themselves— counsel the Chamber to consider the negative consequences of an OFC on businesses and the consumers alike before opting to back such an initiative.

While commending the Chamber for its recent support of the McCarran-Ferguson Act limited antitrust exemption, the letter observes that, ironically, creation of an OFC would promote exactly what the Chamber in a March 23 letter to Congress posed as a harmful outcome of McCarran repeal—“a multilayered morass of state and federal insurance rules,” promoting “confusion and uncertainty.”

In the April 12 letter, NCOIL leadership maintains, “We are concerned that the Chamber of Commerce—an organization that for so many years has worked to represent businesses and fight against increased regulation—would now advocate for more government, which is the direct result of the dual, regulatory systems. We would think that the Chamber of Commerce would agree that the last thing business needs is more unnecessary and costly regulation.”

The letter lays out the costs as large and many. It argues that while insurers are promising to cover OFC establishment expenses, estimated in millions of dollars, reason dictates that actual costs could be much greater. It asserts that “businesses, both large and small, and individuals will end up paying for the additional costs created by dual systems.”

Other very likely costs, the letter points out, include higher business taxes when state premium taxes are invaded to cover the not-yet-determined costs of a new regime, and employer absorption of solvency-related, when guaranty funds, the state safety nets for businesses affected by insolvencies, are inevitably compromised.

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The letter stresses that an even “larger cost—though not in dollars and cents—is that an OFC would nullify critical state-initiated consumer safeguards, and deny important consumer access and recourse in problem times. As both legislatures and the businesses they regulate are committed to consumer satisfaction, this could be the highest price to pay.”

The April 12 letter states that NCOIL leadership looks forward to discussing this issue further with the Chamber, as the two groups share a common goal, that of “interest in a strong, efficient and consumer-based system of insurance oversight.”

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.

Attached, for your information, is a copy of the April 12, 2007, letter. For further details, please contact the NCOIL National Office at 518-687-0178, or by email at snolan@ncoil.org

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