

# Conditions for Support of OFC Regulation

Jeffrey J. Taggart, CLU, ChFC, LUTCF, NAIFA President

**N**ext month at NAIFA's Convention and Career Conference, the National Council will decide whether to support a NAIFA Board-recommended, dual-track approach to insurance regulatory reform. The first track continues NAIFA's long-standing support for improving the state system of insurance regulation. The second track would allow NAIFA to conditionally support the creation of an optional federal regulator, or optional federal charter as it is commonly called.

## Conditions for supporting OFC

Last May, the NAIFA Board of Trustees completed work on its Themes and Conditions for Support of the Concept of an Optional Federal Charter for Insurance. The themes and conditions are the product of extensive study and deliberation by NAIFA's Policy Formation Subcommittee (PFS) and the Board of Trustees. Ultimately, that collective group of leaders determined that for NAIFA to support an OFC system there must be true agent choice, enhanced consumer protections, and a single federal voice and preservation of state regulation.

The PFS and the Board have established a set of principles that we believe are important to achieving these overarching goals. The principles take into account the range of concerns that the PFS, the Board, and NAIFA staff have heard from NAIFA members with regard to the OFC concept.

To achieve true agent choice, we believe that an agent must have the same option to choose between state and federal regulation as companies would if an OFC were enacted. That means that a company must not be able to discriminate against




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an agent based on his or her chosen point of licensure.

As for enhanced consumer protections, there are many areas where we want to work with members of Congress to improve on the consumer provisions of the current OFC proposal—known as the National Insurance Act. Some of those areas are addressing replacement standards, rebating standards and ensuring that consumer complaints will be addressed efficiently.

Finally, with regard to the third goal, we believe that it is equally important to preserve strong state regulation as it is to create a single federal entity in Washington that can weigh in on domestic and international policy matters affecting the insurance industry. Insurance is the only sector of the financial-services industry that lacks this increasingly critical presence. This is particularly troublesome as we face threats to the tax treatment of life insurance and annuity products next year as Congress prepares to fundamentally overhaul the tax code before many popular tax breaks expire in 2010.

I invite you to view a complete list of the Board's principles and conditions that are available on a special section of the NAIFA website dedicated to this topic. The web address is [www.naifa.org/advocacy/irr](http://www.naifa.org/advocacy/irr). 

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