

NAIFA—Advocacy at Work *in Brief*

NAIFA's advocacy team works hard to protect our industry and its ability to provide financial security to the nation.

ADVOCACY IN THE 21ST CENTURY

Furthering the NAIFA 21 call for technologically advanced communications, the Law & Government Relations Department, along with the NAIFA Communications Department, began producing monthly podcasts on legislative issues in mid-May. The first podcast on the September 11th Day on the Hill generated more than 300 downloaded "hits" at press time. Subsequent podcasts on the McCarran-Ferguson Act, STOLI (Stranger-Originated Life Insurance), Life Insurance Awareness Month and Pay-Go tax rules also proved popular with members.

FEDERAL ISSUES

NAIFA's advocacy team had a very successful year at the federal level. In September 2006, the House and Senate again passed resolutions in support of Life Insurance Awareness Month. In addition, the White House issued a letter commending the public awareness campaign.

INSURANCE REGULATORY REFORM

The ongoing Insurance Regulatory Reform (IRR) debate prompted the NAIFA Board of Trustees to create a new IRR section of the NAIFA website. In addition, a Program-in-a-Box on the topic is now available.

MCCARRAN-FERGUSON ACT

As for the regulation issue itself, a new threat has emerged. Key members of the House and Senate are pushing legislation that would virtually eliminate the 1945 McCarran-Ferguson Act, which allows the state regulation of insurance. The new legislation would restrict the ability of property and casualty companies to share critical loss data through the ISO. In addition, the bill would subject the entire insurance industry (including life and health) to the investigative authority of the Federal Trade Commission, which has the potential to complicate and weaken state

regulation. NAIFA has been very active lobbying members of the House and Senate on the harmful ramifications of the McCarran-Ferguson repeal effort.

PAY-GO TAX RULES

In January 2007, the House reinstated the pay-as-you-go, or "pay-go," tax rules. Because life and health insurance and retirement products make up approximately 35% of tax breaks given to taxpayers, the advantage currently granted insurance products may be vulnerable as Congress and the administration look for ways to pay for other popular tax cuts.

To address this threat, NAIFA has been working collaboratively with our life insurance coalition partners to develop a comprehensive defensive campaign to support advocacy efforts both inside and outside the Beltway. To date, focus groups have been held in Phoenix and New York testing messages with life insurance consumers. This project continues and NAIFA will be ready to fight if and when it is needed.

12(B)-1 FEES

For insurance agents and advisors who sell mutual funds, the intent of the Securities and Exchange Commission and some members of Congress to examine the continued utility of 12(b)-1 fees is disquieting. The SEC held a roundtable discussion on 12(b)-1 fees on June 10 and followed with more discussion before the House Committee on Financial Services on June 26. The SEC promised the committee a "top-to-bottom" reevaluation of the existing fee structure. While the jury is out on SEC action, NAIFA plans a vigorous defense to ensure agents and advisors are fairly compensated for their work.

HEALTH SAVINGS ACCOUNTS

NAIFA and its health insurance advisors conference, AHIA, ended 2006 with last-minute passage of legislation enhancing the benefits of Health Savings Accounts. The new law will allow higher contribution amounts to HSAs, eliminate part-year contribution limitations, allow one-time transfers to HSAs from flexi-

ble accounts and HRAs, and allow a one-time transfer from an IRA to an HSA.

STATE ISSUES

THE INTERSTATE COMPACT ADVANCES SPEED-TO-MARKET

NAIFA's efforts to modernize insurance regulation paid off this year as the interstate compact reached several milestones. The compact will improve speed-to-market conditions for insurance products by creating one state-based point-of-filing for life, annuity, DI and LTC products. This year, NAIFA and AHIA were appointed as the only agent representatives to the compact's industry advisory committee and the compact commission approved its first product filings. Thirty states have now joined the compact, representing half the national premium volume for the covered products.

NAIC MOVES TO STOP STOLI

In June the NAIC adopted revisions to the group's Viatical Settlements Model Act designed to limit the use of stranger-originated life insurance while not preventing legitimate life insurance or life settlement transactions. NAIFA worked closely with the NAIC to draft the amendments, and our state associations contacted their insurance commissioners and urged them to support the revisions. The NAIC adopted the amendments despite an all-out effort by the life settlement and life finance industries to derail the measures.

NAIC ADOPTS MILITARY SALES REGULATION

NAIFA helped the NAIC address unscrupulous practices regarding sales of insurance, financial and investment products to members of the armed forces. Adopted by the NAIC at its meeting in June, the Military Sales Practices Model Regulation incorporated most of NAIFA's suggested amendments and, when promulgated in the states, will provide a simple, straightforward standard that will not conflict with existing laws or regulations. NAIFA encourages state associations to support the Model when it goes before their state regulators.

