

NAIFA ADVOCACY

NAIFA Wins the Triple Crown

Here's the latest on IOLI, term-only licenses and compensation disclosure.

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While Afleet Alex only succeeded in winning two legs of horse racing's fabled Triple Crown, NAIFA recently won major victories on three key state legislative issues.

Investor-owned life insurance

One of the major state legislative issues that NAIFA has taken a leadership role in during recent years concerns the potential consequences of legislation that would permit investor-owned life insurance arrangements.

Although lawmakers in numerous states considered pro-IOLI legislation in 2005, it was fought at fever pitch in Florida. Florida AIFA members worked nonstop and were up to the challenge, as Florida's 2005 legislative session ended without the enactment of any measure that would permit IOLI arrangements.

On the national level, the National Conference of Insurance Legislators adopted a resolution in February opposing efforts to expand state insurable interest laws to permit third-party entities to purchase life insurance on the lives of unrelated individuals. NAIFA, the Association for Advanced Life Underwriting (AALU) and the American Council of Life Insurers (ACLI) initiated and drafted the resolution, and NAIFA state associations worked hard to line up support for it among NCOIL members.

NAIC also examined IOLI, and apparently didn't like what it saw. NAIC's Life Insurance and Annuities A Committee recently held a public hearing on IOLI, where NAIFA presented extensive testimony opposing it. At the conclusion of the hearing, the committee considered and adopted, by unanimous vote, a resolution that NAIFA, AALU and ACLI had prepared. When NAIC adopts the resolu-

tion, it will go on record as strongly opposing "efforts to expand state insurable interest laws to permit the use of charities to allow private investors to purchase life insurance on individuals with whom the investors have no relationship."

This represents a major step in NAIFA's efforts to oppose IOLI, and will be a big help in our efforts to stop pro-IOLI legislation in the states.

Term-only life insurance licenses

THANKS TO OUR EFFORTS, NAIC'S AMENDMENT REQUIRES COMPENSATION DISCLOSURE ONLY WHEN AN AGENT IS COMPENSATED BY BOTH THE CONSUMER AND THE INSURER.

NAIFA's second derby win came in our race against term-only life insurance licenses. NAIFA opposes term-only licenses because they lower the bar for agent education and qualification. Term-only licenses are also bad policy because they limit the products a "term agent" can offer a consumer and would enable such agents to consult with consumers without an understanding of any life insurance products other than term. In addition, term-only licenses will further complicate the agent-licensing system and undermine efforts to make licensing more streamlined and efficient.

Thanks to NAIFA's and its state associations' aggressive advocacy, NAIC's Market Regulation and Consumer Affairs D Committee adopted a resolution in June

that warns that term-only licenses won't preserve necessary consumer protections and are inconsistent with NAIC's uniform-licensing standards. This achievement follows the success of NAIFA state associations in Alabama, Illinois and Mississippi, which derailed term-only license proposals in their states earlier this year.

Compensation disclosure

NAIFA again took home the roses in June when NAIC's Broker Activities Task Force ratified its decision to uphold the Compensation Disclosure Amendment to its Producer Licensing Model Act, which the organization adopted in December. NAIFA applauds this action.

Late last fall, NAIC's initial proposed amendment to PLMA would have required agents to disclose their commissions during the sales process. This proposal was unacceptable. In an historic coalition of life industry organizations, NAIFA joined forces with AALU, ACLI and the National Association of Independent Life Brokerage Agencies to communicate their unified position on this critical issue to NAIC.

The recent action of the Broker Activities Task Force confirms the outstanding work of NAIFA and its partners on this issue during the past 10 months. Thanks to our efforts, NAIC's amendment requires compensation disclosure only when an agent is compensated by both the consumer and the insurer. Thanks also go to our state associations, which have done an outstanding job dealing with numerous legislative and regulatory proposals on this subject in over two dozen states. We anticipate working with regulators and legislators as the PLMA amendment comes up in other state legislatures next year. **AV**