



NATIONAL ASSOCIATION OF INDEPENDENT LIFE BROKERAGE AGENCIES

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Contact:

Janay Rickwalder

(703) 383-3081, ext. 23

jrickwalder@nailba.org

State Regulation Costly and Inefficient, According to NAILBA Survey
Small Businesses Pay an Average of \$12,600 Annually to Comply with State Regulations

It is the responsibility of wholesale independent brokerage agencies to ensure that consumers are offered the best product at the best price by their life insurance agent.

However, according to a recent survey by the National Association of Independent Life Brokerage Agencies (NAILBA), over 89% of survey respondents, who reach approximately 125,000 life insurance agents, indicated that they have been unable to offer the same products from one state to another, due to the inefficiencies of today's regulatory environment.

"This is a constant challenge with popular products being excluded from approval within a state," stated a survey respondent. "As we support agents and agencies in various states, we have to customize and treat each state like it is a different agency even though it might be one entity. It is very common to get a call and tell the agent 'You can't sell that one. It is not approved in your state.'"

According to 84% of the survey respondents, this variance in the approval process from one state to another has impacted either their business or the business of their insurance sellers.

Additionally, the survey indicates that NAILBA member agencies are licensed on average in 31 states. As a result, these small businesses must be aware of and remain in full compliance with the differing insurance regulations that exist in each state, costing them on average \$12,600 per year and 347 hours of staff time.

Agencies are also often required to register with another state agency, for which they are required to pay another annual fee and/or additional services, such as legal fees.

"To hold a non-resident business license in several states the agency is required to register with the Secretary of State Office or other state agency," stated a survey respondent. "This not only entails paying the required fees by the [agency] but if you do not have a physical office in that state,

you must also pay for the corporate representation in that state (in addition to the insurance department).”

Last April, Senators John Sununu (R-N.H.) and Tim Johnson (D-S.D.) introduced the National Insurance Act; legislation that establishes a national system of regulation that would make it possible for insurers to offer consumers in all states the same menu of products and services—ultimately giving consumers more timely access to improved and innovative products.

This equates to creating a level playing field by encouraging a climate that would offer a national system of regulation in exchange for 50 different sets of regulations. However, because this system is optional, companies and sellers of insurance who wish to remain regulated in their state of domicile can do so and continue to have access to only those products approved in their state.

NAILBA has officially endorsed the establishment of the Optional Federal Charter and has teamed with the American Council of Life Insurers (ACLI) to educate lawmakers on the positive impact this legislation will ultimately have on the end-consumer.

For more information on the survey results, please contact either Joseph Normandy at (703) 383-3081 or Alex DelPizzo at (202) 589-0800.

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The National Association of Independent Life Brokerage Agencies (NAILBA) is a nonprofit trade association with 353 member agencies in the U.S., representing 100,000 producers who deliver more than one billion dollars in first year life insurance premiums annually. NAILBA is dedicated to fostering the growth of its member agencies by providing educational resources, industry standards and a collective voice for legislative and regulatory efforts. Each of NAILBA's members commits to a statement of responsibilities to ethically and responsibly serve their clients' best interests. For more information, visit www.nailba.org.