NAIFA Legislative Forum

On Monday, the NAIFA Government Relations team provided its annual legislative update to attendees at the 2014 Career Conference & Annual Meeting.

NARAB II is legislation that will create a national, not federal, insurance licensing program. Under the proposed legislation, producers must be licensed in their home states, pay the licensing fee for every other state in which they are licensed, meet NARAB membership qualifications and undergo criminal background checks.

NARAB II is included in terrorism risk insurance act (TRIA) legislation moving through both the House and Senate. TRIA must be enacted by the end of this year, and there is strong political will to see it passed. NAIFA staff told members that NARAB will be enacted into law this year.

After that happens, NAIFA will work to ensure membership qualifications, which will be set by the NARAB board, are appropriate and coordinated with FINRA regulations to ease the burden on advisors and both organizations.

Tax Reform

The congressional Joint Committee on Taxation estimates that $3.2 trillion in tax expenditures emanate from the insurance and financial services industry. Nearly 45 percent of all tax expenditures and four of the top ten are related to products and programs important to NAIFA. These expenditure represent a huge target for members of Congress looking to implement tax reform.

The good news is that no current tax reform proposals would tax the inside buildup of life insurance. However, November's elections will bring new members of Congress and potentially new proposals. The Camp discussion draft released earlier this year would extract $583 billion from life insurance interests. While the draft is unlikely to be enacted in its entirety, provisions within the draft could serve as the basis for future legislation. So it remains as important as ever for NAIFA to remain vigilant in its advocacy efforts in this area.

Department of Labor Fiduciary

The Department of Labor would like to redefine who is a fiduciary in providing education, information and advice to retirement account holders, including 401(k)s and IRAs. NAIFA is concerned because DOL has refused to meet with industry representatives and because the new rule may prohibit advisors from offering advice, even if it is in the best interests of the plan and its participants.

In response to advocacy, DOL has delayed the possible release of fiduciary regulations until at least January 2015. Thanks to the work of NAIFA and industry partners, a number of groups within Congress, including the New Democrats, Small Business Committee, Congressional Black Caucus and the Hispanic Caucus, have written letters expressing concerns over the DOL's process on the issue.

In the states, NAIFA has successfully lobbied the NAIC and HHS to ensure that regulations prohibit health exchange navigators from recommending insurance policies unless they are licensed as insurance agents. The NAIFA Board approved an official policy position that "Navigators should not sell, solicit, recommend or negotiate insurance coverage unless licensed on same basis as insurance advisors." NAIFA is also monitoring state exchanges that are considering selling non-health insurance products. Thanks to NAIFA's advocacy efforts, no state has yet to do this.

Finally, NAIFA staff explained that "grassroots will rule the policy debates in the next Congress." Nearly half of lawmakers have less than six years of experience in Congress. Also, fewer than half of the members of Congress have business backgrounds. Members of Congress need the knowledge and expertise of NAIFA members more than ever. At the same time, congressional campaigns costs continue to rise. In 2012, the average amount raised by congressional winners was over $1.5 million. This makes IFAPAC, which is the largest political action committee in the life insurance field, more important than ever.