



NATIONAL ALLIANCE OF LIFE COMPANIES
An Association of Life and Health Insurance Companies

THE NALC

The National Alliance of Life Companies (NALC) is a national trade association of stock and mutual life and health insurance companies. The NALC provides member companies with timely and accurate information useful in the day-to-day conduct of business, and is dedicated to providing a forum in which member companies can work with regulators and legislators to promote fair and effective regulation of the life and health insurance industry, while allowing for a reasonable return to policyholders and shareholders.

The NALC was formed in 1992, immediately after the merger of the National Association of Life Companies with the American Council of Life Insurers (ACLI). The NALC is primarily composed of small and medium sized insurers. When the merger occurred, a number of smaller companies decided that the life insurance industry could not be adequately represented by one voice. Therefore, those members decided to form the current NALC.

The primary reason for the separation of interests is simply stated in one word: "Survival." The NALC represents a wide range of insurance companies from very large to very small. However, the bulk of our constituency is smaller and medium size life companies. These companies are defined as those insurers with a capital and surplus of less than five hundred million dollars (\$500 Million). The issues that face smaller companies today are often the same issues faced by larger companies. However, smaller companies are also faced with the issue of survival. If legislation or a regulation impacts an insurance company from a cost or compliance standpoint, other insurers may be faced with the loss of profitability; our members may be faced with the loss of their companies. A number of our member companies are still owned by the families that started them. They may be the largest employer in the small town in which they are located. If one of our companies is forced to merge out of existence, the jobs in the small towns in which they are located will disappear. These companies are vital links in the American economic system. It is from this perspective that we consider all issues that face our industry.

We ask that, during the coming months as the 107th Congress debates issues that impact the insurance and financial services industries, the special concerns of smaller life insurance companies not be forgotten.

The following list identifies several issues that will or might affect the survivability of our members:

Optional Federal Charter

The NALC favors fair and effective regulation of the life and health insurance business, whether it comes from the states or from Congress. The Optional Federal Charter proposals discussed within the insurance industry to date exempt smaller companies from their scope.

The NALC opposes the introduction or adoption of any provision that would result in additional disadvantages for smaller insurers. We ask that any Optional Federal Charter proposals considered by Congress not exempt smaller insurers.

Implementation of the Gramm-Leach-Bliley Act

Congress will face a number of issues in connection with the implementation of the Gramm-Leach-Bliley Act (GLBA). Laws are often written with mainstream companies in mind, those with varied product lines, a multi-state presence, large surpluses, large investment portfolios to manage and large numbers of employees. Smaller companies often have to focus on one or two product lines, and often do business in a small number of states while worrying about surplus contributions and trying to strike a delicate balance between meeting obligations and adding to overhead.

For example, the new privacy requirements hit small companies very hard. Requiring that insurers send an extra piece of mail to every policyholder annually is a proportionately larger hit to the expenses and manpower of smaller companies.

Regulating to an artificial standard of the industry often results in unintended consequences for smaller or non-traditional companies. For example, the agent licensing process assumes an agent will sell an extensive variety of products. Small niche companies, however, often sell a limited number of products, yet many states require them to learn about other, more sophisticated products they do not sell. Smaller insurers fear that the National Association of Registered Agents and Brokers (NARAB) will only perpetuate and complicate this issue, if it comes into play under GLBA.

The smaller companies have a real concern about the disproportionate impact that GLBA implementation will have on a going forward basis.