



February 5, 2024

The Honorable Brad Finstad
United States House of Representatives
1605 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Finstad:

On behalf of the National Association of Insurance and Financial Advisors (“NAIFA”), I write in support of the *Prove It Act*. This legislation would strengthen the requirements for agencies to analyze the impact of regulations on insurance producers, registered representatives of broker-dealers, and financial advisors.

Founded in 1890 as The National Association of Life Underwriters, NAIFA is the oldest, largest, and most prestigious association representing the interests of financial professionals from every Congressional district in the United States. Our mission – empowering financial professionals and consumers with world-class advocacy and education – is the reason NAIFA has consistently and resoundingly stood up for agents and called upon members to grow their knowledge while following the highest ethical standards in the industry.

NAIFA members are Main Street financial professionals. NAIFA members—comprised primarily of insurance agents, many of whom are also registered Broker-Dealer representatives—serve primarily middle-market clients, including individuals and small businesses. Nine out of ten NAIFA members report serving middle-income individuals and families and 67 percent work with small businesses. A typical client’s annual household income falls below \$150,000 for 69 percent of NAIFA members. In some cases, our members are the only financial advisor across multiple counties.

NAIFA members are also small business owners. Many of our members work in small firms—sometimes firms of one—with little administrative or back-office support. Often, their business practices are dictated by the broker-dealer with whom they work, including the format and provision of client forms and disclosures. They are also subject to transaction-level oversight and review by the broker-dealer.

The *Prove It Act* would require federal agencies to consider reasonably foreseeable indirect future costs of their proposed federal regulations as part of their Initial Regulatory Flexibility Analysis, where feasible. The proposed legislation also creates a process whereby small businesses and organizations representing small business can ask the Small Business Administration’s Office of



Advocacy to formally review a federal agency's certification that a proposed regulatory rule will not have a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act (RFA). This ensures small businesses will be able to raise concerns that a rule was improperly certified and have a third-party review and determine whether certification was proper.

The *Prove it Act* would also require that, for any guidance document or other relevant documents clarifying or interpreting any rule found by agencies to likely have a significant economic impact on a substantial number of small entities, agencies shall publish said documents, as determined by the agency, to Regulations.gov or similar website and allow for comments to ensure small businesses can both easily access the resources and provide feedback or request additional clarity where needed.

The regulatory burden on insurance producers, registered representatives of broker-dealers, and financial advisors is often put in place without proper discussion or concern for the negative impact on the ability to conduct business or properly serve clients and consumers. Additionally, federal regulators often work to circumnavigate the RFA, which leads to a loss of growth and opportunity for these small businesses that represent Main Street America and make up an integral part of the community in which they work. That is why legislation like the *Prove It Act* is so important. The *Prove It Act* seeks to address the loopholes in the RFA by increasing small business input in the regulatory process and strengthening the requirements for agencies to examine the impacts of regulations on small businesses.

NAIFA offers its full support to the *Prove It Act* and urges Congress to promptly enact this legislation. Insurance Producers, the registered representatives of broker-dealers, and financial advisors appreciate your continued leadership to reduce unnecessary regulatory burdens and to allow these vital insurance professionals to continue to serve the best interest of their clients.

Sincerely,

Michael W. Hedge, Jr.

Michael W. Hedge, Jr.
Senior Director, Government Relations
National Association of Insurance and Financial Advisors