#### NATIONAL CONFERENCE OF INSURANCE LEGISLATORS SPRING MEETING REPORT HILTON HEAD ISLAND, SOUTH CAROLINA MARCH 1 - 4, 2001

The following is a report on the National Conference of Insurance Legislators (NCOIL) Spring Meeting held from March 1 through 4, 2001, at the Hilton Oceanfront Resort in Hilton Head Island, South Carolina.  More than 240 state legislators, insurance regulators, industry and media representatives attended the meeting.

This report highlights significant committee and subcommittee actions, general session discussions, and hearing activities at the Spring Meeting.

#### SYNOPSIS:

At the NCOIL Spring Meeting, legislators:

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| -- adopted clarifying and technical amendments to the NCOIL Financial Information Privacy Protection Model Act; |
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| -- adopted an NCOIL Resolution in Support of Amending the NAIC Uniform Accident and Sickness Policy Provision; |
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| -- readopted a resolution in opposition to the federal oversight of Association Health Plans; |
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| -- readoptedthe NCOIL Long Term Care Tax Credit Model Act; |
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| -- adopted a Position Statement opposing any future increases in taxes on insurance premiums; |
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| -- rejected reconsideration of a proposed NCOIL Mental Health Parity Model Act; |
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| -- participated in a hearing on the deregulation of car and homeowners policies; |
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| -- received an update on producer licensing legislation; |
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| -- participated in a dialogue with the National Association of Insurance Commissioners (NAIC) on Speed-to-Market initiatives; |
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| -- participated in a discussion on the reasons for rising health care costs; |
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| -- received presentations on flood insurance issues; |
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| -- participated in a discussion on international reinsurance issues; and |
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| -- voted to hold a hearing on market conduct examinations at the Summer Meeting. |

A detailed report follows.

#### COMMITTEE ACTIVITIES:

#### FINANCIAL PRIVACY

            Legislators adopted a series of clarifying and technical amendments to the NCOIL Financial Information Privacy Protection Model Act.

Legislators moved to clarify that the NCOIL Financial Information Privacy Protection Model Act requires insurers licensed in a specific state to operate under privacy rules established by that state, not under rules adopted by their state of domicile.  By a unanimous vote, the Committee rejected a proposed amendment that would have replaced the current definition of "licensee" with a definition of "domiciled insurer."

            Legislators also adopted, among other amendments, provisions that would:

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| -- revise the definition of “licensee” to exempt agents acting on behalf of an insurer from all requirements that an agent is exempt from; and |
| -- allow an exemption for employees or other representatives acting on behalf of another licensee. |

The NCOIL Financial Information Privacy Protection Model Act is now available on the NCOIL Web site.

#### BLOOD ALCOHOL SCREENING

                Legislators adopted a resolution supporting amendment of the NAIC Uniform Accident and Sickness Policy Provision Law.  The NAIC model law states that insurers are not liable for losses sustained in consequence of the presence of alcohol in the insured’s system, which discourages physicians from obtaining a blood alcohol level from accident victims.  The NAIC is considering amending the model law so that the provision would no longer apply to medical expense policies. The NCOIL resolution supports the NAIC amendment, as well as the repeal of such exclusion and restriction provisions in the more than 40 states that have adopted some variation of the NAIC model law.  The NCOIL resolution notes that early intervention is the key to decreasing the drunk-driving recidivism rate and that, in order to provide treatment, it is necessary to screen for blood alcohol content.  The resolution also notes that such testing is cost effective because many unnecessary tests are currently conducted, when it would be less expensive and more efficient to simply screen for blood alcohol.

#### RENEWAL OF NCOIL RESOLUTIONS

The NCOIL By-laws require review of all model laws and resolutions two years after adoption, at which time NCOIL must either renew or sunset the bills.

####  RESOLUTION OPPOSING FEDERAL OVERSIGHT OF ASSOCIATION HEALTH PLANS

Legislators voted to renew an NCOIL Resolution on Federal Preemption of State Laws Regarding Certain Health Insurance Arrangements and Association Health Plans, which was adopted in 1999 in opposition to congressional initiatives which, according to the resolution, would encroach upon state authority to regulate health insurers.

####        LONG-TERM CARE TAX CREDIT MODEL ACT

                Legislators renewed the 1998 NCOIL Long-Term Care Tax Credit Model Act, which supports a federal long-term care tax credit.

####  RESOLUTION IN OPPOSITION TO THE FEDERAL DEFERRED ACQUISITION COST

####        (DAC) TAX INCREASE

Legislators allowed a 1999 resolution in opposition to the federal deferred acquisition cost (DAC) tax increase to sunset, and replaced it with a position statement that opposes any future increases in taxes on insurance premiums.

#### MENTAL HEALTH PARITY

Legislators rejected reconsideration of a proposed NCOIL Mental Health Parity Model Act.  The Act would provide for coverage of mental illness by health insurers.  The NCOIL Executive Committee had voted to table the model at its 2000 Annual Meeting in November, and voted not to discuss the proposal in Hilton Head.

#### PERSONAL LINES DEREGULATION

Legislators heard testimony from panels of witnesses on the benefits of and drawbacks to deregulation of auto and homeowners’ insurance policies, also known as personal lines.  A total of 15 witnesses representing academia, regulators, insurers and consumers testified before the NCOIL Property-Casualty Insurance Committee. The Committee will use this information to determine any further action.

#### PRODUCER LICENSING

Legislators heard a report explaining the importance of enacting reciprocal and/or uniform producer licensing legislation in their respective states.  An NCOIL survey showed that as of the Hilton Head Meeting, 22 states had introduced producer licensing legislation that, if enacted, would comply with the reciprocity and/or uniformity requirements of the federal Gramm-Leach-Bliley Act (GLBA).

#### NCOIL/NAIC DIALOGUE: SPEED-TO-MARKET

            Legislators and members of the NAIC participated in a discussion regarding insurer concerns with the state regulatory process for approval of new insurance products.  Legislators learned about the activities of the NAIC Speed-to-Market Working Group.

#### RISING COST OF HEALTH CARE

                Legislators participated in a discussion, entitled “The Rising Cost of Health Care and Pharmaceuticals,” moderated by NCOIL President, Rep. Terry Parke (IL).

Lending expertise to the discussion were:

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| -- Professor Helen Doerpinghaus, President of the American Risk and Insurance Association, University of South Carolina, Columbia, South Carolina; |
| -- Mr. Christopher Badgley, Vice President, State Government Affairs, PhRMA, Washington, D.C.; |
| -- Mr. Andrew Webber, Vice President for Public Policy, National Committee for Quality Assurance, Washington, D.C.; and |
| -- Mr. Aaron Kozloski, General Counsel, South Carolina Medical Association, |
| Columbia, South Carolina. |

#### INSURANCE LEGISLATORS FOUNDATION FLOOD STUDY

Legislators participated in a discussion, moderated by Sen. Allen Wellons (NC), entitled “Federal Flood Insurance: Does it Meet the Need?”

Contributing to the discussion were:

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| -- Mr. Edward L. Connor, Acting Director, Finance and Administration, Federal Insurance Administration, Washington, D.C.; |
| -- Mr. Edward T. Pasterick, Director of Operations, Federal Insurance Administration, Washington, D.C.; |
| -- Mr. Larry Palmer, Associate Vice President and Director – Flood Department, Redland Insurance Company, Omaha, Nebraska; |
| -- Ms. Kathleen Batson, Senior Vice President, Bankers Insurance Company, St. Petersburg, Florida; and |
| -- Mr. J. Fletcher Willey, Jr., President, J. Fletcher Agency, Inc., Kill Devil Hills, North Carolina. |

Legislators voted to hold a hearing on a legislators guide to federal flood insurance at the NCOIL Summer Meeting in Chicago on July 12 through 15, 2001.

#### INTERNATIONAL REINSURANCE ISSUES

Legislators participated in a discussion moderated by Rep. Frank Wald (ND), and entitled “International Reinsurance: Is There a Level Playing Field?”   The discussion featured regulatory authorities and reinsurers from the United States and the European Union who addressed the differences in the regulation of reinsurance in the E.U. and the U.S.

Lending participation to the discussion were:

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| -- Dr. John Thornton, Professor, University of North Texas, Denton, Texas; |
| -- Nigel Davies, Manager of Lloyd’s & London Market, Financial Services Authority, London, United Kingdom; |
| -- Superintendent Alessandro A. Iuppa, Vice Chair, NAIC Reinsurance Task Force, Maine Department of Professional and Financial Regulation, Augusta, Maine; |
| -- Robert Graham, Senior Vice President and Assistant General Counsel, General Cologne Re, Stamford, Connecticut; and |
| -- Mr. Stephen Cane, Chief Executive Officer, Alea London Limited, London, United Kingdom. |

#### MARKET CONDUCT

            The Insurance Legislators Foundation, an educational and research arm of NCOIL, voted to continue its ongoing inquiry into market conduct examination with a hearing during the next NCOIL meeting set for the Hotel Inter-Continental in Chicago, from July 12 through 15, 2001.

***NCOIL resolutions, model acts, and minutes from the Spring Meeting will be available on the NCOIL Web site at:***[***www.ncoil.org***](http://www.ncoil.org/)***by April 13, 2001.***

***If you would like to receive additional information regarding any of the issues discussed above, please contact the NCOIL National Office at (518) 449-3210.***