

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
EXECUTIVE COMMITTEE
SANTA FE, NM
NOVEMBER 20, 2011
MINUTES

The National Conference of Insurance Legislators (NCOIL) Executive Committee met at the Eldorado Hotel & Spa in Santa Fe, New Mexico, on Sunday, November 20, at 8:00 a.m.

Rep. George Keiser of North Dakota, NCOIL President, presided.

Other members of the Committee present were:

Sen. Travis Holdman, IN
Rep. Matt Lehman, IN
Sen. Vi Simpson, IN
Sen. Ruth Teichman, KS
Rep. Robert Damron, KY
Rep. Steven Riggs, KY
Sen. Joe Hune, MI
Rep. Chuck Kleckley, LA
Sen. Carroll Leavell, NM
Sen. Neil Breslin, NY
Sen. James Seward, NY
Rep. Jay Hottinger, OH
Sen. David Thomas, SC
Rep. Charles Curtiss, TN
Del. Harvey Morgan, VA
Rep. William Botzow, VT
Sen. Mike Hall, WV

Also in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director
Candace Thorson, Nolan Associates, NCOIL Deputy Executive Director
Michael Humphreys, Nolan Associates, NCOIL Director of State-Federal Relations
Jordan Estey, Nolan Associates, NCOIL Director of Legislative Affairs & Education

MINUTES

Upon a motion made and seconded, the Committee unanimously approved the minutes of its July 17, 2011, meeting in Newport, Rhode Island.

MEETING REPORT

Ms. Nolan reported that there were 284 attendees at the Annual Meeting. She said that 64 legislators attended, including 12 newcomers. She said that 14 legislators from general member states, as well as two legislators from contributing member states, had received scholarships.

FINANCIALS

Ms. Nolan reported on the June 30 and September 30, 2011, unaudited financials for NCOIL, the Insurance Legislators Foundation (ILF) and NCOIL Publishing. She said that:

- NCOIL had received \$514,234 in support and revenue; incurred \$464,203 in total expenses; experienced a \$50,031 change in net assets; and had \$299,767 in net assets as of September 30

- the ILF had received \$175,852 in support and revenue; incurred \$113,647 in total expenses; experienced a \$62,205 change in net assets; and had \$170,861 in net assets as of September 30
- NCOIL Publishing, LLC, had received \$26,517 in support and revenue; incurred \$20,283 in total expenses; received \$6,233 in income from operations; and had \$29,561 in net assets as of September 30

Upon a motion made and seconded, the Committee unanimously approved Ms. Nolan's report.

PROPOSED 2012 BUDGET

Rep. Keiser drew the Executive Committee's attention to the proposed 2012 budget, which had been distributed to Committee members. Upon a motion made and seconded, the Committee unanimously approved the budget.

NON-CONTROVERSIAL CALENDAR

Ms. Thorson said the non-controversial calendar included the following:

Articles of Organization & Bylaws Revision Committee

- revision to Bylaws Section V(F) regarding notice to NCOIL officers of certain NCOIL expenditures

Financial Services & Investment Products Committee

- NCOIL *Identity Theft Protection Model Act* (readopted)

Property-Casualty Insurance Committee

- NCOIL *Flex-Rating Regulatory Improvement Model Act* (readopted)
- NCOIL *Model Act Regarding Use of Insurance Claims History Information in Homeowners and Personal Lines Residential Property Insurance* (readopted)

State-Federal Relations Committee

- *Resolution Encouraging States to Join an Interstate Insurance Product Regulation Compact*
- NCOIL *Market Conduct Surveillance Model Law* (readopted)
- NCOIL *Company Licensing Modernization Model Act* (readopted)

Workers' Compensation Insurance Committee

- *Resolution Regarding Workers' Compensation Proof of Coverage Requirements*

Ms. Thorson noted that NCOIL committees had unanimously adopted their proposed 2012 charges.

Upon a motion made and seconded, the Committee unanimously approved the non-controversial calendar.

COMMITTEE REPORTS

Financial Services & Investment Products

Mr. Humphreys, in absence of the Committee chair, reported that the Committee had:

- unanimously readopted the NCOIL *Identity Theft Protection Model Act*, as per a bylaws-required review (non-controversial calendar)
- adopted, by a vote of 15 to 1, a *Resolution Opposing the Public Employee Pension Transparency Act (PEPTA)*
- discussed Dodd-Frank on-the-ground impacts
- approved 2012 Committee charges

Upon a motion made and seconded, the Committee unanimously approved the draft PEPTA resolution and the report.

Health, Long-Term Care & Health Retirement Issues

Rep. Curtiss, acting chair of the Committee, said the Committee had:

- discussed closed blocks of business and decided to gather more information
- discussed state-federal medical loss ratio activity
- explored issues related to a pending pharmacy benefits manager (PBM) merger
- received a report on state-federal rate review developments
- heard an update on a federal long-term care CLASS Act program
- heard from NCOIL staff on essential benefits recommendations to HHS
- approved 2012 Committee charges

Upon a motion made and seconded, the Committee unanimously approved the report.

International Insurance Issues

Sen. Holdman, chair of the Committee, said the Committee had:

- discussed trade issues with speakers from the Office of the U.S. Trade Representative (USTR) and supported holding extended discussion at the Spring Meeting
- deferred indefinitely a *Resolution Opposing Commitments on Pharmaceutical Reimbursement & Insurance Regulation in Free Trade Agreements* in order to consider a broader proposal in the spring
- discussed emergence of an overarching global regulatory framework/state impacts
- approved 2012 Committee charges

Upon a motion made and seconded, the Committee unanimously approved the report.

Life Insurance & Financial Planning

Sen. Hall, chair of the Committee, said the Committee had met twice on November 17 and had:

- unanimously amended and then adopted, in a 10 to 3 vote, a *Model Unclaimed Life Insurance Benefits Act*
- approved 2012 Committee charges, after adding charges related to pre-need insurance, implementation of state life settlements laws, and life insurer claims settlement/payment practices

Regarding the unclaimed benefits model, Sen. Hall said that the amendments had been developed and introduced prior to the Committee's second meeting, among other things. He reported that the Executive Committee would need to adopt the model.

Rep. Keiser commented that he supported the model's purpose but that unclaimed property administrators should need to abide by similar standards as life insurers. He said that he would offer an amendment to that effect at the Spring Meeting. Rep. Damron expressed support for the effort.

Upon a motion made by Rep. Damron and seconded by Sen. Simpson, the Committee unanimously approved the unclaimed benefits model. Upon a separate motion and second, the Committee unanimously approved the Life Insurance & Financial Planning Committee report.

Property-Casualty Insurance

Ms. Thorson, in absence of the Committee chair, said the Committee had met twice and had:

- unanimously readopted the NCOIL *Flex-Rating Regulatory Improvement Model Act*, as per a bylaws-required review (non-controversial calendar)

- unanimously readopted the NCOIL *Model Act Regarding Use of Insurance Claims History Information in Homeowners and Personal Lines Residential Property Insurance*, as per a bylaws-required review (non-controversial calendar)
- deferred consideration of a proposed *Certificates of Insurance Model Act* to allow for further discussion
- deferred the Committee's bylaws-required review of an NCOIL *Natural Disaster Catastrophe Fund Model Act* to discuss alternate state approaches
- heard a report on National Flood Insurance Program (NFIP) overhaul efforts
- discussed Gulf Coast insurance concerns
- received a report on third-party litigation financing and determined to review the issue further
- approved 2012 Committee charges, after amending to include review of model legislation on travel insurance

Upon a motion made and seconded, the Committee unanimously approved the report.

State-Federal Relations

Rep. Damron, acting chair of the Committee, said the Committee had:

- unanimously approved a *Resolution Encouraging States to Join an Interstate Insurance Product Regulation Compact* (non-controversial calendar)
- unanimously readopted an NCOIL *Market Conduct Surveillance Model Law*, as per a bylaws-required review (non-controversial calendar)
- unanimously readopted an NCOIL *Company Licensing Modernization Model Act*, as per a bylaws-required review (non-controversial calendar)
- received an update on Federal Insurance Office (FIO) activity
- discussed *Surplus Lines Insurance Multi-State Compliance Compact* (SLIMPACT) efforts
- approved 2012 Committee charges

Upon a motion made and seconded, the Committee unanimously approved the report.

NCOIL-NAIC Dialogue

Rep. Keiser, acting chair of the Committee, said the Committee had discussed with regulators:

- market conduct examination processes
- surplus lines insurance reform
- international regulatory developments
- the Federal Insurance Office (FIO) and a Federal Advisory Committee on Insurance (FACI)
- contingent annuity issues
- reinsurance collateral reform

Upon a motion made and seconded, the Committee unanimously approved the report.

Workers' Compensation Insurance

Rep. Riggs, vice chair of the Committee, said the Committee had:

- unanimously approved a *Resolution Regarding Workers' Compensation Proof of Coverage Requirements* (non-controversial calendar)
- examined physician dispensing/drug repackaging concerns and added the issue to the Committee's proposed 2012 charges
- explored coverage issues for volunteer firefighters and seasonal/temporary migrant farm workers and added those items to the Committee's proposed 2012 charges
- approved 2012 Committee charges, as amended

Upon a motion made and seconded, the Committee unanimously approved the report.

SYMPOSIUMS ON HEALTHCARE EXCHANGES

Sen. Seward, a symposium moderator, said that two exchange sessions had been highlights of the Annual Meeting, particularly a November 17 session on design issues, governance, and state options. He said that a second symposium had addressed exchange funding, including sustainable funding options. Sen. Seward, noting that there were many unknowns at the federal level, predicted that NCOIL would continue its exchange efforts.

OTHER MEETINGS

Business Planning Committee

Rep. Damron, vice chair of the Committee, reported that the Committee had:

- discussed upcoming conference sites, including possible locations for the 2014 Spring and Annual Meetings

Bylaws Revision Committee

Ms. Thorson, in absence of the Committee chair, said the Committee had:

- unanimously approved a revision to Bylaws Section V(F) regarding notice to NCOIL officers of certain NCOIL expenditures (non-controversial calendar)
- approved a bylaws revision concerning absences at NCOIL meetings and retaining Executive Committee membership

Upon a motion made and seconded, the Committee unanimously approved the bylaws revision regarding Executive Committee membership.

Insurance Legislators Foundation (ILF) Board

Rep. Keiser, acting chair of the Committee, said the Board had elected its 2012 officers.

Membership Committee

Rep. Curtiss, chair of the Committee, said the Committee had met to discuss membership efforts in general-member states. He reported that the Committee had partnered in 2011 with industry representatives to apprise legislative leadership of NCOIL's valuable work and to increase attendance through an ILF scholarship program. He also said there had been strong legislative attendance throughout 2011.

RECOGNITIONS

Rep. Keiser noted that the Annual Meeting was Del. Morgan's last NCOIL conference. In recognition of his 32 years in the Virginia General Assembly and his loyal and dedicated service to NCOIL, including on issues related to pharmaceuticals, dental insurance, and preneed funeral insurance, Rep. Keiser presented Del. Morgan with a commemorative clock.

Del. Morgan thanked Rep. Keiser and the rest of the Executive Committee. He said that NCOIL, of all the national legislative organizations that he had participated in, worked the hardest. He said the dedication of his fellow NCOIL legislators had inspired him throughout the years, and he hoped that their good work would continue well into the future.

Rep. Keiser also took a moment to recognize NCOIL staff and, in particular, recognized and thanked Ms. Thorson for her ten years of service with NCOIL. To celebrate this milestone, he presented her with a commemorative plaque.

NOMINATING COMMITTEE

Election of Officers

Rep. Keiser, chair of the Committee, reported that the Committee had nominated the following slate of officers for 2012:

President:	Sen. Carroll Leavell, NM
President-Elect:	Sen. Vi Simpson, IN
Vice President:	Rep. Charles Curtiss, TN
Secretary:	Rep. Greg Wren, AL
Treasurer:	Sen. Neil Breslin, NY

The Executive Committee unanimously approved the slate of officers by acclamation and accepted the Committee report as presented.

Recognition of Outgoing/Incoming Presidents

Rep. Keiser thanked NCOIL staff, the 2011 Committee chairs, and fellow legislators for their efforts. He also thanked members of the Industry Education Council (IEC) and other industry for their continued support.

Rep. Keiser and incoming President Sen. Leavell then exchanged awards of recognition. Sen. Leavell commented on his 2012 NCOIL priorities, including continued efforts to oppose federal preemption through a new Federal Insurance Office (FIO), to advance surplus lines reform, and to expand NCOIL membership.

REINSURANCE COLLATERAL

Matt Wulf of the Reinsurance Association of America (RAA) reported on new National Association of Insurance Commissioners (NAIC) amendments to a *Credit for Reinsurance Model Law*. He said the revisions were the result of significant compromise and were based on requirements already in place in Florida, Indiana, New Jersey, and New York.

Currently, Mr. Wulf said, a primary insurer can claim its reinsurance coverage as an asset or reduction in liabilities if the insurer, among other options, buys reinsurance from a non-U.S. company that posts 100 percent collateral on the amount being reinsured. He said that the NAIC amendments would allow a state regulator to require less collateral based on certain conditions, such as the reinsurer's financial rating, the level of capital the reinsurer holds, the company's prompt payment history, and the regulatory environment in the reinsurer's home country.

Mr. Wulf said that the *Credit for Reinsurance Model* revisions require the NAIC to keep a list of non-U.S. reinsurers that the NAIC certifies as meeting the conditions for reduced collateral. He said that a state regulator could lower collateral for a reinsurer that is not on the list but that the regulator would need to justify that decision.

The recent amendments, Mr. Wulf commented, were an improvement over prior NAIC proposals that required less financial disclosure to state regulators. He said that the impact of reduced collateral rules would be limited, as only certain of the largest non-U.S. reinsurers would qualify.

Regarding industry support, Mr. Wulf said that the RAA, American Insurance Association (AIA), and several international insurer groups supported the NAIC amendments. He said that groups including the American Council of Life Insurers (ACLI), National Association of Mutual Insurance Companies (NAMIC), and Property Casualty Insurers of America (PCI) were not opposed.

OTHER BUSINESS

Sen. Leavell announced the following 2012 Committee and Subcommittee leadership assignments:

Articles of Organization/ Bylaws Revision:	Chair—Rep. Ron Crimm, KY Vice Chair—Sen. Ann Cummings, VT
Budget/Audit:	Chair—Sen. Vi Simpson, IN Vice Chair—Rep. Don Flanders, NH
Business Planning:	Chair—Sen. Carroll Leavell, NM Vice Chair—Rep. Brian Kennedy, RI
Financial Services & Investment Products:	Chair—Sen. Ruth Teichman, KS Vice Chair—Rep. Matt Lehman, IN
Health, LTC & Health Retirement Issues:	Chair—Sen. Jake Corman, PA Vice Chair—Rep. Tommy Thompson, KY
International Insurance Issues:	Chair—Sen. Travis Holdman, IN Vice Chair—Rep. Bill Botzow, VT
Legislators' Roundtable:	Chair—Assem. Nancy Calhoun, NY Vice Chair—Rep. Kathleen Keenan, VT
Life Insurance & Financial Planning:	Chair—Sen. Mike Hall, WV Vice Chair—Rep. Barb Byrum, MI
Membership:	Chair—Rep. Charles Curtiss, TN Vice Chair—Sen. James Seward, NY
NCOIL/NAIC Dialogue:	Chair—Rep. George Keiser, ND Vice Chair—Rep. Robert Damron, KY
Nominating Committee:	Chair—Sen. Carroll Leavell, NM
Property-Casualty Insurance:	Chair—Rep. Steve Riggs, KY Vice Chair—Assem. Joseph Morelle, NY
State-Federal Relations:	Chair—Sen. Keith Faber, OH Vice Chair—Rep. Susan Westrom, KY
Subcommittee on Natural Disaster Insurance Legislation:	Chair—Rep. William Sandifer III, SC Vice Chair—Rep. Craig Eiland, TX
Workers' Compensation Insurance:	Chair—Rep. Barry Hyde, AR Vice Chair—Sen. Jerry Klein, ND

ADJOURNMENT

There being no other business, the Committee adjourned at 9:30 a.m.