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NCOIL ADOPTS MARKET CONDUCT SURVEILLANCE MODEL, CLOSES FIVE-YEAR DEBATE

Washington, D.C., November 16, 2006—Lawmakers at last week’s National Conference of Insurance Legislators (NCOIL) Annual Meeting in Napa Valley, California, reasserted the need for a modernized market conduct surveillance system by adopting an NCOIL model act that would establish uniformity of market conduct oversight. The Market Conduct Surveillance Model Law, adopted by the NCOIL Executive Committee on November 11, would end duplicity in market conduct exams and follows more than five years of NCOIL work on the issue.

Texas State Representative Craig Eiland, chair of the NCOIL State-Federal Relations Committee that initially examined the model, stated,

This action was a long time in coming. NCOIL’s goal with the model law—which we expect will garner strong support in the states—is to cut down on duplicity in state market conduct exams while still giving regulators the ability to do their jobs and protect consumers. The model offers common sense guidance on how to monitor insurer actions in a coordinated, efficient, and effective way. It is now critical that legislators bring this model to their states and follow the leads of Texas and Colorado in enacting needed statutory reform.

The model would, among other things:

- Establish methods for collecting marketplace data
- Allow domiciliary states to have responsibility to perform market conduct surveillance
- Enhance state collaboration
• Set forth a continuum of market conduct actions to be considered prior to undertaking targeted market conduct exams
• Set forth a structure for performing targeted market conduct examinations

Passage of the NCOIL model act followed consideration of recommendations, offered by a Market Conduct Subcommittee, to amend a February 2004 NCOIL draft in place of a joint NCOIL-National Association of Insurance Commissioners (NAIC) model law, adopted later in 2004, that had received little regulatory and industry support in the states.

The Subcommittee amendments reflected input from a wide range of interested parties both before and immediately after the 2006 NCOIL Summer Meeting. Adoption of the model capped more than five years of NCOIL effort regarding market conduct reform, including the release of two studies on the issue.

NCOIL is an organization of state legislators whose primary focus is insurance legislation and regulation. Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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