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NCOIL TO NAIC: LEGISLATORS OBLIGATED TO OVERSEE INSURANCE REGULATORS— SUBCOMMITTEE TO IMPLEMENT NEW STRATEGIES

Houston, Texas, December 2, 2007 — National Conference of Insurance Legislators (NCOIL) President Rep. Brian Kennedy (RI) at a meeting here today told members of the National Association of Insurance Commissioners (NAIC) that state legislators—because they have delegated authority by statute to insurance regulators and the NAIC—are compelled to actively oversee such entities. Rep. Kennedy informed state insurance commissioners at an NAIC Legislative Liaison Committee meeting that NCOIL has formed a select subcommittee to implement appropriate strategy recommended by *A Study on State Authority: Making a Case for Proper Insurance Oversight*. The Insurance Legislators Foundation (ILF)—the research and educational arm of NCOIL—commissioned the study to take an in-depth objective look at insurance regulation in the states in order to make necessary improvements.

In response to a query by NAIC President Walter Bell (AL), regarding the study, Rep. Kennedy said:

We, as state legislators are obligated to properly oversee our insurance regulators and—in turn—the NAIC, as state legislatures have both directly and indirectly delegated authority to these entities to enforce our will. We at NCOIL take this study and its recommendations very seriously, since we, as well as regulators, will be held accountable. NCOIL will do its best to ensure that the state system continues to thrive, so that we can take credit for its success, rather than share the blame for its failure.

NCOIL at its Annual Meeting in Las Vegas, Nevada, in late November unanimously adopted Phase II of the study, which comprised critical recommendations that look to gain new ground in insurance regulation, while at the same time regain territory that has been lost. The NCOIL Executive Committee on November 17 created a subcommittee of the group's officers and past presidents to find the best ways to implement the Phase II proposals.

The forward-looking strategy to enhance state insurance regulation—vetted at a special November 16 joint meeting of the NCOIL Executive Committee and the ILF—advocated ways to

- clarify the roles of regulators and attorneys general and strengthen commissioners' authority
- regain and enhance legislators oversight of regulators, and the National Association of Insurance Commissioners (NAIC)
- require the NAIC to follow open meetings laws and preclude regulators from attending closed meetings
- strengthen state regulation through expansion of the Interstate Insurance Product Regulation Compact
- create an independent commission of stakeholders to further review the current regulatory structure
- increase NCOIL resources to accomplish these tasks by reallocating state NAIC assessments

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The recommendations followed Phase I of the study, aired at the NCOIL Summer Meeting on July 21, which focused on authority granted to—and real-life roles of—players who impact state insurance regulation, including legislators, attorneys general, regulators, and the National Association of Insurance Commissioners (NAIC). The study specifically addressed NAIC authority and accountability, budget, staff, use of state insurance information for profit, confidentiality of information being shared by the NAIC, alleged deficiencies in the NAIC open meetings policy, and the appropriateness of the NAIC signing of memorandums of understanding with foreign nations in its present status as a 501(c) (3) nonprofit organization.

Mr. James Schacht of Navigant Consulting, LLC led the study; and Mr. Bruce Foudree of Lord, Bissell & Brook LLP, and Dr. Joseph F. Zimmerman, Professor of Political Science, The Rockefeller College of Public Affairs and Policy, State University of New York at Albany, also served as coauthors.

NCOIL is an organization of state legislators whose primary interest 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.

The *Study on State Authority* is available at www.ncoil.org. For further details, please contact the NCOIL National Office at 518-687-0178.

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