This is a report on the National Conference of Insurance Legislators (NCOIL) summer meeting held from July 12 through 15, 2001, at the Hotel Inter-Continental Chicago.  More than 240 state legislators, insurance regulators, industry and media representatives attended the meeting.

The report highlights significant committee and subcommittee actions, general session discussions, and hearing activities at the summer meeting.  It will first provide a summary and then proceed in greater detail.

SYNOPSIS:

At the NCOIL summer meeting, legislators:

        adopted a Resolution in Opposition to the Federalization or Dual Regulation of the Business of Insurance,

        adopted a Resolution on Medical Privacy,

        tabled a proposed Mental Health Parity Model Act,

        adopted a Resolution In Support of Tax-Deductible Pre-Event Natural Disaster Reserve Funds,

        adopted a Resolution on the National Flood Insurance Program (NFIP) Elevation Certificate,

        adopted a Property-Casualty Insurance Modernization Model Act,

        readopted an Insurance Compliance Self-Evaluative Privilege Model Act,

        readopted a Secondary Addressee Model Act,

        readopted a resolution that calls upon state legislatures to eliminate statutory and administrative barriers to workers’ compensation managed care arrangements,

##         sunset a resolution calling upon Congress to enact comprehensive natural disaster legislation affecting financial capacity and loss prevention,

##         readopted a Natural Disaster Catastrophe Fund Model Act,

##         sunset a Property and Casualty Form and Rate Model Act,

        readopted a resolution opposing federal auto choice no-fault insurance bills,

        readopted a Property-Casualty Insurance Domestic Violence Model Act,

        tabled an Auto Accident Compensation and Cost Saving Model Act,

        participated in a dual panel discussion on the future of state insurance regulation,

        participated in a discussion on the rising cost of prescription drugs,

        held a hearing on market conduct examinations, and

        held a hearing on flood insurance.

A detailed report follows.

FEDERALIZATION OR DUAL REGULATION OF THE BUSINESS OF INSURANCE

Legislators adopted the Resolution in Opposition to the Federalization or Dual Regulation of the Business of Insurance, which the National Conference of State Legislatures (NCSL) and the National Association of Insurance Commissioners (NAIC) adopted earlier this year.  The resolution specifically opposes any proposal to establish either a federal or a dual system of insurance regulation, or to cede any authority to federal agencies to regulate financial institutions involved in the business of insurance, and Congressional ratification of trade agreements that preempt state insurance regulation.

### MEDICAL PRIVACY

            Legislators in the Health Insurance and Workers' Compensation Insurance Committees adopted a joint Resolution on Medical Privacy.  The resolution states that NCOIL will aggressively monitor the implementation of the federal Department of Health and Human Services (HHS) medical privacy rules.  It also states that NCOIL will address any need for additional legislative action and report periodically to the NCOIL Executive Committee.

#### MENTAL HEALTH PARITY

Legislators voted to table the proposed NCOIL Mental Health Parity Model Act, pending further discussion at the annual meeting.  The proposed model would provide coverage for mental illness that is at least equal to the coverage provided for physical injury or illness and would offer four major options:

        coverage under either an individual, small group, or large group policy;

        a mandate or an optional mandate;

        a broad-based or a biologically based definition of mental illness; and

        coverage for alcoholism and substance abuse services.

NATURAL DISASTER RESERVE FUNDS

Legislators adopted the Resolution In Support of Tax-Deductible Pre-Event Natural Disaster Reserve Funds.  The resolution builds on one that NCOIL adopted in 1997 that called upon Congress to enact comprehensive natural disaster insurance legislation.  The resolution states that NCOIL will work with the NAIC and federal legislators to develop tax-deductible pre-event catastrophe reserve legislation.

NATIONAL FLOOD INSURANCE PROGRAM (NFIP) ELEVATION CERTIFICATE

Legislators adopted the Resolution on the National Flood Insurance Program (NFIP) Elevation Certificate.  The resolution calls upon the NFIP to re-examine its procedures for the issuance of elevation certificates to ensure that it does not adversely affect consumer and agent participation in the NFIP.

PROPERTY-CASUALTY INSURANCE MODERNIZATION MODEL ACT

Legislators adopted the Property-Casualty Insurance Modernization Model Act.  The model, which is based on an American Legislative Exchange Council (ALEC) model, would establish a use-and-file rate regulatory system for personal lines of insurance and a no-file system for commercial lines.  It would allow policies sold to large, sophisticated commercial insurance providers to be exempt from rate and regulatory requirements.

# RENEWAL OF NCOIL MODEL LAWS AND 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.

INSURANCE COMPLIANCE SELF-EVALUATIVE PRIVILEGE MODEL ACT

Legislators voted to renew the NCOIL Insurance Compliance Self-Evaluative Privilege Model Act, which NCOIL originally adopted on February 28, 1998.  The model recognizes that insurance compliance self-evaluative privilege is necessary to protect the confidentiality of communication relating to voluntary internal compliance audits, and to encourage insurance companies to conduct audits of their compliance programs and management systems.

     SECONDARY ADDRESSEE MODEL ACT

Legislators voted to renew the NCOIL Secondary Addressee Model Act, which NCOIL originally adopted on November 17, 1996.  In states where adopted, the model would provide that a life insurer must give an elderly policyholder the option of designating a secondary addressee and must contact that second party in case of nonpayment or lapsing of policy, prior to taking other action.

     RESOLUTION ON WORKERS’ COMPENSATION MANAGED CARE

Legislators voted to renew the NCOIL Resolution on Workers’ Compensation Managed Care, which NCOIL originally adopted on November 12, 1995.  The resolution calls upon state legislatures to eliminate statutory and administrative barriers to workers’ compensation managed care arrangements.

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##      RESOLUTION ON NATURAL DISASTER INSURANCE

Legislators allowed the NCOIL Resolution on Natural Disaster Insurance to sunset.  NCOIL originally adopted the resolution on July 11, 1997.  The Committee replaced the resolution by adopting the Resolution in Support of Tax-Deductible Pre-Event Natural Disaster Reserve Funds.

##      NATURAL DISASTER CATASTROPHE FUND MODEL ACT

## Legislators voted to renew the Natural Disaster Catastrophe Fund Model Act, which NCOIL originally adopted on July 28, 1995.  The model would create a natural disaster catastrophe fund for individual states with the intent to maintain a viable and orderly insurance market in the event a major natural disaster strikes.

##      PROPERTY AND CASUALTY FORM AND RATE MODEL ACT             Legislators allowed the NCOIL Property and Casualty Form and Rate Model Act to sunset.  NCOIL originally adopted the model on February 26, 1999.  Legislators allowed the sunset in view of the Committee's adoption of the Property-Casualty Insurance Modernization Model, which includes substantially similar provisions.

##      RESOLUTION ON FEDERAL CHOICE NO-FAULT AUTO LEGISLATION

## Legislators voted to renew the Resolution on Federal Choice No-Fault Auto Legislation, which NCOIL originally adopted on November 16, 1997.  The resolution opposes federal auto choice no-fault insurance legislation.

##      PROPERTY-CASUALTY INSURANCE DOMESTIC VIOLENCE MODEL ACT

## Legislators voted to renew the Property-Casualty Insurance Domestic Violence Model Act, which NCOIL originally adopted on March 1, 1998.  The model would prohibit unfair discrimination by property-casualty insurers on the basis of domestic violence.

##      AUTO ACCIDENT COMPENSATION AND COST SAVING MODEL ACT

## Legislators voted to table the Auto Accident Compensation and Cost Saving Model Act until the annul meeting in Scottsdale, Arizona in November 2001.  NCOIL originally adopted the model on July 27, 1992.  The model would provide that consumers have personal compensation insurance without regard to fault in an automobile accident.  It would require consumers to carry minimum property damage liability insurance.

STATE INSURANCE REGULATION

            Legislators participated in a dual panel discussion regarding the future of state insurance regulation, entitled "Will State Insurance Regulation Survive?".

            Contributing to the first panel discussion, entitled "Forces for Change," were:

        Dr. Roger Formisano, University of Wisconsin at Madison,

        Paul Mattera, Liberty Mutual Group,

        David Hill, State Farm,

        Dino Gavanes, Premier Risk Services, and

        Gary Hughes, American Council of Life Insurers (ACLI).

            In addition to Msrs. Mattera, Gavanes, and Hughes, contributing to the second panel discussion, entitled "Proposals for Change," were:

        Peter Lefkin, Fireman's Fund Insurance Company,

        Kansas Insurance Commissioner Kathleen Sebelius, and

        District of Columbia Insurance Commissioner Lawrence Mirel.

Copies of the transcript of these discussions are available for $75 from the Insurance Legislators Foundation, an education and research arm of NCOIL.

### RISING COST OF PHARMACEUTICALS

                Legislators participated in a discussion, entitled "Pharmaceuticals: Can States Cut Costs?"  Speakers addressed the issue of prescription drug affordability and concentrated on different state initiatives with regard to cutting costs.

MARKET CONDUCT AND FLOOD HEARINGS

            The ILF held hearings on market conduct examinations and national flood insurance issues.  Future issues of the NCOILetter will contain detailed reports on both hearings.

Sincerely,
Rep. Terry Parke
NCOIL President

***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.***