

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
EXECUTIVE COMMITTEE
SEATTLE, WASHINGTON
JULY 21, 2007
DRAFT MINUTES

The Executive Committee of the National Conference of Insurance Legislators (NCOIL) met at the Sheraton Seattle Hotel & Towers in Seattle, Washington, on Saturday, July 21, 2007, at 11:15 a.m.

Sen. Alan Sanborn, NCOIL president, presided.

Other members of the Committee present were:

Rep. Kurt Olson, AK	Sen. William J. Larkin, Jr., NY
Rep. Pat Patterson, FL	Sen. James Seward, NY
Sen. Ralph Hudgens, GA	Rep. Frank Wald, ND
Rep. Michael Ripley, IN	Rep. George Keiser, ND
Sen. Ruth Teichman, KS	Rep. Ronald Peterson, OK
Rep. Robert Damron, KY	Rep. Robert Godshall, PA
Rep. Susan Westrom, KY	Sen. Dave Bates, RI
Rep. Ed Gaffney, MI	Rep. Brian Kennedy, RI
Rep. Fulton Sheen, MI	Rep. Larry Taylor, TX
Sen. Dean Kirby, MS	Rep. Kathleen Keenan, VT
Rep. Don Flanders, NH	Rep. Virginia Milkey, VT
Assem. Nancy Calhoun, NY	Sen. Dale Schultz, WI

Other legislators present were:

Rep. William Batchelder, OH
Sen. Keith Faber, OH
Rep. Tommy Thompson, KY
Rep. Warren Kitzmiller, VT

Also in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director
Candace Thorson, NCOIL Deputy Executive Director
Mike Humphreys, NCOIL Director of Legislative Affairs & Education,
Life, Health, and Workers' Compensation Insurance Committees

MINUTES

Upon a motion made and seconded, the Committee voted unanimously to adopt the draft minutes of its March 3, 2007, meeting in Savannah, Georgia.

ADMINISTRATION

FINANCIAL REPORT

Ms. Nolan presented the Committee with the 2006 NCOIL audited financial statements, as well as the March 30, 2007, unaudited financial statements for NCOIL, the ILF, and NCOIL publishing. She reported that NCOIL publishing was now included in the NCOIL year-end financials. Ms. Nolan said the statements showed NCOIL and the ILF to be in solid financial position. The Committee voted unanimously to accept the report as presented.

NOMINATION OF EXECUTIVE COMMITTEE MEMBERS

Sen. Sanborn said that the following three (3) insurance committee chairs attending the Summer Meeting would automatically be added to the Executive Committee: Rep. Thompson, Rep. Batchelder, and Rep. Kitzmiller. Sen. Sanborn then nominated Sen. Faber for Executive Committee membership. The Committee unanimously approved the nomination.

NON-CONTROVERSIAL CALENDAR

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

Articles of Organization and Bylaws Revision Committee

- proposed revision to Articles of Organization Section V(B) that would allow a state to have four (4) representatives on the Executive Committee, not including a current NCOIL president, past president, state insurance committee chair, or chairs of NCOIL standing committees
- proposed revision to Articles of Organization Section V(B) that would delete an unnecessary reference to Committee chairs who are still state legislators being voting, ex-officio members of the Executive Committee
- proposed revision to Bylaws Section IV that would add a subsection allowing an insurance committee chair of a member state, who is attending his or her first NCOIL conference, to vote during meetings of standing committees that he or she has joined
- proposed revision to Articles of Organization Section 5(A) that would change the titles of certain officer positions as follows: Vice President to President-Elect, Secretary to Vice President, Treasurer to Secretary, and Executive Committee Chair to Treasurer

Life Insurance & Financial Planning Committee

- proposed *Resolution in Support of Recognizing September 2007 as Life Insurance Awareness Month*

Property-Casualty Insurance Committee

- proposed amended *Resolution Regarding State Land-Use Policies*
- proposed *Resolution Concerning Amendments to State Liquidation Laws Addressing Large Deductibles*

State-Federal Relations Committee

- proposed *Resolution in Opposition to Amending or Repealing the McCarran-Ferguson Act*
- proposed NCOIL letter to Senators John Sununu (R-NH) and Tim Johnson (D-SD) opposing optional federal charter legislation in the form of S. 40

Upon a motion made and seconded, members adopted the non-controversial calendar.

OLD BUSINESS

Sen. Sanborn recognized Frank Klopp and his wife, Betty, for their long-time attendance at NCOIL meetings. Sen. Sanborn said Mr. Klopp was retiring from State Farm Insurance Companies. Mr. Klopp expressed his support of NCOIL and his appreciation of legislators' well wishes.

REINSURANCE COLLATERAL

Bob Wake of the Maine Insurance Department, representing the National Association of Insurance Commissioners (NAIC), updated the Committee on progress made by the NAIC Reinsurance Task Force regarding reinsurance collateral. He said the NAIC last year charged the Task Force with finding ways to modernize the reinsurance regulatory system. In response, Mr. Wake said, the Task Force proposed creation of a new Reinsurance Evaluation Office (REO), which would evaluate the financial strength of a reinsurance company based on the financial risk it posed, rather than its country of domicile.

Mr. Wake noted that the REO proposal had met with mixed reviews from interested parties. He said the Task Force was continuing to discuss options for reform, including, among others, another rating proposal and a passport system that would rest responsibility on a single state regulator.

Ms. Nolan said the NCOIL International Insurance Issues Committee had, in 2002, adopted a proposed *Approved List of Reinsurers Model Act* that has been before the NCOIL Executive Committee since that time. She noted that the proposed model law would provide for reduced collateral requirements for non-U.S. reinsurers that meet certain financial solvency criteria. In response to Ms. Nolan's question regarding the *Approved List's* relevance, Mr. Wake commented that the draft was still relevant but that many regulators felt the plan needed work. He predicted that a future Task Force proposal would include elements of the *Approved List*.

COMMITTEE REPORTS

FINANCIAL SERVICES & INVESTMENT PRODUCTS

Rep. Sheen, chair of the Committee, reported that the Committee had:

- received a report regarding Sarbanes-Oxley (SOX) activity
- received a report on predatory lending in the housing market
- heard an update on NAIC Securities Valuation Office (SVO) activity
- heard an update on state efforts regarding title insurance
- heard an update on state payday lending issues

The Executive Committee voted unanimously to accept the report as presented.

HEALTH, LONG-TERM CARE & HEALTH RETIREMENT ISSUES

Rep. Westrom, chair of the Committee, reported that the Committee had:

- received an update on pending federal initiatives
- discussed issues regarding secondary markets in health insurance, and deferred until the Annual Meeting consideration of a proposed physician reimbursement model act in order to give interested parties additional time to reach consensus
- received a report regarding clarifying state authority under ERISA
- discussed concerns related to long-term care insurance
- heard an update on state repeal of alcohol-exclusion laws

The Executive Committee voted unanimously to accept the report as presented.

LIFE INSURANCE & FINANCIAL PLANNING

Rep. Ripley, chair of the Committee, reported that the Committee had:

- adopted a proposed *Resolution in Support of Recognizing September 2007 as Life Insurance Awareness Month (on the non-controversial calendar)*
- heard an update regarding principles-based reserving for life insurance
- received a report on the use of travel-based underwriting

The Executive Committee voted unanimously to accept the report as presented.

INTERNATIONAL INSURANCE ISSUES

Ms. Nolan reported that the Committee had:

- discussed EU/US issues of common concern
- received an update on International Association of Insurance Supervisors (IAIS) activity
- received a report on international accounting standards
- received an update on Solvency II

The Executive Committee voted unanimously to accept the report as presented.

PROPERTY-CASUALTY INSURANCE

Sen. Teichman, chair of the Committee, reported that the Committee had:

- received a report from the Subcommittee on Natural Disaster Insurance Legislation
- adopted an amended *Resolution Regarding State Land-Use Policies (on the non-controversial calendar)*
- received an update on the National Flood Insurance Program (NFIP)
- considered a proposed NCOIL guaranty fund model act
- adopted a proposed *Resolution Concerning Amendments to State Liquidation Laws Addressing Large Deductibles (on the non-controversial calendar)*
- considered a proposed model act regarding rental vehicle damage waivers
- discussed issues regarding an accident response fee model act
- received an update on federal insurance scoring activity

The Executive Committee voted unanimously to accept the report as presented.

SUBCOMMITTEE ON NATURAL DISASTER INSURANCE

Sen. Kirby, chair of the Subcommittee, reported that the Subcommittee had:

- received a report regarding pending state and federal initiatives
- heard a report from a Washington State legislator regarding climate change
- recommended for adoption an amended *Resolution Regarding State Land-Use Policies*
- considered issues related to an NAIC natural catastrophe plan

The Executive Committee voted unanimously to accept the report as presented.

STATE-FEDERAL RELATIONS

Mr. Humphreys reported that the Committee had:

- received an update on pending federal initiatives, including an optional federal charter (OFC), the McCarran-Ferguson Act, and long-term terrorism insurance proposals
- adopted a proposed *Resolution in Opposition to Amending or Repealing the McCarran-Ferguson Act (on the non-controversial calendar)*
- adopted a proposed NCOIL letter to Senators John Sununu (R-NH) and Tim Johnson (D-SD) opposing OFC legislation in the form of S. 40 (*on the non-controversial calendar*)
- adopted a proposed *Resolution Regarding Opposing Certain Executive Sessions of Public Policy Officials*
- received reports on the Interstate Insurance Product Regulation Compact and a surplus lines interstate compact proposal
- deferred until the Annual Meeting a proposed *Resolution on the Use of Legal Settlements as Public Policy Instruments*, as well as a friendly amendment to the resolution
- discussed NAIC open meetings policy and accreditation activity
- held a special session, following the regular State-Federal Relations Committee meeting, regarding producer and company licensing post-GLBA

Following discussion, the Executive Committee adopted the proposed *Resolution Regarding Opposing Certain Executive Sessions of Public Policy Officials* and voted to accept the report as presented.

WORKERS' COMPENSATION INSURANCE

Mr. Humphreys reported that the Committee had:

- received a report on the Washington State workers' compensation insurance system
- received an update on pending federal legislation regarding Medicare secondary payers and workers' compensation settlements
- voted to defer further consideration of a proposed *Model Act Regarding Professional Employer Organizations (PEOs) in Workers' Compensation* until the Annual Meeting, as well as to authorize a PEO Working Group to hold an interim meeting in order to: hear additional information regarding PEOs and allow the Working Group to complete its consideration of interested-party amendments

The Executive Committee voted unanimously to accept the report as presented.

OTHER MEETINGS

ARTICLES OF ORGANIZATION AND BYLAWS REVISION

Assem. Calhoun, chair of the Committee, reported that the Committee had recommended for adoption the four amendments included on the non-controversial calendar.

The Executive Committee voted unanimously to accept the report as presented.

BUSINESS PLANNING

Ms. Nolan reported that the Committee had:

- discussed issues regarding future sites, including holding NCOIL Spring Meetings in Washington, DC
- discussed issues regarding registrant qualifications for consumer advocacy status and determined to consider a draft consumer-advocacy questionnaire at the Annual Meeting

The Executive Committee voted unanimously to accept the report as presented.

ILF BOARD

Ms. Nolan reported that the ILF Board had:

- held a brief meeting to discuss ILF business matters, in light of a special July 17 Executive Committee/ILF meeting regarding Phase I of an ILF study on state authority

The Executive Committee voted unanimously to accept the report as presented.

MEMBERSHIP

Ms. Nolan reported that the Committee had:

- discussed recent NCOIL membership efforts, including creation of a new information brochure
- developed strategies for reaching out to key states regarding the benefits of NCOIL

The Executive Committee voted unanimously to accept the report as presented.

SPECIAL EXECUTIVE COMMITTEE/ILF BOARD MEETING REGARDING PHASE I OF AN ILF STUDY ON STATE AUTHORITY

Ms. Nolan reported that the Committee and Board had:

- received a report, just prior to the regular Executive Committee meeting, from two of the three co-authors of the study regarding Phase I findings
- discussed items revealed in Phase I, in particular issues related to the National Association of Insurance Commissioners (NAIC), such as its status as a 501(c)(3), authority to sign memorandums of understanding with foreign nations, budget, and open-meetings policy, among others

SPECIAL MEETINGS ON LIFE SETTLEMENTS

Rep. Ripley, chair of the Life Insurance & Financial Planning Committee, reported that the Committee had scheduled a special meeting regarding amendments to an NCOIL Life Settlements Model Act. He said that, because the Life Settlements Subcommittee had not completed its review of proposed revisions to the model at a special July 18 Subcommittee meeting, the Committee adjourned into a special Subcommittee session to give the Subcommittee more time.

Rep. Keiser, chair of the Subcommittee, reported that as a result of two (2) special Subcommittee meetings legislators had:

- approved a new draft of the model following review of amendments, including several proposed by Sen. Seward relating to consumer disclosures, prohibited practices, licensing and reporting requirements, and a two-versus-five-year moratorium period for selling a life insurance policy, among other things
- requested that interested parties submit additional amendments to the approved draft by October 12, in order to comply with the 30-day deadline for the Annual Meeting
- determined to hold an interim Subcommittee conference call with securities and insurance regulators, as well as life insurance, life settlement, and institutional market representatives, to discuss whether the purchase of a life settlement should be regulated by a life settlement model

- voted to hold a special meeting on Wednesday, November 14, in conjunction with the NCOIL Annual Meeting

The Executive Committee voted unanimously to accept the report as presented.

OTHER BUSINESS

Ms. Nolan informed members that she would continue working with Don Rebele of the Griffith Foundation for Insurance Education on a proposed Insurance Legislators Institute for Insurance Policy.

ADJOURNMENT

There being no further business, the meeting adjourned at 12:30 p.m.