

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS  
NCOIL-NAIC DIALOGUE  
WASHINGTON, DC  
FEBRUARY 28, 2008  
MINUTES

The National Conference of Insurance Legislators (NCOIL) NCOIL-NAIC Dialogue Committee met at the Hyatt Regency on Capitol Hill in Washington, DC, on Thursday, February 28, 2008, at 4:00 p.m.

Rep. Larry Taylor of Texas, chair of the Committee, presided.

Other members of the Committee present were:

Rep. George Keiser, ND	Sen. James Seward, NY
Rep. Frank Wald, ND	Rep. Brian Kennedy, RI
Sen. Carroll Leavell, NM	Rep. Craig Eiland, TX
Sen. William J. Larkin, Jr., NY	

Other legislators present were:

Rep. Kurt Olson, AK	Rep. Hubert Vo, TX
Rep. Greg Wren, AL	Assem. Joseph Hardy, NV
Sen. Alan Sanborn, MI	Assem. Joseph Morelle, NY

Also in attendance were:

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

#### NATIONAL REGULATORY STANDARDIZATION PROPOSALS

Insurance Commissioner Mike Geeslin of Texas discussed a proposed framework developed by the Texas Insurance Department that would serve as an alternative to federal insurance regulation. He said the goal of the alternative framework was to avoid an abrupt preemption of insurance regulation by Congress. He said four principles of the framework included: (1) preserving state authority and expertise; (2) recognizing the need to standardize where practical; (3) positioning states to better respond to global economic environments; and (4) implementing change gradually.

Commissioner Geeslin stated that the framework could include a body of experts, including regulators and legislators, to develop national standards based on the goal of standardization, where applicable. He said that any framework must provide for emergency adoption of standards when the public welfare is in imminent danger. He cautioned that no change should come at the expense of consumer protections and said that the key to standardization rested with uniform adoption and implementation of laws and procedures.

Rep. Kennedy applauded Commissioner Geeslin for his efforts and said that the framework could address many issues brought before Congress by OFC proponents.

National Association of Insurance Commissioners (NAIC) President Commissioner Sandy Praeger of Kansas referenced a recent joint NAIC, NCOIL, and National Conference of State

Legislatures (NCSL) press release that, she said, showed that the state organizations are unified in preserving state ability to protect consumers. She reported that the NAIC was reviewing strategies to address uniformity, including working with Congress as it had in the past regarding Medicare and HIPAA, the *Health Insurance Portability and Accountability Act*.

#### INTERSTATE INSURANCE PRODUCT REGULATION COMPACT

Rep. Taylor reported that several NCOIL legislators had met with members of Congress prior to the Spring Meeting on state regulatory modernization efforts and noted that legislators had informed their federal colleagues of Interstate Insurance Product Regulation Commission (IIPRC) speed-to-market successes.

Insurance Commissioner Jane Cline of West Virginia, IIPRC Chair, said the IIPRC provides a central electronic product filing platform for authorized asset-based insurance products and allows a company to make one filing under one set of uniform standards for one approval that is valid in all 30 jurisdictions. She noted that the IIPRC had approved more than 40 products. She stated that the IIPRC had implemented registration and filing fees that are paid by insurance companies. She said that 20 companies have paid registration fees and that in less than two months the IIPRC had reached 21 percent of its targeted self-generated revenue for 2008.

On the legislative front, Commissioner Cline reported that Compact bills had passed both houses in Missouri and Wisconsin and were in their state's respective concurrence process. She further reported that seven states had legislation pending, including New York, New Jersey, California, Illinois, South Carolina, Alabama, and the District of Columbia.

Responding to a question from Rep. Eiland regarding company participation, Commissioner Cline said that many companies were still using the typical state process. She noted, however, that the IIPRC had commenced a strong outreach effort to educate companies about the Compact and to encourage them to use it as the source of getting product approvals in the 30 participating states. Rep. Taylor added that on IIPRC conference calls companies have been supportive of Compact activity.

Rep. Kennedy said the NCOIL State-Federal Relations Committee would consider, in concept, a draft letter to non-member states of the Compact that would be distributed jointly from presidents of NCOIL, NAIC, and NCSL. He said the letter would address the benefits of Compact membership and urge non-member states to adopt Compact legislation.

#### PRODUCER LICENSING

Insurance Commissioner Roger Sevigny of New Hampshire reported that in 2007 the NAIC had established a coalition of representatives from 10 member states and 12 industry trade groups to review state producer licensing laws and to determine whether states continued to comply with *Gramm-Leach-Bliley Act* (GLBA) mandates. He said GLBA required that 29 states be either reciprocal in licensing processes or uniform and noted that 35 states were certified compliant in 2002. He added that 42 states comply with GLBA requirements.

Commissioner Sevigny said the coalition had investigated a primary complaint of the trade groups—that many states require registration with the Secretary of State as a precondition of licensing. He said that 25 states required such registration but noted that 14 states immediately addressed the issue upon NAIC notification and seven others were working to reverse registration

as a pre-licensing requirement. He acknowledged that this did not mean that Secretaries of State and corporate laws would repeal registration mandates.

Commissioner Sevigny reported that the NAIC would re-form its National Association of Registered Agents & Brokers (NARAB) Working Group and that it would be staffed by eight insurance commissioners. He said the Working Group would reexamine whether standards used to certify states in 2002, and subsequently during state assessments in 2007 and 2008, continued to be appropriate.

Rep. Wren commented that an attorney he knows from the Commonwealth of Virginia had recently contacted him regarding insurance options. Rep. Wren had replied that he was not licensed in Virginia and so could not provide assistance but that he would look into getting licensed. He said that at 3:00 p.m. that day he had submitted his information to Virginia and, by 9:00 a.m. the following morning, the Commonwealth had e-mailed him his license. He said that the story was not just anecdotal but that it represented the successes of the state system in meshing good policy and good technology with a commitment to uniformity.

#### MARKET CONDUCT REFORM

Commissioner Cline stated that since 2004 states have taken steps to create a more systematic, structured, and uniform market analysis program. She said that many states had implemented a system of baseline analysis to review data; enhanced reporting of consumer complaints and regulator actions to an NAIC market information system; implemented market conduct annual statements; and improved interstate collaboration.

Commissioner Cline reported that the NAIC had established 99 core competency standards regarding staff, training, contract examiners, market analysis, market conduct examinations, data collection, and investigations, among other things. She added that a 2006 NAIC survey of state standards implementation revealed that 29 states either met the general requirements of the core competencies or would meet the requirements by the end of 2007.

Commissioner Cline said that the NAIC believed that any legislative enactment should provide for a commissioner's discretion to initiate regulatory actions, unfettered regulator access to necessary market data, and a mechanism for states to share confidential market conduct data through the NAIC.

Rep. Kennedy noted that NCOIL had adopted a *Market Conduct Surveillance Model Law* in 2006 and recognized that several states had adopted or considered the legislation in 2007. He said a Rhode Island House committee would soon consider a version of the model.

#### ADJOURNMENT

There being no further business, the meeting adjourned at 5:00 p.m.