

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
NCOIL-NAIC DIALOGUE
NEW ORLEANS, LOUISIANA
NOVEMBER 20, 2009
MINUTES

The National Conference of Insurance Legislators (NCOIL) NCOIL-NAIC Dialogue Committee met at the Royal Sonesta Hotel in New Orleans, LA, on Friday, November 20, 2009, at 4:00 p.m.

Rep. Kurt Olson of Alaska, acting chair of the Committee, presided.

Other members of the Committee present were:

Rep. Greg Wren, AL	Rep. Don Flanders, NH
Sen. Vi Simpson, IN	Sen. James Seward, NY
Rep. Robert Damron, KY	Rep. Brian Kennedy, RI
Rep. George Keiser, ND	Rep. Charles Curtiss, TN
Rep. Frank Wald, ND	

Other legislators present were:

Sen. Larry Teague, AR	Sen. Eugene Clark, MS
Rep. Eddie Hawkins, AR	Rep. Craig Eiland, TX
Rep. Charles Priest, ME	Rep. Gini Milkey, VT
Rep. Barb Byrum, MI	Sen. Lena Taylor, WI

Also in attendance were:

Susan Nolan, 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

MINUTES

After a motion made and seconded, the Committee voted unanimously to approve the minutes of its July 10, 2009, meeting in Philadelphia, PA.

FEDERAL CONCERNS

Ohio Insurance Director Mary Jo Hudson on behalf of the National Association of Insurance Commissioners (NAIC), New York Insurance Superintendent James Wrynn, and Mississippi Insurance Commissioner Mike Chaney discussed aspects of federal financial services regulatory reform. Director Hudson reported that the NAIC had told Congress that insurance commissioners should be included on any systemic risk council of financial regulators. She said the NAIC had commented that any new resolution authority should ensure the protection of insurance policyholders, a Federal Insurance Office (FIO) should be about information, not regulation, and a Consumer Financial Protection Agency (CFPA) should not include insurance oversight.

Commissioner Chaney emphasized that state officials should work together to oppose federal regulation and Superintendent Wrynn noted that state regulation had worked well for over 135 years. He said there was no better indication of its success than its performance during the financial crisis.

Rep. Kennedy said that as the NAIC sought a seat at the so-called “federal table,” he hoped that state legislators would not be left behind.

Sen. Teague asked whether the NAIC had endorsed an FIO. Director Hudson replied that the NAIC had endorsed the FIO with approved Manager’s amendments, which she said took the regulatory wind out of the FIO sails.

NATIONAL INSURANCE SUPERVISORY COMMISSION

Rep. Keiser said that the NAIC had previewed a National Insurance Supervisory Commission (NISC) proposal—which he described as a super-compact comprised of state regulators—at its Fall National Meeting. He said that during a meeting with state legislators, insurance regulators had promised that the NAIC would coordinate a summit of interested parties to discuss NISC. He said that the NAIC had promised to notify interested parties within two weeks. He asked why the meeting had not been scheduled.

Director Hudson reported that the NAIC was developing a NISC work plan that included public discussion of the proposal at the NAIC December meeting, as well as discussions with state legislators and regional summits. She said that the NAIC hoped to have a schedule available soon. She said that, in introducing NISC, the regulators had come forward with a regulatory reform proposal that promoted state-based regulation. She said that she believed state legislators must be involved.

Rep. Kennedy applauded the NAIC for having a record number of legislators at its Fall Meeting. He stressed, however, that legislators were united on the issue of NISC, and particularly opposed having their lawmaking authority usurped. Sen. Taylor expressed similar sentiments.

Rep. Keiser said that he understood from the Fall NAIC meeting that the NAIC would stop developing its original NISC proposal and would formulate a new approach. He said that he thought the purpose of the interested-party meeting was to begin development of an alternative approach, and he asked for confirmation on that point. Director Hudson said that the NISC proposal had been drafted for discussion purposes and that the NAIC was receiving significant legislative and other interested-party comments.

Rep. Damron recollected that the NAIC had committed to convene a summit that would include attorneys general, governor’s office representatives, and state legislators, as well as the NAIC, NCOIL and the National Conference of State Legislatures (NCSL). He suggested that the *National Center on Interstate Compacts*, housed at the Council of State Governments (CSG), might be an appropriate venue because it represented all three branches of government. He also reiterated concerns that he had raised at the NAIC meeting regarding the FIO and the NAIC negotiating with Congress.

NAIC DEVELOPMENT OF AN INDEPENDENT RATING AGENCY

Superintendent Wrynn reported that the NAIC had held a public hearing during its Fall Meeting and had heard from major rating agencies, who suggested that insurance commissioners should rely less on agency ratings. He said that an NAIC Valuation of Securities Task Force had worked with the Securities Valuation Office (SVO) on issues regarding residential and commercial mortgage-backed securities (RMBS and CMBS, respectively) issues. He said that the SVO analyzed municipal securities and that it had engaged an entity to analyze RMBS. He commented that CMBS should be addressed more comprehensively.

Rep. Keiser asked about payment for ratings. Supt. Wrynn said that ratings were issuer-paid before the NAIC hearing in September. He said that, with respect to CMBS, the NAIC had looked at using a buyer-paid agency approach to assist in the interim before a comprehensive solution was developed. Responding to a second question, Supt. Wrynn said that he did not believe that rating agencies needed additional statutory authority.

Director Hudson added that insurance regulators needed to know that they could rely on ratings of insurance company investments to ensure that their analyses of company finances were accurate.

After further discussion, Andy Beal of the NAIC said that earlier that year the NAIC had explored the possibility of setting up a Nationally Recognized Statistical Rating Organization (NRSRO). He clarified that no additional work had been done on that initiative in the past few months because the NAIC had focused on current rating agency issues and also on RMBS.

INTERSTATE INSURANCE PRODUCT REGULATION COMPACT

Director Hudson reported that 73 companies had registered with the Interstate Insurance Product Regulation Commission (IIPRC) that year and that the IIPRC had received its 200th filing of 2009, noting that both achievements had almost doubled 2008 statistics. She said that Mississippi, Missouri, and New Mexico had joined the IIPRC in 2009 and that legislation had been considered in several other states.

Director Hudson noted that a suite of annuity standards was almost complete and that the IIPRC would consider a package of long-term care insurance standards in 2010. She also reported on creation of a new Working Group that would look into an issue brought forward by certain non-compacting states seeking associate-member status.

STATE PRODUCER LICENSING INITIATIVES

Maryellen Waggoner of the National Insurance Producer Registry (NIPR) described a new reporting of actions (ROA) product. She said it would allow an insurance producer with an administrative, civil, or criminal action against him/her to access the NIPR Web site and report such action to all 47 states that participated in the product line. She also noted that from October 2008 to October 2009, NIPR had added 96 different products and services for the states.

MARKET CONDUCT AS AN ACCREDITATION STANDARD

Director Hudson stated that a proposal for market conduct accreditation was being looked at by a subcommittee of the Market Regulation and Consumer Affairs (D) Committee. She said that the NAIC would not have additional proposals to offer anytime soon.

OTHER BUSINESS

Rep. Eiland asked if anyone was putting together a summit between insurance regulators, legislators, attorneys general, and governors. Director Hudson replied that the NAIC fully intended to set up such a summit. She said that the NAIC was planning three summits, to be held on a regional basis, that she said realistically could be held in early 2010. Rep. Eiland said that a summit needed to happen in January and that the NCOIL Executive Committee should try to

convene the summit if the NAIC did not. Commissioner Chaney said that any such summit should avoid adopting a partisan approach to dealing with Congress.

Rep. Keiser said that suitability was a big issue and asked about NAIC efforts to address the subject. He added that suitability concerns existed beyond the annuities industry. Director Hudson replied that the NAIC had not conducted a wide-ranging suitability study. She said that most suitability activity had related to annuities, and she cited NAIC and Financial Industry Regulatory Authority (FINRA) model regulations. Supt. Wrynn said that the New York State Insurance Department had recently finished a series of hearings on life insurance and annuity suitability and would soon prepare a proposed regulation. Commissioner Chaney added that, in his experience, consumer education was a major issue.

ADJOURNMENT

There being no further business, the meeting adjourned at 5:15 p.m.