

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
SPECIAL REGULATORY DIALOGUE ON FINANCIAL REFORM
BOSTON, MASSACHUSETTS
JULY 9, 2010
DRAFT MINUTES

The National Conference of Insurance Legislators (NCOIL) Special Regulatory Dialogue convened at the Park Plaza Hotel in Boston, Massachusetts, on Friday, July 9, 2010, at 9:00 a.m.

NCOIL President Rep. Robert Damron of Kentucky presided.

Other legislators present were:

Rep. Greg Wren, AL	Sen. Carroll Leavell, NM
Rep. Pat Patterson, FL	Assem. Nancy Calhoun, NY
Sen. Ralph Hudgens, GA	Sen. William J. Larkin, Jr., NY
Sen. Rosalyn Baker, HI	Sen. James Seward, NY
Sen. William Haine, IL	Sen. Keith Faber, OH
Rep. Matt Lehman, IN	Sen. Karen Gillmor, OH
Sen. Vi Simpson, IN	Rep. Brian Kennedy, RI
Sen. Ruth Teichman, KS	Rep. William Sandifer III, SC
Rep. Ronald Crimm, KY	Sen. David Thomas, SC
Rep. Steve Riggs, KY	Rep. Charles Curtiss, TN
Rep. Ed Legg, ME	Rep. Craig Eiland, TX
Rep. Sharon Treat, ME	Rep. Larry Taylor, TX
Rep. Barb Byrum, MI	Sen. Ann Cummings, VT
Rep. George Keiser, ND	Rep. Kathleen Keenan, VT
Sen. Jerry Klein, ND	Rep. Gini Milkey, VT
Rep. Don Flanders, NH	Sen. Mike Hall, WV

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

FEDERAL FINANCIAL REFORM

After legislators and regulators made brief introductory remarks, Dr. Therese Vaughan of the National Association of Insurance Commissioners (NAIC) overviewed insurance provisions of H.R. 4173, the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. She said, among other things, that state regulators would be included on a Financial Stability Oversight Council (Council) and that a Consumer Financial Protection Bureau (CFPB) would not have insurance authority. She commented that a Federal Insurance Office (FIO) could be good if it served as a connector to the state system, or could be problematic if it pursued Washington-based solutions to insurance issues.

New York Insurance Superintendent James Wrynn described the *Nonadmitted Insurance and Reinsurance Reform Act* (NRRA), which he said was included in H.R. 4173. He said that the NRRA would, among other things:

- limit—to an insured's home state—state authority to regulate surplus lines transactions
- require states to participate in a national producer database to collect licensing fees

- authorize states to enter into an interstate compact to collect and allocate surplus lines premium taxes

STATE MODERNIZATION EFFORTS

Superintendent Wrynn announced that the NAIC was considering a proposed Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT). He said that a SLIMPACT governing commission—with one vote per state—would develop uniform tax allocation formulas to distribute premium taxes on multistate risks. He commented that there was some consensus among regulators to move in the direction of SLIMPACT.

Rep. Kennedy said that NCOIL had endorsed the SLIMPACT concept in 2007. He added that a working group of stakeholders had met during NAIC meetings for several years to develop the SLIMPACT draft.

After additional discussion of SLIMPACT, Rep. Damron cautioned that when states fail to act on insurance modernization efforts, the federal government tries to intervene. He said that surplus lines and producer licensing reform were important and that state legislators and regulators had to work together or risk a push toward federal insurance regulation.

Rep. Damron and Sen. Seward then discussed an urgency to move forward on reform Iowa Insurance Commissioner Susan Voss, NAIC President-Elect. They cited possible regulator and legislator turnover after the 2010 elections as a reason to move quickly.

Dr. Vaughan said that all parties were frustrated about moving forward on producer licensing and that states had not reached full uniformity and reciprocity. Sen. Leavell said that producer licensing should be “low-hanging fruit” and complimented state efforts that, he said, had achieved uniformity regarding company licensing.

Rep. Damron suggested holding at summit during the August NAIC National Meeting to adopt some resolution on pending modernization efforts.

Rep. Keiser emphasized the need to work together. He said that NCOIL had always supported states’ rights while the NAIC had been interested in getting a seat at the table. He said that NCOIL disagreed with such an approach.

Commissioner Voss replied that without a federal insurance expert, insurance matters previously had been decided at the federal level without talking to the states. She said that state regulators had felt that the “train had left the station” regarding the creation of a FIO and had worked to preserve state authority. She added that the NAIC was not happy with the Council because regulators would not have a voting role and because it would include a non-regulator insurance expert.

Rep. Curtiss recommended that NCOIL and NAIC leadership put together a working group to develop consensus proposals. Commissioner Voss said that the National Conference of State Legislatures (NCSL) and National Governors Association (NGA) were important state players.

Rep. Kennedy encouraged NAIC representatives to urge their fellow regulators to bring state legislative committee chairs to the August NAIC Meeting. He requested that the NAIC hold a legislative summit to discuss producer licensing and surplus lines reform on Saturday or Sunday during the meeting. Rep. Damron commented that if legislators and regulators could reach

agreement at the NAIC meeting, lawmakers could bring proposals back to NCOIL and push for adoption at the November Annual Meeting.

Commissioner Voss said that she would be in touch with Ms. Nolan to schedule an opportunity for regulators and legislators to meet during the NAIC meeting.

OPTIONAL FEDERAL CHARTER

Rep. Keiser said that Congressman Barney Frank (D-MA) had told NCOIL that the House Financial Services Committee would debate optional federal charter (OFC) legislation in 2011. Rep. Keiser said that state insurance premium tax revenue could be in jeopardy with such a proposal. He said that NCOIL strongly supported premium taxes staying with the states.

Dr. Vaughan responded that the NAIC had always supported states retaining premium tax revenue. Superintendent Joseph Torti (RI) said that insurers pay a federal income tax, not a state income tax, and that in lieu of states getting income taxes from insurers, they collect premium tax dollars. He said that it would be difficult for the federal government to collect both income and premium taxes from insurers.

Rep. Keiser then asked about how and when states should fight for premium tax dollars. Commissioner Voss said that legislators and regulators had to keep reminding their governors and Congressional delegations about a need to retain the funds. She said that premium tax dollars help states conduct consumer outreach and protect company solvency, among many other things.

Responding to a question from Rep. Damron, Dr. Vaughan said that the NAIC had very strongly opposed OFC legislation because it would hurt consumers and promote regulatory arbitrage.

Rep. Damron then suggested that NCOIL and the NAIC could issue a joint proclamation restating their opposition to an OFC. He said that the NAIC could consider such a proposal at its August meeting and that NCOIL would follow up at its Annual Meeting in November.

Dr. Vaughan said that she thought NCOIL and the NAIC had sent joint letters opposing Congressional efforts in the past.

Legislators reiterated that there is an ongoing need for such joint activity.

ADJOURNMENT

There being no further business, the meeting adjourned at 10:30 a.m.