

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
NCOIL-NAIC DIALOGUE
WASHINGTON, DC
MARCH 4, 2011
MINUTES

The National Conference of Insurance Legislators (NCOIL)-National Association of Insurance Commissioners (NAIC) Dialogue Committee convened at the Hyatt Regency on Capitol Hill in Washington, DC, on Friday, March 4, 2011, at 4:15 p.m.

Rep. Kathleen Keenan of Vermont, chair of the Committee, presided.

Other members of the Committee present were:

Rep. Kurt Olson, AK	Sen. James Seward, NY
Rep. Greg Wren, AL	Sen. Keith Faber, OH
Sen. Vi Simpson, IN	Rep. Brian Kennedy, RI
Rep. George Keiser, ND	Sen. Mike Hall, WV
Sen. William J. Larkin, Jr., NY	

Other legislators present were:

Rep. Barry Hyde, AR	Sen. Rich Pahl, NE
Rep. Nancy McLain, AZ	Sen. Bill Brown, OK
Rep. Sharon Treat, ME	Rep. Glen Mulready, OK
Rep. Jim Kasper, ND	Rep. William Botzow, VT

Also in attendance were:

Commissioner Susan Voss, IA, NAIC President
Commissioner Roger Sevigny, NH
Commissioner Thomas Considine, NJ
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 9, 2010, meeting in Boston, Massachusetts.

NCOIL-NAIC MEETING

Commissioner Voss thanked NCOIL President Rep. Keiser and President-Elect Sen. Carroll Leavell (NM) for meeting with her and NAIC President-Elect Commissioner Kevin McCarty (FL) in February to discuss areas of common concern. She said that she hoped the two organizations would continue working together. Rep. Keiser said that NCOIL and the NAIC had successfully collaborated on modernization of agent and broker licensing, rate-and-form filing, and other items. He then asked Commissioner Voss to overview where the NAIC was headed on market conduct exams.

Commissioner Voss said that regulators were looking at how to more collaboratively examine insurers. She said that Rep. Keiser had suggested supporting an NCOIL

Market Conduct Surveillance Model Law, and that she and Commissioner McCarty thought it was a good starting point. She said that Commissioner Jane Cline (WV), chair of an NAIC Market Regulation and Consumer Affairs (D) Committee, and the D Committee would use the NCOIL model as a template to discuss a national approach to conducting examinations. Commissioner Voss added that the NAIC would like every state to participate in a national exam process.

HEALTHCARE REFORM IMPLEMENTATION

Commissioner Voss said that the NAIC is moving forward on implementation of the *Patient Protection and Affordable Care Act* (PPACA). She called insurance exchanges one of the biggest ongoing issues and noted that states need to have exchanges in place by January 2014. She said that the federal government would take over in states that do not create exchanges.

Josh Goldberg of the NAIC reported that the NAIC had approved an *American Health Benefit Exchange Model Act* in December that outlined the federal minimum requirements for state exchanges. He stated that the model did not take positions on specific exchange structures. He said that the NAIC was in the process of drafting a series of white papers to address exchange governance, financing, producers and navigators, and adverse selection. He then highlighted other ongoing projects at the NAIC, including uniform applications for use in exchanges and uniform fraud reporting forms, among others.

Responding to a question from Rep. Keiser about interfacing with public programs, Mr. Goldberg said that an NAIC white paper would discuss exchanges as a single point-of-entry for Medicaid and State Children's Health Insurance Program (SCHIP) plans, among other things. Rep. Keiser said that a North Dakota exchange proposal carried a fiscal note of \$70 million. Commissioner Voss said that in Iowa she was hearing estimates of up to \$30 million.

Sen. Hall asked about governance. Mr. Goldberg said that a majority of states are planning to house their exchanges in non-profit or quasi-governmental organizations. He said that other states are looking at putting them in insurance departments or Medicaid agencies. Sen. Hall, Commissioner Voss, and Mr. Goldberg also discussed proposals to wind down reform initiatives if PPACA were declared unconstitutional, as well as discussed PPACA risk-adjustment mechanism requirements.

Rep. Keenan questioned whether the NAIC would address quality issues. Mr. Goldberg said that the NAIC was doing a paper on additional exchange functions and that quality issues would be addressed. He said that a number of states were considering using the exchanges to drive quality improvements through increased transparency, among other things. Commissioner Conidine discussed the benefits of health information technology (IT), noting that IT spending helped to improve quality and lower administrative costs.

Rep. Keenan and regulators then discussed private-market activity and state waivers from healthcare reform mandates. Commissioners Voss and Sevigny indicated that Iowa and New Hampshire, respectively, had applied for waivers from the federal medical loss ratio (MLR) rules. Commissioner Sevigny overviewed challenges insurers can face when entering a market and suggested that legislators could take a look at how hospital and provider rates are negotiated.

LIFE INSURANCE ISSUES

Commissioner Voss explained that the NAIC was in the process of testing a principles-based reserving (PBR) system that seeks to strengthen solvency regulation. She commented that PBR would ensure that life insurance company reserves were adequate, but not redundant, for specific product lines. For the first phase of the testing, she said, the NAIC hired Towers Watson to study PBR and develop baseline results and analysis. She said that the second phase would focus on analyzing specific sections of an NAIC Valuation Manual. She reported that the first phase should be completed by the end of March and the second by June 30, and added that the NAIC hopes the Valuation Manual will be ready for adoption by its November 2011 meeting.

Rep. Keenan asked when the NAIC would bring legislation forward in the states. Commissioner Voss responded that legislation is not required. She said that the NAIC needed to adopt changes to its Valuation Manual.

OTHER BUSINESS

Rep. Kennedy said that he shared the NAIC's concern—expressed during a recent *State Leaders' Summit on Federalism*—about a lack of transparency and insurance expertise on the Financial Stability Oversight Council. He noted that transparency has been an ongoing concern of his, and he recognized NAIC efforts in that regard.

Commissioner Voss said that the NAIC tries to hold as few closed meetings as possible.

ADJOURNMENT

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