

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
STATE-FEDERAL RELATIONS COMMITTEE
PHILADELPHIA, PA
JULY 11, 2013
MINUTES

The National Conference of Insurance Legislators (NCOIL) State-Federal Relations Committee met at the Philadelphia Marriott Downtown in Philadelphia, PA, on Thursday July 11, 2013 at 3:00 p.m.

Rep. Robert Damron of Kentucky, acting chair of the Committee, presided.

Other members of the Committee present were:

Rep. Kurt Olson, AK	Sen. William J. Larkin, NY
Rep. Greg Wren, AL	Rep. Michael Stinziano, OH
Sen. Jason Rapert, AR	Rep. Brian Kennedy, RI
Rep. Joseph Fischer, KY	Rep. Charles Curtiss, TN
Rep. Jeff Greer, KY	Rep. Bill Botzow, VT
Rep. George Keiser, ND	Rep. Kathie Keenan, VT
Sen. Carroll Leavell, NM	

Other legislators present were:

Rep. Lindsey Holmes, AK	Rep. Don Gosen, MO
Sen. Rosalyn Baker, HI	Rep. Don Flanders, NH
Sen. Laura Kelly, KS	Sen. Jerry Klein, ND
Rep. Steven Riggs, KY	Rep. Dan Kirby, OK
Rep. Bart Rowland, KY	Rep. Marguerite Quinn, PA
Rep. Greg Cromer, LA	Sen. Roger Picard, RI
Sen. Delores Kelley, MD	Sen. Deidre Henderson, UT
Rep. Michael Costello, MA	Sen. Mike Hall, WV
Rep. Keith English, MO	

Also in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director
Candace Thorson, Nolan Associates, NCOIL Deputy Executive Director
Jennifer Webb, Nolan Associates, NCOIL Director of Legislative Affairs – DC
Eric Ewing, Nolan Associates, NCOIL Director of Legislative Affairs

MINUTES

After a motion made and seconded, the Committee voted unanimously to approve the minutes of its March 8, 2013, meeting in Washington, D.C.

NARAB II/PRODUCER LICENSING

Commissioner Michael Consedine of Pennsylvania, Secretary-Treasurer of the National Association of Insurance Commissioners (NAIC), said that the National Association of Registered Agents & Brokers Reform Act of 2013 (NARAB II) would create a reciprocity regime, providing eligible insurance producers access to every state on a non-resident basis. He said the bill would establish a 13-member governing board, consisting of eight state insurance commissioners and five additional board members. He noted that the Senate version of the legislation, Senate Bill 534, reported out of the Senate Banking Committee favorably on June 6, 2013, and would require that three of the additional board members, have expertise in property and casualty insurance and two have expertise in life and health insurance. He commented that the legislation would preserve the rights of state insurance

regulators, would not impact current fees/revenues, and would include important disclosures to the states.

Commissioner Consedine stated that the NAIC supports the current language of Senate Bill 534. He noted the NAIC specifically supports language that preserves the states' rights and is revenue neutral. He said if amendments are offered to change the current language, the NAIC would reevaluate its support.

Mr. Wes Bissett, representing the Independent Insurance Agents & Brokers of America (IIABA), thanked the committee for their focus on the NARAB II bill. He said the bill creates a mechanism in which non-resident producers can operate in multiple jurisdictions through NARAB II membership. He said the bill was originally introduced in 2007 in response to a market trend that saw producers servicing clients in multiple states. He said that there is a bill pending in the House Financial Services Committee currently and that similar measures have previously passed the House in 2008 and 2010. He reiterated Commissioner Consedine's comments that the bill does not diminish state authority of insurance regulation. He stated that the bill will help improve efficiencies. He said the legislation has broad support and that the IIABA supports the bill.

Mr. David Eppstein of the National Association of Professional Insurance Agents (PIA) said the PIA also supports NARAB II for the reasons mentioned by Commissioner Consedine and Mr. Bissett.

Rep. Damron said that NCOIL had not taken a formal position on NARAB II.

FIO EFFORTS

Susan Nolan presented a PowerPoint summary of the June 12, 2013, Federal Insurance Office (FIO) Annual Report examining the financial state of the insurance industry as mandated by Title V of the Dodd-Frank Act. She commented that the report highlights the vital role of the industry in the US and globally, notes the interconnectedness of insurers with the broader financial system in the financial crisis, and restates FIO authority. She stated that some emerging trends and issues highlighted by the report are:

- the impact of sustained low interest rates on financial guaranty products
- record high costs for natural catastrophes
- changing demographics of an aging U.S. population
- rapid expansion of global insurance markets

Commissioner Consedine provided an update on the relationship between state insurance regulators and FIO. He said that the NAIC continues to engage with the U.S. Department of the Treasury and FIO on a regular basis to build a good working relationship. He stated that FIO is not a regulator, but that it has very significant powers to evaluate the U.S. market. He noted that while the NAIC will continue to have a good working relationship with FIO, state legislators and regulators should be the primary arbitrator for their state insurance markets and that the NAIC will continue to advocate that belief.

In response to a question from Rep. Keiser concerning forthcoming FIO reports, Commissioner Consedine noted that the report issued in June 2013 was not the long-awaited industry report on modernization of insurance regulation that the FIO has been tasked with compiling under Dodd-Frank, but an annual report on the state of the insurance industry. He said the NAIC will withhold judgment until the delayed report is issued, but there is concern the FIO will look to take on a stronger regulatory role.

TRIA REAUTHORIZATION

Rep. Stinziano introduced a *Proposed Resolution in Support of the Further Extension of the Terrorism Risk Insurance Act of 2002*. He stated that TRIA was originally passed in response to the September 2001 terrorist attacks and was reauthorized in 2005 and 2007. He said that the program has been important in creating a stable market, but is set to expire on December 31, 2014. He said the resolution is consistent with previous NCOIL resolutions to continue the programs authorized by TRIA.

Rachel Jensen of the American Insurance Association (AIA) stated that the AIA supports the continuation of TRIA and the NCOIL resolution. She commented that it is a necessary safety net for a stable national economy following a potential terrorist attack. Frank O'Brien of the Property Casualty Insurers Association of America (PCI) stated that PCI also supports the continuation of TRIA and the NCOIL resolution.

Commissioner Consedine stated that the NAIC has not yet taken a formal position on the current TRIA reauthorization, but historically the NAIC has supported reauthorization.

Joe Thesing of the National Association of Mutual Insurance Companies (NAMIC) stated that NAMIC is also fully supportive of the continuation of TRIA and of the NCOIL resolution. He asked that NCOIL help to educate new members of Congress that TRIA was not meant to be temporary.

After a motion made and seconded, the Committee unanimously adopted the resolution.

MULTI-STATE TAX COMMISSION

Rep. Kennedy stated that the Multi-State Tax Commission (MTC) had proposed model legislation which sought to apply income taxes to proceeds paid from investment partnerships, LLCs, and real estate investment trusts (REITs) that are currently disregarded entities for insurance companies. He said that after the last NCOIL meeting, NCOIL sent a letter opposing the model to the MTC and that he too sent a letter opposing the model. He stated that NCSL also sent a letter, but that the NAIC had not taken a position on the model. He said that in May 2013 the MTC held a meeting and made a decision not to move forward with the proposed model. He said the MTC had determined to do a white paper on the issue, only.

Kate Kiernan of the American Council of Life Insurers (ACLI) said that the ACLI appreciated all the work that state legislators did, as part of NCOIL as well as other legislative bodies, to oppose the MTC model.

N2 MARKET REGULATION WORKING GROUP

Rep. Keiser stated that NCOIL is continuing to work with the NAIC to address market conduct issues in the N2 working group. He said that originally the working group had sought to go to the industry with a survey relative to market conduct, but did not proceed as the industry was not interested in participating. He noted that he asked the industry at the spring NCOIL meeting to put forth their top five industry concerns, but had yet to receive the information. He said that the working group would appreciate industry comments ahead of the next group meeting to be held at the NAIC meeting in August 2013.

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION/COMPACT

Commissioner Consedine gave an update on the Interstate Insurance Product Regulation Commission (IIPRC), reporting that two more states, Arkansas and Montana, have joined the compact following the spring NCOIL meeting. He said there are now 43 compacted states

representing 72 percent of the premium volume written nation wide for assets-based insurance products.

Commissioner Consedine thanked Sen. Rapert for spearheading passage of the compact in Arkansas, after hearing about it at the spring 2013 NCOIL meeting. He said the Arkansas legislation will become effective in mid-August and the Montana legislation will become effective on October 1.

Commissioner Consedine noted that Florida enacted a non-standard version of the compact in early June that will become effective on July 1, 2014. He said the Florida legislation requires the Florida Office of Insurance Regulation to prepare a report by January 1, 2014, on the extent to which the compact's uniform standards provide consumer protections under Florida law. He stated that there may be additional legislation in Florida in 2014 to facilitate its membership in the compact next summer.

Commissioner Consedine stated that the IIPRC's revenues are on budget and their expenses are below budget. He said that as of June 30, 2013, there are 157 companies registered with the IIPRC, up from 130 for the same period in 2012. He said that the IIPRC is implementing a number of new uniform standards throughout 2013 for the employee-employer group life product line as part of a five-year review. He noted that the next meeting of the IIPRC will take place on August 23, 2013, in conjunction with the NAIC meeting.

OTHER BUSINESS

Rep. Damron introduced Jennifer Webb as the new NCOIL Director of Legislative Affairs in Washington, D.C.

ADJOURNMENT

There being no further business, the meeting adjourned at 3:55 p.m.