

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
STATE-FEDERAL RELATIONS COMMITTEE
SAN FRANCISCO, CALIFORNIA
NOVEMBER 21, 2014
MINUTES

The National Conference of Insurance Legislators (NCOIL) State-Federal Relations Committee met at the Grand Hyatt in San Francisco, California, on Friday, November 21, 2014, at 1 p.m.

Sen. Jason Rapert of Arkansas presided for Rep. Robert Damron, KY, chair of the Committee.

Other members of the Committee present were:

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| Rep. Bart Rowland, KY | Rep. George Keiser, ND |
| Rep. Matt Lehman, IN | Sen. David O'Connell, ND |
| Rep. Warren Kitzmiller, VT | Rep. Don Flanders, NH |
| Rep. Kathie Keenan, VT | Rep. Bill Botzow, VT |
| Rep. Ken Goike, MI | Sen. Jason Rapert, AR |
| Sen. James Seward, NY | Rep. Warren Kitzmiller, VT |

Other legislators present were:

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| Rep. Deborah Ferguson, AR | Rep. Vincent Pierre, LA |
| Sen. Joyce Elliot, AR | Sen. Robert Hayes, SC |
| Sen. Joe Hardy, NV | Rep. Heather Bishoff, OH |
| Sen. Ronnie Cromer, SC | Sen. Kevin Bacon, OH |
| Rep. Mike Gambrell, SC | Del. Harry Keith Wright, WV |
| Rep. Janice Cooper, ME | Sen. Matt McCoy, IA |
| Rep. Pete DeGraaf, KS | Rep. Peggy Mayfield, IN |
| Sen. Carroll Leavell, NM | Sen. Jerry Klein, ND |
| Sen. John Horhn, MS | |

Also in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director
Candace Thorson, Nolan Associates, NCOIL Deputy Executive Director
Molly Dillman, Nolan Associates, NCOIL Director of Legislative Affairs
Andrew Williamson, Nolan Associates, NCOIL Director of Legislative Affairs

MINUTES

Upon a motion made and seconded, the Committee unanimously approved the minutes of the July 10, 2014, meeting in Boston.

TERRORISM RISK INSURANCE ACT (TRIA)

Ms. Gackenbach of Confre Strategies reported the Senate overwhelmingly passed an extension of TRIA legislation in June, making very few changes to the original bill. She said the House unsuccessfully attempted to pass legislation making changes to TRIA that were unsupported by both industry and the business community.

Ms. Gackenbach said House leadership had pushed Chairman Hensarling to negotiate with the Senate to create a bill that will pass, but the Senate wants to take up their bill. She said because the Senate bill was so strongly supported, they felt no need to bargain.

Ms. Gackenbach said ultimately there is pressure to take up the Senate bill because there is no time to renegotiate another bill. She said the insurance industry continues to support the Senate bill, with letters and large advertising campaigns pushing the issue. She said she thinks TRIA will be one of the last things addressed before legislators leave at year-end.

Ms. Gackenbach mentioned that the House changed their budget rules under a Cut-As-You-Go (CUTGO) rule to require that increases in mandatory spending must be offset with equal or greater decreases in mandatory spending. Ms. Gackenbach noted that TRIA, under the CUTGO rule, is about \$3 billion. She said there have been attempts to waive budget rules, but conservative members' of the House have objected to changing budget rules for any reason.

NATIONAL ASSOCIATION OF REGISTERED AGENTS AND BROKERS ACT OF 2013 (NARAB II)

Ms. Gackenbach reported there is bipartisan support of NARAB II in the House and Senate. She said the bill has stalled due to procedural issues, not substantive disagreements. She said that NARAB II is in the same place a lot of good legislation is, at a stand-still, and that its passage will depend on whether or not Congress can put it on the floor.

FEDERAL INSURANCE OFFICE (FIO)/ FEDERAL ADVISORY COMMITTEE ON INSURANCE (FACI)

Ms. Gackenbach reported that FIO has been increasingly engaged in cybersecurity and cyber insurance. She said outreach has been made to DHS, Department of Commerce, Department of Treasury, the White House, and select members of the insurance industry to discuss moving forward on these issues. She said FIO had indicated underwriting standards for cyber-insurance policies, and principals will be created.

Ms. Gackenbach said FIO continues to work on availability and affordability of auto insurance and Team USA activities. She said at the last FACI meeting there was extensive discussion of ongoing issues, in addition to activities related to the European Union-United States (EU-US) dialogue.

Ms. Gackenbach noted FIO has made it a priority to move forward on the issue of covered agreements on reinsurance collateral to include provisions related to group supervision and confidentiality in the New Year. She the US trade representative, FIO, and others involved have met a number of times to set up and negotiate this process.

Ms. Gackenbach said the newly reconstituted FACI met in November and noted Rep. Keiser as the first legislative member. She said the meeting focused on cyber-security, international issues, and availability/affordability of auto insurance. She said a new subcommittee was created to deal with domestic prudential issues. She noted that in the face of a changing Congressional makeup, the FIO is bracing for more federal scrutiny of many of its efforts.

Rep. Keiser said the Committee is moving forward on several issues and that cyber-security and cyber-insurance have been discussed at great length. He said that many questions must still be addressed in addition to a review of possible long-term implications of a cyber event of significant magnitude.

MARKET CONDUCT

Commissioner Clark reported that NAIC had established a Market Regulation Accreditation Working Group and intends to have bill to vote on in 2016. She said the group is creating a basic starting point document in which everyone can participate in. She said progress has been made and that the goal is to have a model law adopted by all states by the time she serves as President of NAIC.

Rep. Keiser noted that NAIC and NCOIL collaborating is a significant step and thanked the NAIC for their cooperation.

Commissioner Kiser expressed his concern relating to cost associated with training in market conduct accreditation. He suggested that budget issues be involved in accreditation initiatives in order to address needs within each department.

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION (IIPRC)

Karen Schutter of the IIPRC reported that 44 states have joined the IIPRC at present and suggested remaining states talk to colleagues as to why and how to produce legislation to be a compacting state.

Ms. Schutter said the IIPRC held its annual meeting in conjunction with the NAIC meeting. She noted its budget was adopted and that it continues to budget for growth in 2015.

Ms. Schutter noted the following were elected as new officers: Commissioner Joseph Murphy (MA) as Chair, Commissioner Kenneth Kobylowski (NJ) as Vice Chair, and Commissioner Jaqueline Cunningham (VA) as Treasurer.

Ms. Schutter said work is being done on group disability income standards, and the goal is to bring standards before membership next year for consideration.

Ms. Schutter said the IIPRC is implementing surf filing access. She noted that on December 1, 2014 companies will be able do product filings online.

Upon a motion made and seconded, the Committee unanimously adopted the following 2015 Committee charges:

- evaluate Federal Insurance Office initiatives/impacts and weigh in to protect state insurance regulation whenever appropriate
- further efforts to dialogue with other state organizations and to develop consensus polling on state-federal issues
- monitor developments regarding terrorism risk insurance in light of NCOIL support for TRIA reauthorization
- continue to encourage regulatory modernization regarding surplus lines and market conduct
- continue to facilitate progress of the IIPRC

ADJOURNMENT

There being no further business, the Committee adjourned at 2:00 p.m.