

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
STATE-FEDERAL RELATIONS COMMITTEE
SAN ANTONIO, TEXAS
NOVEMBER 13, 2015
DRAFT MINUTES

The National Conference of Insurance Legislators (NCOIL) State-Federal Relations Committee met at the Hilton Palacio del Rio in San Antonio, Texas, on Friday, November 13, 2015, at 1:15 p.m.

Sen. Robert Hayes, Jr. of South Carolina, vice chair of the Committee, presided.

Other members of the Committee present were:

Sen. Jason Rapert, AR	Rep. George Keiser, ND
Sen. Travis Holdman, IN	Sen. Jerry Klein, ND
Rep. Matt Lehman, IN	Sen. David O'Connell, ND
Rep. Joseph Fischer, KY	Rep. Don Flanders, NH
Rep. Bart Rowland, KY	Sen. Neil Breslin, NY
Sen. Dan "Blade" Morrish, LA	Sen. James Seward, NY
Rep. Ken Goike, MI	Rep. Bill Botzow, VT

Other legislators present were:

Assem. Ken Cooley, CA	Rep. Bob Hackett, OH
Rep. Janak Joshi, CO	Sen. Larry Taylor, TX
Rep. Romy Cachola, HI	Rep. Maureen Dakin, VT
Rep. Peggy Mayfield, IN	Rep. Kathie Keenan, VT
Rep. Jeff Greer, KY	Sen. Jan Angel, WA
Rep. Mike Huval, LA	Rep. Graham Hunt, WA
Rep. Michael Webber, MI	Rep. Tyler August, WI
Assem. Maggie Carlton, NV	Sen. Mike Hall, WV

Also in attendance were:

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

MINUTES

Upon a motion made and seconded, the Committee unanimously approved the minutes of its July 17, 2015, meeting in Indianapolis, Indiana.

FEDERAL INSURANCE OFFICE (FIO) INITIATIVES AND STATE REGULATORY IMPACTS

Julie Gackenbach of Confrere Strategies reported that the FIO continues to be actively engaged with the International Association of Insurance Supervisors (IAIS) and on the EU-U.S. Dialogue Project. She said the FIO is pursuing an agreement on reinsurance collateral that has been an issue for several years. She stated that on the domestic side, the FIO is in the process of examining the affordability and availability of auto insurance. She said that the industry continues to urge the FIO to engage in other issues that are important to the insurance industry, including the Department of Labor's (DOL) fiduciary rule.

Birny Birnbaum of the Center for Economic Justice (CEJ) said that Dodd-Frank gave FIO certain responsibilities, including monitoring the availability and affordability of insurance in underserved areas and identifying gaps in insurance regulations, as well as addressing international insurance issues. He reported that the Department of Treasury had expanded the Federal Advisory Committee on Insurance (FACI) from 15 members to 25 members and noted that the Committee only includes one state legislator, Rep. George Keiser.

TERRORISM RISK INSURANCE ACT (TRIA)

Commissioner Nickel (WI), Secretary-Treasurer of the National Association of Insurance Commissioner (NAIC), stated that as part of the 2015 reauthorization of TRIA, Congress called for the collection of certain information to evaluate market performance. He reported that this evaluation included premiums earned, pricing, geographical locations, payouts, and reinsurance. He said that the law stipulates that before the U.S. Treasury Department collects any data directly from insurers, it must coordinate with state insurance regulators and other entities to determine if this information is already available.

Commissioner Nickel said that the NAIC and several states have attended FIO stakeholder sessions. He noted that approximately 11 states are in the process of developing a multistate data collection effort to require information about terrorism risk and insurance coverage offered by insurers. He said the NAIC is working with FIO to ensure that there is only one entity to which insurance companies will report.

Frank O'Brien of the Property Casualty Insurers Association of America (PCI) expressed concerns regarding data collection. He said that while the industry wants to be cooperative and knows it needs to supply data, insurers only want to provide data once. He stated the importance of communication between the NAIC and FIO to resolve this issue.

NATIONAL ASSOCIATION OF REGISTERED AGENTS AND BROKERS REFORM ACT OF 2015 (NARAB II)

Kevin McKechnie of the American Bankers Association (ABA) reported that Congress had enacted NARAB II in January of 2015 as part of the TRIA reauthorization act. He said that within 90 days of NARAB II passing, a board was supposed to be nominated and within 45 days of the nominations, the board was to be seated. He said that NARAB II would allow for non-resident licensure in states across the country.

Mr. McKechnie said that the ABA supported NARAB II and is disappointed that a board had not yet been appointed. He noted that the President must nominate proposed board members and the Senate Banking Committee then can confirm the appointments. He said that if the government does not nominate anyone, then the ABA will support another type of reform that will allow for national non-resident licensure.

MARKET CONDUCT ACCREDITATION

Commissioner Donelon (LA), speaking on behalf of the NAIC, reported that the NAIC Market Regulation and Consumer Affairs (D) Committee had appointed a Market Regulation Accreditation Working Group that is charged with developing a formal market regulation accreditation proposal for consideration. He said that the Working Group is to address four specific aspects of market accreditation: accreditation standards, state implementation of those standards, a process to measure state compliance, and a process for future revisions of standards. He said the accreditation program emphasizes the importance of collaboration

among states and encourages efficiency between insurance departments and insurance companies.

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION (IIPRC) DEVELOPMENTS

Karen Schutter of the IIPRC said the IIPRC develops uniform state standards while ensuring state regulation and providing state legislatures with the authority to opt-out if they disagree with a standard. She reported that the Compact currently has a membership of 43 states and Puerto Rico, comprising 75 percent of the life insurance marketplace, and that efforts were underway in Connecticut. She noted that the IIPRC Legislative Committee consists of four members appointed by NCOIL and four members appointed by the National Conference of State Legislatures (NCSL).

REVIEW OF NCOIL MODEL ACTS

At the request of the Chair, Ms. Thorson provided an overview of the 2010 NCOIL *Market Conduct Annual Statement Model Act*, noting that NCOIL bylaws required committees to review their model laws every five years. Upon a motion made and seconded, the Committee unanimously reauthorized the model.

Dan Maher of the Excess Lines Association of New York (ELANY) provided a brief summary of the *Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT)* and of recent state action, noting that NCOIL had supported it in 2010. He said that there was no reason to renew SLIMPACT. Upon a motion made and seconded, the Committee voted to sunset SLIMPACT.

PROPOSED 2016 COMMITTEE CHARGES

At the request of the Chair, Ms. Thorson read the proposed charges for 2016 as follows:

- Evaluate Federal Insurance Office (FIO) and related initiatives and weigh in to protect state regulation whenever appropriate
- Advance dialogues with other state organizations and with advocates of state oversight to develop consensus positions on state-federal concerns
- Explore development related to the NAIC accreditation system in light of the system's history and process for certifying states
- Examine status of and issues regarding NARAB II producer licensing and consider potential NCOIL support/expressions of concern
- Monitor terrorism insurance activity (e.g., data collection, other efforts) and comments as needed
- Continue to facilitate progress of the Interstate Insurance Product Regulation Compact (IIPRC)

Upon a motion made and seconded, the Committee unanimously adopted the proposed charges.

ADJOURNMENT

There being no further business, the Committee adjourned at 2:15 p.m.