

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
STATE-FEDERAL RELATIONS COMMITTEE
INDIANAPOLIS, INDIANA
JULY 17, 2015
DRAFT MINUTES

The National Conference of Insurance Legislators (NCOIL) State-Federal Relations Committee met at the Indianapolis Hilton Hotel & Suites in Indianapolis, Indiana, on Friday, July 17, 2015, at 2:30 p.m.

Rep. Michael Stinziano, Jr., of Ohio, Chairman of the Committee, presided.

Other members of the Committee present were:

Sen. Travis Holdman, IN	Sen. Neil Breslin, NY
Rep. Joseph Fischer, KY	Rep. Brian Kennedy, RI
Rep. Steve Riggs, KY	Rep. Bill Botzow, VT
Rep. George Keiser, ND	Rep. Kathleen Keenan, VT
Sen. David O'Connell, ND	

Other legislators present were:

Rep. Deborah Ferguson, AR	Rep. Michael Webber, MI
Rep. Tommy Thompson, KY	Rep. Bob Hackett, OH
Rep. Lana Theis, MI	Rep. Carlos Toben, RI
Rep. Hank Vaupel, MI	Sen. Larry Taylor, TX

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 its February 27, 2015, meeting in Charleston, South Carolina.

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), Financial Stability Board (FSB), and in the EU-U.S. Dialogue Project. She said that FIO in May released its 2015 *Report on the Impact of Part II of the Non-Admitted and Reinsurance Reform Act*, which is required under the *Non-Admitted and Reinsurance Reform Act of 2010* (NRRRA). She said the 2015 report concluded that NRRRA application was not causing problems for states. Ms. Gackenbach noted that FIO in July released a request-for-comment on a new proposed definition of "affordability" and said that comments are due in August. She also noted that FIO is working on a project with the Federal Advisory Committee on Insurance (FACI) in regards to price optimization and continues to move forward with discussion of covered agreements.

Commissioner Sharon Clark of Kentucky, NAIC Vice President, said that the NAIC has concerns with a reinsurance collateral covered agreement being debated and that the official position of the NAIC is that the federal government has not demonstrated how pre-empting state law would benefit United States consumers or insurers. She said there are alternatives, including state action already underway, but if the Treasury and USTR move forward, the NAIC expects to be part of the negotiations to prevent unnecessary restrictions on state law. Commissioner Clark said, in regards to the Terrorism Risk Insurance Act (TRIA), that FIO has the authority to collect data but first must coordinate with state insurance regulators to determine if the information already is available.

Birny Birnbaum of the Center for Economic Justice (CEJ) said that Dodd-Frank gave FIO certain responsibilities, including the monitoring of availability and affordability of insurance in underserved areas and identifying gaps in insurance regulations. He noted that FIO has very limited responsibilities on international issues but now spends a substantial amount of time pushing international capital standards and very little time concentrating on availability and affordability issues. He said state legislators have to ask if FIO is doing what it was tasked to do by Dodd-Frank or if it is doing things to undermine state-based regulation.

TERRORISM RISK INSURANCE ACT (TRIA)

Frank O'Brien of the Property Casualty Insurers Association of America (PCI) said there are continued data-related TRIA implementation issues. He said the industry has concerns with some of the data discussions at the NAIC and the "puzzling" involvement of the FIO. He said that federal infringement into insurance regulation has put the insurance industry in a precarious situation. 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 said there are discussions currently going on between the NAIC, the federal government, and insurers relative to this issue.

Mr. Birnbaum added that another important state-federal issue will be the reauthorization of the National Flood Insurance Program (NFIP), and he asked that legislators not wait to weigh in on this topic.

OFFICE OF FINANCIAL RESEARCH (OFR) REPORT ON FINANCIAL STABILITY

Ms. Gackenbach said the Office of Financial Research (OFR) was created by Dodd-Frank to support the work of the Financial Stability Oversight Council (FSOC). She said OFR provides a report every six months regarding the financial stability of the economy. She said the June 2015 report concluded that while risk has increased slightly, the overall economic risk is in the moderate range. Ms. Gackenbach also noted that the OFR has put out its strategic plan, which outlines short-term and long-term goals. She said that one short-term goal is filling in key data gaps regarding captive insurance and the total amount of risk it covers. She said a long-term goal of the OFR is to increase its analytical ability and its data related to projects on asset management and insurance, as well as to increase its capacity to look at non-bank sectors.

HOUSE APPROPRIATIONS COMMITTEE FISCAL YEAR 2016 BUDGET

Ms. Gackenbach said the House had moved forward with a number of appropriations bills and was scheduled to consider a financial services bill next when action came to a halt in mid-July, in order to address other pressing concerns. She noted that the fiscal year ends September 30 and Congress is scheduled to recess on July 31. Most discussions, she said, have been on a

continuing resolution in order to avoid a government-shut down on October 1. She said it is unclear whether or not appropriations will move forward if there is a continuing resolution. Ms. Gackenbach added that the House version of the financial services appropriations bill includes both bill and report language. She said the statutory language would limit the ability of FSOC to designate a non-bank entity unless FSOC can say, with specificity, what systemic risk the group presents and allows the group to present a plan to mitigate the risk. She said this was designed to alleviate Congress's concern with some of the FSOC designations, specifically of life insurers. She said members of Congress had criticized FSOC as overreaching in its designations of life insurers. She noted that the report language in the bill recognizes Congress's concern with what is going on in the international arena and reflects Congress's support for state-based insurance regulation.

Ms. Gackenbach mentioned that there is House concern with International Association of Insurance Supervisors (IAIS) and Federal Stability Board (FSB) negotiations related to international capital standards. She said that Congress intends to have participating federal officials advocate state-based regulation. She said that some in Congress have discussed creating a domestic insurance standard for entities dually regulated by the Federal Reserve and the states—before the U.S. takes a position at the international level. She also said that certain members of Congress do not support consolidated group insurance capital standards for domestically chartered international groups that are not consistent with state-based regulations.

Ms. Gackenbach noted that the Senate is set to mark up its appropriations bill next week, which will likely include similar report language related to international negotiations on insurance.

INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION (IIPRC)

Becky McElduff of the IIPRC reported that there is Compact legislation in New York, South Dakota, and Connecticut. She also noted that 200 companies are utilizing the Compact filing platform for life insurance, annuities, long-term care, and disability income products. She said the IIPRC had hired three new reviewers, including two life insurance reviewers and one actuary, to support the growing workload.

ADJOURNMENT

There being no further business, the Committee adjourned at 3:30 p.m.