

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
LIFE INSURANCE & FINANCIAL PLANNING COMMITTEE
SEATTLE, WASHINGTON
JULY 19, 2007
DRAFT MINUTES

The National Conference of Insurance Legislators (NCOIL) Life Insurance & Financial Planning Committee met at the Sheraton Seattle Hotel & Towers in Seattle, Washington, on Thursday, July 19, 2007, at 2:40 p.m.

Rep. Michael Ripley of Indiana, chair of the Committee, presided.

Other members of the Committee present were:

Rep. Greg Wren, AL	Rep. Fulton Sheen, MI
Rep. Donald Brown, FL	Rep. George Keiser, ND
Rep. Pat Patterson, FL	Assem. Nancy Calhoun, NY
Sen. Ralph Hudgens, GA	Sen. James Seward, NY
Sen. Ruth Teichman, KS	Sen. Steve Stivers, OH
Rep. Ron Crimm, KY	Rep. Robert Godshall, PA
Rep. Robert Damron, KY	Rep. Larry Taylor, TX
Rep. Dennis Keene, KY	Rep. Virginia Milkey, VT

Other legislators present were:

Rep. Tommy Thompson, KY	Rep. William Batchelder, OH
Sen. Delores Kelley, MD	Sen. David Bates, RI
Sen. Pete Pirsch, NE	Rep. Warren Kitzmiller, VT
Rep. Donald Flanders, NH	Rep. Michele Kupersmith, VT
Sen. William J. Larkin, Jr., NY	Sen. Dale Schultz, WI

Also in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director
Candace Thorson, NCOIL Deputy Executive Director
Mike Humphreys, NCOIL Director of Legislative Affairs & Education,
Life, Health, and Workers' Compensation Insurance Committees

MINUTES

The Committee voted unanimously to approve the minutes of its March 2, 2007, meeting in Savannah, Georgia.

LIFE INSURANCE AWARENESS MONTH

Rep. Ripley said NCOIL adopted resolutions in 2005 and 2006 that recognized September as Life Insurance Awareness Month (LIAM). He said that NCOIL could emphasize its continued support of LIAM by adopting such a resolution in 2007.

Bill Anderson of the National Association of Insurance and Financial Advisors (NAIFA) informed members that for four years NAIFA, the Life and Health Insurance Foundation for Education, and a coalition of life insurance companies had designated September as Life Insurance Awareness Month. He said that both Houses of Congress and 39 states passed resolutions supporting the designation in 2006. He encouraged the Committee to adopt a resolution doing the same.

Upon a motion made and seconded, the Committee voted unanimously to adopt a *Resolution in Support of Recognizing September 2007 as Life Insurance Awareness Month*.

TRAVEL-BASED UNDERWRITING

Kentucky Office of Insurance Executive Director Julie McPeak, Chair of the National Association of Insurance Commissioners (NAIC) Life Insurance and Annuities (A) Committee, said the NAIC held a public hearing in September 2006 to receive comments from interested parties, including Congresswoman Debbie Wasserman Schultz (D-FL), regarding underwriting for lawful foreign travel. She said that an NAIC Working Group had developed a model act that would make such underwriting a violation of the *Unfair Trade Practices Act*, and added that the model was passed by the A Committee but not transmitted to the Executive Committee because of a close Committee vote. She noted that a new June 12 draft had been circulated for interested party comment, and she welcomed input from NCOIL.

Director McPeak said that Congresswoman Schultz had filed an amendment to a *Terrorism Risk Insurance Revision and Extension Act*, H.R. 2761, that would strictly prohibit underwriting based on past or future foreign travel.

John Gerni of the American Council of Life Insurers (ACLI) commended the NAIC for its June 12 draft, but said that several questions remained regarding company filings. He said that it was unclear how insurance companies would submit filings regarding the use of travel-based underwriting without delaying the application process. He questioned what insurance departments would do with such underwriting information.

Responding to a question from Rep. Crimm regarding potential rate increases due to foreign travel, Director McPeak answered that insurance companies have informed her that any rate increase due to travel is usually rolled back upon the safe return of a policyowner.

PRINCIPLES-BASED RESERVING

Dave Sandberg, representing the American Academy of Actuaries (AAA), informed members that the reserve process for life insurance companies has remained the same for almost 150 years while products have diversified and risks have evolved. He said that during the past ten years, attention, both domestically and internationally, has shifted to a principles-based system for life insurance reserves. He said that a principles-based system would result in better solvency protection, more product choices, and greater marketplace competition for life insurance products.

Mr. Sandberg said a principles-based valuation (PBV) system would align reserves more closely with the actual risks faced by a company and would benefit consumers through better solvency protection, price reductions and more product choices, and greater competition between companies.

Mr. Sandberg said the AAA and NAIC would attempt to complete work on a principles-based system this year and would increase outreach efforts next year to enhance the education of legislators, regulators, company examiners, and consumers regarding principles-based reserving. He noted that the AAA will comment on an NAIC draft *Standard Valuation Law* (SVL) later this year, and will propose a Valuation Manual (VM) to compliment the SVL. He targeted 2009 for state adoption of the SVL, and said that implementation of a principles-based system could begin in 2010.

Rep. Ripley asked how states would approve changes to the VM. Mr. Sandberg answered that the SVL would utilize a VM that would be kept and updated, as appropriate, by the NAIC. He said that state processes regarding updating regulations differ nationwide.

Director McPeak reported that the NAIC Executive Committee had established a Working Group to develop a principles-based reserving system. She said that the principles-based project would focus on six different areas, (1) framework; (2) reserve liabilities; (3) capital adequacy; (4) corporate governance; (5) supervisory reporting and financial analysis; and (6) financial examination. Director McPeak noted that those issue areas, taken together, would create the structure for a comprehensive model law that the NAIC hoped would be enacted uniformly across the states.

ADJOURNMENT

There being no further business, the meeting adjourned at 3:10 p.m.