This page will present a brief synopsis and then a more detailed report of action taken at the National Conference of Insurance Legislators (NCOIL) Annual Meeting held in Scottsdale, Arizona, from November 15 through 18, 2001.

At the meeting, legislators focused on insurance issues related to terrorism, international fraud and money laundering, and the growing threat of federal encroachment on state primacy in insurance regulation, including the possible loss of state premium tax revenue.

More than 200 state legislators, insurance regulators, and industry and media representatives attended the meeting.

SYNOPSIS

At the NCOIL Annual Meeting, legislators:

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| -- adopted a resolution in support of a federal backstop for insurance against terrorism; |
| -- adopted the NCOIL *Mental Health Parity Model Act*; |
| -- adopted a resolution in support of repealing state surplus lines licensing bonds requirements; |
| -- adopted a resolution opposing the OCC opinion that the Gramm-Leach-Bliley Act (GLBA) preempts certain state consumer protection statutes; |
| -- adopted amendments to the NCOIL*Resolution in Support of Tax-Deductible Pre-Event Natural Disaster Reserve Funds*; |
| -- adopted a resolution regarding the NAIC *Credit Personal Property Insurance Model Act*; |
| -- adopted technical amendments to the NCOIL *Property/Casualty Insurance Modernization Act*; |
| -- readopted the 1997 NCOIL *Resolution on the Regulation of Financial Institutions*; |
| -- readopted the 1998 NCOIL *Resolution to Affirm the Authority of States to Regulate the Business of Insurance*; |
| -- readopted the 1998 NCOIL *Resolution in Support of the Interstate Insurance Receivership Compact Commission’s Uniform Receivership Law*; |
| -- readopted the 1999 NCOIL *Resolution in Support of the Uniform Electronic Transactions Act (UETA)*; |
| -- readopted the 1998 NCOIL *Insurance Fraud Model Act*; |
| -- readopted the 1998 NCOIL *Resolution on Holocaust Insurance Claims*; |
| -- amended the 1999 NCOIL *Resolution Regarding Codification of Statutory Accounting Principles*; |
| -- participated in a general session on the impacts of the recent terrorist attacks on the insurance industry; |
| -- participated in a general session on dual state-federal insurance regulation; and |
| -- participated in a general session on the explosion of insurance fraud. |

#### DETAILED REPORT

#### FEDERAL BACKSTOP FOR INSURANCE AGAINST TERRORISM

Legislators adopted a resolution supporting the concept of a limited and temporary federal backstop for insurance against terrorism.  The resolution urges Congress and the Bush Administration to take immediate action.

#### MENTAL HEALTH PARITY

Legislators adopted the NCOIL *Mental Health Parity Model Act*, which would require that those who suffer from mental illnesses have the same access to medical treatment as those who suffer from physical illnesses.  It would provide coverage for mental illness that is at least equal to the coverage provided for physical injury or illness.  The Model offers four major options:

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| -- coverage under either an individual, small group, or large group policy; |
| -- a mandate or an optional mandate; |
| -- a broad-based or a biologically based definition of mental illness; and |
| -- coverage for alcoholism and substance abuse services. |

#### SURPLUS LINES LICENSING BONDS

Legislators adopted a resolution calling upon state legislatures to amend state laws to repeal surplus lines licensing bond requirements.  The resolution also urges the National Association of Insurance Commissioners (NAIC) to amend its*Producer Licensing Model Act* to reflect the same.

#### STATE CONSUMER PROTECTION STATUTES

Legislators adopted a resolution in opposition to a recent opinion handed down by the Office of the Comptroller of the Currency (OCC).  The OCC opinion stated that the 1999 Gramm-Leach-Bliley financial modernization legislation preempts certain state consumer protection statutes.  The resolution opposes any attempt by the OCC to preempt state insurance statutes that were enacted by elected and accountable state officials to guard against the unfair treatment of consumers.

#### TAX-DEDUCTIBLE PRE-EVENT NATURAL DISASTER RESERVE FUNDS

Legislators adopted amendments to the NCOIL *Resolution in Support of Tax-Deductible Pre-Event Natural Disaster Reserve Funds*, which NCOIL originally adopted at its 2001 Summer Meeting.  Among other things, the amendments call for federal intervention in the event of a catastrophic disaster and would set triggers beyond which states and private insurers would not have to pay claims.

#### NAIC CREDIT PERSONAL PROPERTY INSURANCE MODEL ACT

Legislators adopted the NCOIL *Resolution on NAIC Credit Personal Property Insurance Model Act*.  The resolution encourages the NAIC to revise Section 7B of its *Credit Personal Property Insurance Model Act* to specify premium rate development and review in accordance with insurance actuarial best practices and procedures.  The NAIC Model presently uses a uniform loss ratio standard of 60 percent in the setting of premiums.

#### NCOIL PROPERTY/CASUALTY INSURANCE MODERNIZATION ACT

Legislators adopted a number of technical amendments to NCOIL’s*Property/Casualty Insurance Modernization Act*, which NCOIL originally adopted at its 2001 NCOIL Summer Meeting.  Legislators also adopted an amendment that adds a drafting note to the definition of a “large commercial policyholder.”  The drafting note offers specific criteria, consistent with NCOIL’s 1999 *Property & Casualty Form and Rate Model Act*, that states may use in determining large commercial policyholders.

#### REVIEW OF NCOIL MODEL LAWS AND RESOLUTIONS

            The NCOIL Bylaws require review of all models and resolutions two years after adoption, at which time legislators must either readopt them or allow them to sunset.

####          REGULATION OF FINANCIAL INSTITUTIONS

Legislators readopted the NCOIL *Resolution on the Regulation of Financial Institutions*, which NCOIL originally adopted on July 11, 1997.  The resolution joins with the National Conference of State Legislatures (NCSL) and the NAIC in supporting functional regulation by the states of all insurance activities conducted by financial institutions, including national banks.

####          AUTHORITY OF STATES TO REGULATE THE BUSINESS OF INSURANCE

Legislators readopted the NCOIL Resolution to Affirm the Authority of States to Regulate the Business of Insurance, which NCOIL originally adopted on July 10, 1998.  The resolution urges state legislatures to maintain authority over the accounting practices and procedures, auditing rules, and investment laws relating to insurance companies doing business in each state.

####          INTERSTATE INSURANCE RECEIVERSHIP COMPACT COMMISSION’S

####          UNIFORM RECEIVERSHIP LAW

Legislators readopted the NCOIL *Resolution in Support of the Interstate Insurance Receivership Compact Commission’s Uniform Receivership Law*, which NCOIL originally adopted on November 18, 1998.  The resolution endorses the Interstate Insurance Receivership Compact Commission’s Uniform Receivership Law as an effective mechanism for handling insurance receiverships because it establishes a uniform, fair and more efficient means of administering insurance insolvencies within state-based systems.

####             UNIFORM ELECTRONIC TRANSACTIONS ACT (UETA)

Legislators readopted the NCOIL *Resolution in Support of the Uniform Electronic Transactions Act (UETA)*, which NCOIL originally adopted on November 19, 1999.  The resolution calls upon state legislatures to adopt UETA. UETA would allow the electronic fulfillment of current law and regulation and ensures that records and signatures would not be denied legal effect solely on the basis that they are accomplished through electronic means.  Twenty-eight states have enacted UETA.

####          NCOIL INSURANCE FRAUD MODEL ACT

Legislators readopted the NCOIL *Insurance Fraud Model Act*, which NCOIL originally adopted on July 28, 1995 and amended on February 26, 1998. The Model facilitates the detection and reduces the occurrence of fraud through stricter enforcement and deterrence, restitution, and increased partnership among consumers, the insurance industry and the states.  According to the Coalition Against Insurance Fraud, 15 states have enacted the model legislation.

####          HOLOCAUST INSURANCE CLAIMS

Legislators readopted the NCOIL *Resolution on Holocaust Insurance Claims*, which NCOIL originally adopted on July 10, 1998.  The resolution supports individual state International Holocaust Commissions and other initiatives that would achieve complete restitution to Holocaust victims and their heirs.

####          CODIFICATION OF STATUTORY ACCOUNTING PRINCIPLES

Legislators amended and readopted the NCOIL *Resolution Regarding Codification of Statutory Accounting Principles*, which NCOIL originally adopted on February 26, 1999.  The amendments reflect that the NAIC is considering the addition of codification elements as standards in its Accreditation Program.  The resolution encourages all states to review codification and compare it with their current state statutory accounting requirements.

#### IMPACTS OF THE RECENT TERRORIST ATTACKS ON THE INSURANCE INDUSTRY

Following two days of committee meetings, during which industry representatives updated legislators on the impacts of terrorism specific to each segment of the insurance industry, legislators participated in an expository general session, entitled *Attack on America: Impact on the Insurance Industry*.  Sen. James Seward (NY) moderated the panel.  The panel featured:

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| -- Abraham Lackman, Secretary to the New York State Senate Finance Committee; |
| -- Commissioner Susan Cogswell of the Connecticut Insurance Department; |
| -- Richard Thomas, Senior Vice-President and Chief Underwriting Officer for the American International Group (AIG); and |
| -- Steven Dreyer, Managing Director and North American Practice Leader for Insurance Ratings at Standard & Poor’s. |

#### DUAL STATE-FEDERAL INSURANCE REGULATION

Legislators participated in a general session entitled *Dual State-Federal Insurance Regulation: Panacea or Pandora’s Box*?  The discussion provided point-counterpoint perspectives on state versus dual state-federal insurance regulation. Sen. Edward Oliver (MN) moderated the panel.  The panel featured:

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| -- Commissioner Therese Vaughan of the Iowa Insurance Division; |
| -- Director Nathaniel Shapo of the Illinois Insurance Department; |
| -- John Turner, Vice Chairman for ING Americas; and |
| -- James Sivon of the law firm Barnett & Sivon, P.C. |

#### THE EXPLOSION IN INSURANCE FRAUD

Legislators participated in a general session entitled *The Explosion in Insurance Fraud*, in which experts discussed some of the overriding issues in insurance fraud and offered suggestions for state legislative solutions.  The session addressed concerns such as the fraud-related costs passed on to consumers, the challenge in identifying and successfully prosecuting those who commit fraud, and the major types of fraud in different areas of insurance.  Rep. Leslie Waters (FL) moderated the panel.  The panel featured:

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| -- Victoria Fimea of the American Council of Life Insurers (ACLI); |
| -- Leonard Schulte of the Florida House of  Representatives; |
| -- Howard Goldblatt of the Coalition Against Insurance Fraud; and |
| -- John C. Wilson of the California State Commission on Health and Safety and Workers’ Compensation. |

***If you would like to receive additional information regarding any of the issues discussed above, please contact the NCOIL National Office at (518) 449-3210.***

Sincerely,

            William J. Larkin (NY)

            NCOIL President