

**NATIONAL CONFERENCE OF INSURANCE LEGISLATORS   
INSURANCE LEGISLATORS FOUNDATION BOARD   
CHICAGO, ILLINOIS   
FRIDAY, JULY 13, 2001   
MINUTES**

            The National Conference of Insurance Legislators (NCOIL) Insurance Legislators Foundation (ILF) Board met at the Hotel Inter-Continental Chicago in Chicago, Illinois, on Friday, July 13, 2001 at 12:00 noon.

            Rep. Terry Parke of Illinois, NCOIL President, presided.

            Members of the ILF Board present were:

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| Sen. Edward Oliver, MN |
| Assem. Clare Farragher, NJ |
| Sen. Harvey Tallackson, ND |
| Rep. David Counts, TX |
| Rep. Kathleen Keenan, VT |

            Others present were:

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| Mr. Robert Mackin, Mackin & Company, NCOIL Executive Director |
| Ms. Susan Nolan, Mackin & Company, NCOIL Deputy Executive Director |
| Ms. Kelly McArdle, Mackin & Company |
| Mr. Chad Underwood, NCOIL Director or Legislative Affairs and Education |
| Ms. Candace Frick, NCOIL Director or Legislative Affairs and Education |
| Ms. Janet Corcoran, The Corcoran Network |

APPROVAL OF THE MINUTES

            Upon a motion made and seconded, the Board voted unanimously to approve the minutes of its last meeting held in Hilton Head Island, South Carolina, on Friday, March 2, 2001.

ADMINISTRATION

            Mr. Mackin reported that funds remained available in accounts dedicated to the Market Conduct Examination Study account and the Flood study.  He said that the general fund account was not well funded.  He also said that at the Policy Committee Meeting on July 12, he suggested that the ILF roast the incoming President at the Scottsdale meeting.

            Ms. Nolan said that the Foundation had before them the 2000 year-end and March 31, 2001 financials. Mr. Mackin asked the Board to receive and review the financials.

REPORT ON FINANCIAL STUDIES

FLOOD INSURANCE STUDY

            At the request of Mr. Mackin, Ms. Cocoran reported on the progress of the  draft legislators’ guide to flood insurance.  Ms. Corcoran reported that those who had attended the ILF Hearing on Flood Insurance Issues heard testimony on the complexity of involved in the flood issue.  She said that the Federal Emergency Administration (FEMA) did not have the funding to update maps used to determine the land plane areas.  She said that a map modernization initiative would cost more money than FEMA had budgeted.  She said that the anticipated guide would help to educate state legislators on flood insurance.  She said that the final report would be presented at the Annual Meeting in Scottsdale, Arizona.

            Sen. Tallackson said that more states should take flood prevention action.  He said that in North Dakota, they build dams in rivers that have the potential to flood.

            Mr. Mackin said that Ms. Nolan had given a well received report on the ILF Flood Study at the National Flood Conference in Minneapolis, Minnesota.

MARKET CONDUCT STUDY

            Mr. Mackin reported that the testimony that was given at the Hearing on Market Conduct Examinations was very good.  He also commended Ms. Lynne Hepler of PricewaterhouseCoopers (PWC) on her excellent testimony that she gave at the hearing.

            Mr. Mackin asked Mr. Jim Schacht of PWC, for his comments regarding market conduct examinations. Mr. Schacht said that he had hoped that legislators learned that market conduct examination was very complex and controversial and needed to be reformed.  He said that the NAIC was not doing well in addressing the issue. He said that decisions were needed to be made on what a market conduct surveillance system should do.  He said that many companies are concerned with reputational risk.  He said that the regulatory system did not encourage self-evaluation.

Mr. Schacht said that the study should be taken to the next level.  He said that through the ILF study NCOIL had identified problems.  He said that the next step would be to address solutions.

            In response to a question from Rep. Parke, Mr. Schacht said that ten states do not perform market conduct examinations.

            Rep. Parke said that, if the NCOIL Executive Committee agreed, he would like to draft a resolution on market conduct.

            Rep. Parke asked Mr. Schacht to present the Board with an executive summary on his ideas on how to address market conduct.

            Sen. Oliver suggested that NCOIL look at the National Association of Securities Dealers, Inc. (NASD) model regarding market conduct.

ADJOURNMENT

            There being no further business, the meeting was adjourned at 1:00 p.m.