

**NATIONAL CONFERENCE IF INSURANCE LEGISLATORS  
INSURANCE LEGISLATORS FOUNDATION (ILF) BOARD  
CHARLESTON, SOUTH CAROLINA  
FRIDAY, MARCH 1, 2002  
MINUTES**

            The National Conference of Insurance Legislators (NCOIL) Insurance Legislators Foundation Board (ILF) Board met at the Mills House Hotel in Charleston, South Carolina, on Friday, March 1, 2002, at 5:15 p.m.

            Sen. William J. Larkin, Jr. of New York, ILF Board President, presided.

            Members of the ILF Board present were:  
  
Rep. Kathleen Keenan, VT, ILF Board Vice President   
Rep. Terry Parke, IL  
Assem. Clare Farragher, NJ  
Sen. Harvey Tallackson, ND

            Others present were:  
  
Mr. Robert Mackin, Mackin & Company, ILF Executive Vice President  
Ms. Susan Nolan, Mackin & Company, NCOIL Deputy Executive Director  
Ms. Kelly Simeone, Mackin & Company  
Mr. Chad Underwood, NCOIL Director of Legislative Affairs and Education

MINUTES

            Upon a motion made and seconded, the Board unanimously voted to approve the minutes of its Thursday, July 12, 2001, meeting held in Chicago, Illinois, and the minutes of the Board’s teleconference meeting held on February 14, 2002.

ADMINISTRATION

   FINANCIALS

            The Board adopted, as submitted, the December 31, 2001 financials.  Mr. Mackin said there was a surplus in the market conduct account.

   FUNDRAISING

            Mr. Mackin reported that general fundraising efforts were ongoing.  He said that some pledges of funds to the Foundation remained outstanding.   He said that if the Board accepted a proposal from PricewaterhouseCoopers (PWC) for phase two of a market conduct study, ILF fundraising toward that effort would proceed.

     FLOOD INSURANCE STUDY

            Mr. Mackin said the flood study report was in its final phase.  He said the ILF was awaiting FEMA’s final approval.  He said that FEMA had given the report the “thumbs up.”

            Rep. Parke requested that FEMA document their approval of the report in a letter to the Board.   Mr. Underwood said that he would ask FEMA to submit a letter of approval.  He said that he expected FEMA to sign off within two weeks.

     MARKET CONDUCT

            Mr. Mackin said that market conduct reform issues remained.  He said that it was important to have a final blueprint as to how market conduct should work.

Mr. Mackin asked Mr. Jim Schacht, PWC, to present his proposal titled, “Insurance Market Conduct Examination: Public Policy Review Phase II” to the Board.

Mr. Schacht said that PWC’s objectives regarding the study were to:

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|         prepare a statement of purpose for market conduct surveillance; |
|         develop a proposed conceptual framework for a new market conduct surveillance system; and |
|         measure the proposed surveillance system against the attributes of an “ideal system”. |

Mr. Schacht said the ultimate goal of the study was to identify the tools to develop a model law for market conduct surveillance and examination, which would result in a more efficient and effective system.  He said PWC would present a preliminary report to the Board by July 1, 2002.  He said that PWC would present a draft preliminary conceptual framework by September 1, and a final report, including an evaluation of the proposed system, by November 1, in time for the 2002 ILF Board Annual Meeting in San Francisco.

Rep. Parke asked who would benefit from the study.  He said that he was aware the NAIC was also doing a study on market conduct.  He asked if the proposed study would duplicate the NAIC’s study.

Mr. Schacht said that the report would take a broader view of market conduct surveillance.  He said that it would help to discover what the system should be like.  He said that the NAIC, Alliance of American Insurers, Liberty Mutual and other organizations had come forward with many ideas regarding ways to fix the current market conduct examination system, but that their proposals were unlikely to yield positive results for real and speedy market conduct regulatory reform.

Mr. Mackin said the report would be an important catalyst to the NAIC’s progress on market conduct surveillance.  He said it would help to focus NAIC and NCOIL efforts on improving market conduct surveillance.

Ohio Insurance Director Lee Covington said that the NAIC supports NCOIL efforts in the study of market conduct surveillance.  He said that the report would help insurance regulators.

Mr. Schacht said the study would cost PWC between $85,000 and $120,000, plus an additional amount for out-of-pocket expenses, to complete the report.

In response to a question from Sen. Tallackson, Mr. Mackin said the ILF would begin iHTTP/1.1 100 Continue ts fundraising efforts within the next two weeks.

Upon a motion duly made and seconded, the Board unanimously voted to adopt the proposal.

ADJOURNMENT

            There being no further business, the Board adjourned at 5:40 p.m.