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This letter will present a brief synopsis and then a more detailed report of action taken at the National Conference of Insurance Legislators (NCOIL) Summer Meeting in Boston, Massachusetts, held from July 20 through 23, 2006. More than 300 state legislators, insurance regulators, and industry, consumer, and media representatives attended the meeting.

SYNOPSIS

At the NCOIL Summer Meeting, legislators:

- Adopted a proposed *Resolution in Support of the Adoption of Stronger Building Codes and Building Requirements*
- Adopted a proposed *Resolution in Support of Recognizing September 2006 as Life Insurance Awareness Month*
- Adopted a proposed *Resolution Regarding Efforts to Make the Insurance Receivership Model Act (IRMA) Part of NAIC Accreditation Standards*
- Adopted a proposed *Auto Insurance Fraud Model Act*
- Supported and amended an International Association of Industrial Accident Boards and Commissions (IAIABC) *Model Agreement Between Jurisdictions to Govern Coordination of Claims and Coverage*
- Readopted the NCOIL *Insurance Compliance Self-Evaluative Privilege Model Act*
- Readopted the NCOIL *Secondary Addressee Model Act*
- Readopted the NCOIL *Mental Health Parity Model Act*
- Readopted the NCOIL *Property-Casualty Insurance Modernization Model Act*
- Reaffirmed support for the NSSTA/NASP *Model State Structured Settlement Protection Act*
- Held a special meeting on draft amendments to NCOIL's initial, February 2004 market conduct model, and voted to accept, for 20 days, comments from interested parties that had not yet weighed in
- Moved for further consideration a proposed natural disaster mega-catastrophe plan
- Moved for further consideration a proposed *Model Act Regarding Pharmacy Benefit Managers (PBMs)*
- Moved for further consideration a proposed *Model Act Concerning Regulation of the Secondary Market in Physician Discounts*
- Moved for further consideration development of a payday lending model law
- Moved for further consideration a proposed *Approved List of Reinsurers Model Act*
- Participated in general sessions on health care benefit mandates and optional federal charter (OFC) legislation

In addition, due to time constraints, legislators deferred until the 2006 Annual Meeting their bylaws-required reviews of the NCOIL *Life Settlements Model Act* and *Identity Theft Protection Model Act*.

DETAILED REPORT

BUILDING CODES

On July 20, the Subcommittee on Natural Disaster Insurance Legislation adopted a proposed *Resolution in Support of the Adoption of Stronger Building Codes and Building Requirements*. The Property-Casualty Insurance and Executive Committees adopted the resolution on July 21 and 22, respectively. The resolution, among other things, supports the adoption in each state of statewide construction codes and related inspection and enforcement measures; building codes that are flexible, affordable, and do not inhibit competition; and the incorporation by all levels of government of appropriate disaster mitigation and emergency preparedness. The resolution encourages each local and/or state government to convene experts that would assist the public sector in protecting communities from natural events.

LIFE INSURANCE AWARENESS MONTH

On July 21 and 22, respectively, the Life Insurance and Financial Planning and Executive Committees unanimously adopted a proposed *Resolution in Support of Recognizing September 2006 as Life Insurance Awareness Month*. The resolution emphasizes the importance of life insurance and recognizes September 2006 as Life Insurance Awareness Month.

RECEIVERSHIP LAW AND ACCREDITATION

On July 21 and 22, respectively, the Property-Casualty Insurance and Executive Committees adopted a proposed *Resolution Regarding Efforts to Make the Insurance Receivership Model Act (IRMA) Part of NAIC Accreditation Standards*. The resolution, among other things, recognizes the primacy of state legislatures in setting receivership public policy; opposes inclusion of IRMA standards into the National Association of Insurance Commissioners (NAIC) accreditation system; opposes a new NAIC initiative to truncate the process whereby additional accreditation standards are exposed and adopted; and commits NCOIL to investigating the merits of IRMA, including the need for any revisions, and to taking action as appropriate.

AUTO ANTI-FRAUD

On July 21 and 22, respectively, the Property-Casualty Insurance and Executive Committees adopted a proposed *Auto Insurance Fraud Model Act* that would make it a felony to procure or attempt to procure a person in order to commit insurance fraud. The model would make it a second-degree felony, punishable by a minimum two-year jail term, to stage auto accidents, whether in person or on paper; restrict access to accident reports for 60 days, with certain exceptions; and allow for a one-year suspension of the license or registration of anyone convicted of insurance fraud while using a motor vehicle, with his or her license/registration reinstatement fees double the normal charges.

WORKERS' COMPENSATION RECIPROCITY

On July 20 and 22, respectively, the NCOIL Workers' Compensation Insurance and Executive Committees unanimously voted to support an International Association of Industrial Accident Boards and Commissions (IAIABC) *Model Agreement Between Jurisdictions to Govern Coordination of Claims and Coverage*.

The model reciprocity agreement would define temporary employment, specify what benefits are to be covered in the event of an accident, and determine the coverage source for injury claims. It would provide clarity in situations where a temporary worker is injured in a second state. The model includes a drafting note that would remind states to be aware of the definition of temporary employment as it relates to emergency situations passed unanimously.

SELF-EVALUATIVE PRIVILEGE

On July 21 and 22, respectively, the Life Insurance and Financial Planning and Executive Committees unanimously readopted an NCOIL *Insurance Compliance Self-Evaluative Privilege Model Act*. The model would recognize that insurance compliance self-evaluative privilege is necessary to protect the confidentiality of communication relating to voluntary internal compliance audits, as well as to encourage insurance companies to conduct audits of their compliance programs and management systems.

SECONDARY ADDRESSEE

On July 21 and 22, respectively, the Life Insurance and Financial Planning and Executive Committees unanimously readopted an NCOIL *Secondary Addressee Model Act*. The model would provide that a life insurance contract covering a person aged 64 or older shall not lapse for nonpayment of premium unless, after expiration of a grace period and at least 21 days prior to the effective date of the lapse, the insurer has mailed a notification of the impending lapse in coverage to the policyowner and to a specified secondary addressee, if such addressee has been designated in writing by the policyowner.

MENTAL HEALTH PARITY

On July 21 and 22, respectively, the Health, Long-Term Care, and Health Retirement Issues and Executive Committees unanimously readopted an NCOIL *Mental Health Parity Model Act*. The model would provide legislators with a template from which they could draft legislation specific to the concerns of their respective states. It would provide coverage for mental illness that would be at least equal to the coverage provided for physical injury or illness and would offer four major options regarding coverage.

PROPERTY-CASUALTY RATE MODERNIZATION

On July 21 and 22, respectively, the Property-Casualty Insurance and Executive Committees readopted an NCOIL *Property-Casualty Insurance Modernization Model Act*. Among other things, the NCOIL model act would establish a use-and-file rate regulatory system for personal lines of insurance; a no-file system for commercial lines; and an exemption from rate and regulatory requirements for sophisticated commercial insurance buyers.

STRUCTURED SETTLEMENT PROTECTION

On July 20 and 22, respectively, the Workers' Compensation Insurance and Executive Committees unanimously reaffirmed support for a *Model State Structured Settlement Protection Act*, which represents consensus between the National Structured Settlements Trade Association (NSSTA) and the National Association of Settlement Purchasers (NASP).

The model would protect structured settlement recipients involved in the transfer of structured settlement payment rights, address the issue of court approval, establish procedures for the approval of transfers, and require disclosures to payment recipients.

MARKET CONDUCT SURVEILLANCE

On July 20, the State-Federal Relations Committee held a special session to consider amendments to an original NCOIL *Market Conduct Surveillance Model Law*, which NCOIL adopted on February 27, 2004. The Committee deferred further consideration of the amendments, which were offered by an NCOIL Market Conduct Subcommittee following review of interested party input, until the November NCOIL Annual Meeting, and indicated an intention to vote on the revisions at that time. Committee Chair Rep. Craig Eiland (TX) announced that interested parties that had not already commented on specific provisions of the NCOIL model act would have 20 days in which to do so.

The proposed amendments would address issues including, among other things, state collaboration, market analysis procedures, insurance department data requests, confidentiality, department access to third-party information, and review of complaint and other insurer data. The NCOIL model law would establish methods for collecting marketplace data and set forth a continuum of market conduct actions for consideration prior to undertaking targeted market conduct exams.

MEGA-CATASTROPHES

On July 20, the Subcommittee on Natural Disaster Insurance Legislation moved for further consideration a proposed *NCOIL/National Association of Insurance Commissioners (NAIC) Discussion Paper on the Current National Catastrophe Plan Proposal* and voted to have legislators work with regulators and interested parties to refine the draft prior to the NAIC Fall Meeting in September. The multi-layered plan represents collaboration between Subcommittee Chair Sen. Steven Geller (FL) and Kevin McCarty, Florida Insurance Commissioner and Chair of the NAIC Property-Casualty Insurance Committee.

The plan would call for a newly created Federal Natural Disaster Catastrophe Commission to evaluate whether public-sector involvement in catastrophe management would be called for and, if so, what triggers might be appropriate. Optional state or regional catastrophe funds and a federal reinsurance program would follow should the Commission see a need for public participation.

The proposed system also would allow for creation of tax-deferred catastrophe reserves and would strongly promote mitigation efforts including effective statewide building codes and land-use management. It responds to an earlier NAIC proposal that takes a similar multi-layered approach to disaster preparedness.

PHARMACY BENEFIT MANAGERS (PBMs)

On July 21, the Health, Long-Term Care, and Health Retirement Issues Committee deferred until the November NCOIL Annual Meeting consideration of a proposed *Model Act Regarding Pharmacy Benefit Managers*. The model would, among other things, require that a PBM owe a fiduciary duty to a covered entity, provide transparency regarding financial and utilization information, disclose any conflict of interest presented by PBM activity, and follow drug substitution guidelines.

A special PBM roundtable immediately followed the Committee meeting. Panelists representing PBM, health plan, community pharmacist, and state agency perspectives addressed issues including, among other things, prescription drug costs and a small employer's ability to negotiate contracts with PBMs.

SECONDARY MARKET FOR PHYSICIAN DISCOUNTS

On July 21, the Health, Long-Term Care, and Health Retirement Issues Committee deferred until the November NCOIL Annual Meeting consideration of a proposed *Model Act Concerning Regulation of the Secondary Market in Physician Discounts*. The model would define the relationship between a “contracting agent” and a practicing physician. It would regulate the secondary market in physician discounts by, among other things, demanding comprehensive disclosures on contracts between physicians and contracting agents regarding the use of physician discount information.

PAYDAY LENDING

On July 21, the Financial Services & Investment Products Committee considered items for possible inclusion in an NCOIL payday lending model law and voted to pursue development of such a model. The provisions, submitted by an NCOIL Payday Lending Subcommittee formed at the 2006 Spring Meeting, addressed the length and amount of a payday loan, lender charges, collateral, partial payments, verification issues, disclosures and warnings, and lender reporting requirements. The full Committee also more generally discussed issues including loan rollovers, loan repayment plans, and restrictions regarding the placement of payday loan establishments.

REINSURANCE COLLATERAL

On July 22, the Executive Committee received a report from Maine Insurance Superintendent and National Association of Insurance Commissioners (NAIC) President Al Iuppa regarding NAIC activity on reinsurance collateral issues. The Committee urged the NAIC to take action before year-end 2006, and Superintendent Iuppa said that regulators planned to do so.

The NCOIL Executive Committee has deferred consideration of an *Approved List of Reinsurers Model Act* since its 2004 Summer Meeting by request of the NAIC, in order to allow regulators further study into the issue. The *Approved List of Reinsurers Model Act* would provide for reduced collateral requirements for non-U.S. reinsurers that meet certain financial solvency criteria.

HEALTH CARE BENEFIT MANDATES

On July 22, legislators participated in a general session entitled *Benefit Mandates: Reducing Healthcare Costs?*. Speakers representing the American Chiropractic Association (ACA), the Health Policy Institute at Georgetown University, the Massachusetts AFL-CIO, America’s Health Insurance Plans (AHIP), and the U.S. Chamber of Commerce addressed, among other things, the costs versus benefits of benefit mandates, and the possible effects of federal laws and congressional initiatives on the health care system.

OPTIONAL FEDERAL CHARTER LEGISLATION

On July 22, legislators participated in a general session entitled *Optional Federal Charter: Serving Consumers or Gratifying Industry?*. Speakers representing the American Bankers Insurance Association, American Council of Life Insurers, Coalition Opposing a Federal Insurance Regulator, Consumer Federation of America, Independent Insurance Agents & Brokers of America, National Association of Insurance Commissioners, National Association of Mutual Insurance Companies, and National Association of Professional Insurance Agents addressed, among other things, the impact that an OFC would have on consumers, carefully crafted state laws, and state premium tax income.

In addition, legislators considered the following issues, among others:

- Massachusetts **mandated healthcare reform**
- **cost containment strategies** for workers' compensation
- issues related to **life settlements**
- **financial modernization**, including the NAIC *Interstate Insurance Product Regulation Compact*
- the National **Flood Insurance** Program (NFIP)
- a **surplus lines** compact proposal
- state **guaranty fund** issues
- banks versus **credit unions**
- suitability of **annuities**
- **international accounting** standards
- **finite insurance and reinsurance** arrangements
- long-term solutions to **terrorism insurance** risk
- **professional employment organizations (PEOs)**
- **regulation of insurance and financial services** products

If you would like to receive additional information regarding any of the above issues, or are interested in ordering a general session audiotape, please contact the NCOIL National Office at (518) 687-0178.