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**CONTACT:**SUSAN NOLAN

NCOIL Deputy Executive Director
NCOIL National Office
(518) 449-3210

TIM TUCKER
NCOIL Director of State-Federal Relations
NCOIL Washington Office
(202) 220-3014

**NCOIL UNVEILS NEW APPROACH
TO MARKET CONDUCT REGULATION**

**Washington, DC, May 6, 2003 –**Illinois State Rep. Terry Parke (R-Hoffman Estates) today unveiled a National Conference of Insurance Legislators (NCOIL) proposed report that recommends a fundamentally new state insurance market-conduct surveillance system.

In testimony before the Subcommittee on Oversight and Investigations of the U.S. House of Representatives Committee on Financial Services, Rep. Parke, NCOIL Past President, presented an NCOIL Insurance Legislators Foundation (ILF) study addressing the current deficiencies in the present-day system, which some have criticized as being inefficient, unresponsive and costly.  The study recommends a holistic approach to market conduct surveillance focusing on coordination between regulators and companies, and self-policing and self-certification.

The preliminary report of the study, developed by James Schacht of PricewaterhouseCoopers and Robert Klein of Georgia State University, was received by the ILF on May 2 and released in conjunction with the Subcommittee Hearing on Increasing the State Effectiveness of Consumer Protection.

Rep. Parke said the report will be the subject of a June 6 ILF hearing at the Hotel

Inter-Continental in Chicago, Illinois.

He said the preliminary report finds that fundamentally there needs to be a rethinking of the philosophy and approach towards market conduct regulation and surveillance.  It finds that in many respects, regulators have become de facto “quality control auditors” for insurers and that this is not an efficient use of regulatory resources and does not serve the public interest.

“The preliminary report recommends that the purpose of market conduct regulation and particularly examinations should be to prevent and remedy unfair trade practices that have a substantial adverse impact on consumers, policyholders and claimants.  Resources should not be wasted on detecting and correcting minor processing errors or inadvertent minor violations of laws and regulations.  Regulators should pursue abuses and take actions that will result in mitigation of the greatest harm and restoration of the greatest benefit to consumers and the public,” testified Rep. Parke before U.S. Rep. Sue Kelly (R-NY), Subcommittee chair, and members of the Subcommittee.

The preliminary report identifies key elements of reform of the present-day system, including development of standards for insurers’ compliance programs, such as CEO certifications of compliance; incentives for insurers’ self-assessment activities; a comprehensive system for filing and accessing consumer complaint information; making the domiciliary state bear primary responsibility for surveillance and coordination of multi-state examinations; and development of model legislation.

Rep. Parke said that consideration and adoption of the preliminary report could lead to development of an NCOIL model act.   The preliminary report states that “It is only through consideration and adoption of such a model – as a clear statement of public policy – that we will achieve efficient, effective and uniform market conduct regulation, the kind that would be … a key element in state regulatory modernization.”

NCOIL is an organization of state legislators whose main area of public policy concern is insurance and insurance regulation.  Legislators active in NCOIL have an interest in insurance issues, and most are in legislative leadership, chair the committee responsible for insurance, or are members of such committee in their respective state houses across the country.  The ILF is a 501 (c)(3) educational and research arm of NCOIL.

[**Copies of the report**](http://www.ncoil.org/policy/Home.html) are available on the NCOIL Web site at [www.ncoil.org](http://www.ncoil.org/).  Hard copies are available for a $75 shipping and handling fee by contacting the NCOIL National Office at (518) 449-3210.

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