

## NCOIL Model Calls for Timely Payment of Death Benefits

Seated before a packed audience, NCOIL legislators at the recent NCOIL Annual Meeting in Santa Fe, NM, enacted a controversial, first-of-its-kind model law ensuring timely death benefit payments and escheat of unclaimed life insurance funds. The model—which requires insurers to compare holders of in-force life insurance policies and retained asset accounts (RRAs) with a U.S. Social Security Death Master File (DMF) to find



matches—responds to growing concerns that beneficiaries are not getting monies they are due. NCOIL adopted the bill on Nov. 20. (cont. on page 4)



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**REGISTER TODAY!**  
**NCOIL SPRING MEETING**  
**Biloxi, MS**  
**February 24 — 26**



## NCOIL KEEPS WATCH ON FIO REPORT, PLANS ANALYSIS AT SPRING MEETING

NCOIL legislators—who have, for years, been unwavering advocates for state regulation and targeted reform—are watching closely the development of a Federal Insurance Office (FIO) report on U.S. insurance oversight. The report to Congress—mandated by the Dodd-Frank Act and slated for January release—will focus on improving insurance oversight. Some fear, however, that it may be a harbinger of broader federal involvement in insurance regulation. The report will be the subject of in-depth discussion at the February NCOIL Spring Meeting in Biloxi, Mississippi.

Recognizing the need to enhance state regulation in certain key areas well before any talk of an FIO report, NCOIL has long been at the forefront of efforts to modernize producer licensing, market conduct exams, and speed-to-market, among other items. NCOIL believes that state legislators and regulators have fostered a system of regulation that protects consumers and provides healthy insurance markets—and that state officials best understand their unique market needs.

FIO Director Michael McRaith—in issuing an October 17 request for comments to help inform the report's conclusions—asked for input (cont. on page 4)

## NCOIL TO SPOTLIGHT CERTIFICATES OF INSURANCE, DEBATE POLARIZING BILL

The NCOIL Spring Meeting in Biloxi will offer a high-profile opportunity to probe the broad impacts—if unintentional—that a draft certificates of insurance law might have on vital insurance and loan transactions around the nation. The late-February debate on the divisive *Certificates of Insurance Model Act*—which would restrict how third parties can verify insurance—will build on intense dialogue at the NCOIL Annual Meeting over the model's purpose, its “info only” disclosure mandate, and an optional companion bill grounded in NYS binder law.

The draft model—whose stated aim is to stem fraud and misuse—requires all certificates to disclose that they are for “information only.” The bill mandates regulator approval of all certificate forms and prohibits altering a form or using false or misleading data. The model bans reference to third-party contracts and stresses that a certificate confers no rights beyond what's in the policy. Amendments would exempt commercial lenders, indemnify producers from civil liability and, among other things, require a lender to accept a binder as evidence of coverage. (cont. on page 3)

## 2012 NCOIL Leadership

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## NCOIL Takes Action at Annual Meeting

*Legislators at the November Annual Meeting in Santa Fe took the following actions, among others.*

### CATASTROPHE FUNDS

The Property-Casualty Insurance Committee **deferred** its by-laws-required review of an NCOIL natural catastrophe fund model, to allow for further debate and for review of other state approaches at the Spring Meeting.



### CLAIMS HISTORY DATABASES

Legislators **readopted** an NCOIL claims database model that restricts insurer use of prior claims activity.

### FLEX-RATING

Lawmakers **readopted** an NCOIL model act creating a 12 percent flex-band for expedited rate-filings on aggregate statewide risks.

### IIPRC

NCOIL unanimously **adopted** a resolution urging states to join In 2012 a vital speed-to-market Interstate Insurance Product Regulation Compact for life insurance products.



### PENSION REFORM

NCOIL overwhelmingly **approved** a resolution that calls on Congress to let state/local officials manage their unique pension systems and rejects a new federal oversight role.



### TRADE AGREEMENTS

The International Insurance Issues Committee **deferred in- definitely** a resolution on trade agreements/state preferred drugs lists—and planned an extended discussion of a broader resolution at the Spring Meeting.



### UNCLAIMED LIFE INSURANCE BENEFITS

NCOIL **adopted** a controversial model law ensuring timely death benefit payments/escheat of unclaimed property (*see page 1 article*).

### WORKERS' COMP PROOF-OF-COVERAGE

Legislators unanimously **approved** a resolution that promotes privacy protections for employer workers' compensation information submitted to state agencies.



*Natural Disaster Insurance  
Legislation (Subcommittee):*  
Rep. William E. Sandifer III (SC)

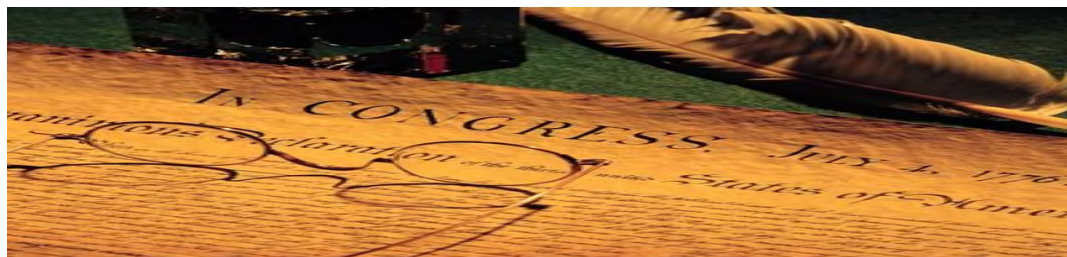
*NCOIL-NAIC Liaison:*  
Rep. George Keiser (ND)

*Property-Casualty Insurance:*  
Rep. Steve Riggs (KY)

*State-Federal Relations:*  
Sen. Keith Faber (OH)

*Workers' Compensation Insurance:*  
Rep. Barry Hyde (AR)





## NCOIL Eyes Exchange Implementation at Annual Meeting, Weighs Options

Armed with intelligence from experts and stakeholders at the recent Santa Fe Annual Meeting, NCOIL legislators will work in 2012 through the mammoth task of implementing new federally required health insurance exchanges. While unanimously urging states to move forward on exchanges instead of leaving their development to the federal government, speakers at a two-part November 17 symposium entitled *Designing an Exchange: What Options are Right for Your State?* fleshed out legislative requirements and laid groundwork for future NCOIL efforts.

Speakers on the first panel highlighted key issues for states, offering perspectives on design components. Brett Graham of Leavitt Partners urged states to “rent an exchange” and look at the cost-effectiveness of outsourcing to third parties. Chris Girod, an actuary working with states, supported merging individual and small group markets and requiring all insurers to participate. Sheila Burke, a health policy expert with law firm Baker Donelson, stressed a need to engage Medicaid and other state agencies.

During a second panel, speakers differed on how to promote competition and choice. Mark Pratt of America’s Health Insurance Plans (AHIP) urged states to take a “market-

based” approach and let any qualified health plan be sold via exchanges. Consumer advocate Beth Abbott of The Health Access Foundation said an “active purchaser” approach, which would include more regulatory intervention, would be a stabilizing influence on cost/competitiveness. Russ Childers of the National Association of Health Underwriters (NAHU) said state governance/oversight should minimize inevitable conflicts of interest, rather than try to entirely eliminate them.

The symposium, which preceded one on exchange funding, was part of an NCOIL series on implementation in the states. NCOIL will offer further guidance at the February 24 to 26 Spring Meeting in Biloxi, MS. ■

## NCOIL to Spotlight...

(cont. from page 1)

According to former Property-Casualty Insurance Committee Chair Rep. Chuck Kleckley (LA), who shepherded debate thus far, “The [Annual Meeting] was a critical next step in our review of a model that could mean big changes for how agents, insurers, and lenders do business. The companion bill option...recognizes that lenders have a valid need for timely proof of insurance, while also appreciates that agents and insurers are justified in their calls to stem certificate fraud and abuse.”

The NYS-based binder approach was offered as a way to quell lender opposition to “information only” while preserving the stated intent of the model. Lenders assert that certificates need to be official evidence of insurance because policies themselves are not issued quickly and because binders are unsuitable alternatives (i.e., they expire and fail to address policy renewal). Binders have no expiration dates in NY, and policies renew automatically unless an insurer cancels or changes terms.

Speaking to NCOIL’s commitment to the certificate issue, Rep. George Keiser (ND), the model’s sponsor, said, “Consideration of the certificate model is a priority for NCOIL. We’re...here to wade through the numerous challenges and implications of fixing a system that may be in great need of reform. Our recent debates are the beginning of our journey.” ■

**FEBRUARY 24 – 26**  
**BILOXI, MS**

**Make your way to**  
**Mississippi!**

**NCOIL SPRING MEETING**

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## NCOILetter

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### NCOIL Keeps Watch...

on costs/benefits of potential federal regulation, the feasibility of federally regulating certain insurance lines, and, among other things, the ability of any potential federal regulation/regulators to eliminate arbitrage and/or to provide robust consumer protections—topics that could foreshadow FIO mission creep and federal oversight. NCOIL cautioned Congress early on against authorizing an office,

### NCOIL Model...

The bill's sponsor and NCOIL Past President Rep. Robert Damron (KY) said, "At present, insurers are not using the DMF consistently to learn of policyholders' deaths, leaving beneficiaries of life insurance policies in the dark and causing death benefits to remain in limbo. Life insurers need to utilize technology at hand, such as the DMF, to close regulatory gaps and to better serve life insurance consumers."

The model requires that insurers quarterly match

(cont. from page 1)

such as the FIO, from writing the report if the office also might benefit from its conclusions.

NCOIL will explore the FIO study, including its conclusions on state reforms, and consider next steps, at the February NCOIL Spring Meeting. ■



(cont. from page 1)

DMF records with policy and RAA holders. It also sets a schedule for insurer efforts to confirm an insured or account holder's death, locate any beneficiaries, and provide them with claims forms/instructions. If benefits go unclaimed, life insurers must notify state treasury depts. and escheat the funds, per unclaimed property laws.

NCOIL will further investigate the issue in 2012—including whether state unclaimed property departments should also be required to conduct DMF searches. ■