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NCOILETTER

inside this issue

NCOIL SPRING MEETING
Washington, DC
March 8 – 10

NCOIL to Ensure that Health Exchange Navigators Are Properly Regulated

On March 8, the NCOIL Health, Long-Term Care & Health Retirement Issues Committee will advance its effort to ensure that health exchange navigators—created under the Patient Protection & Affordable Care Act (PPACA)—are well-equipped to guide consumers. Consideration of a draft resolution supporting state oversight emanates from Annual Meeting NCOIL discussion and will take place during the March 8 to 10 NCOIL Spring Meeting.

Agent organizations have raised alarms that without appropriate knowledge and qualifications, navigators, who will be funded by exchanges, will not serve the needs of consumers trying to understand cost and benefit options. While acknowledging that states are not required to license *(cont. on sidebar p. 3)*

NCOIL AWAITS FEDERAL STUDY OF INSURANCE REGULATION, PLANS SPECIAL MEETING

NCOIL legislators convening just steps from Capitol Hill will review a Federal Insurance Office (FIO) report on March 8 that could portend big changes for state oversight. Discussion at the NCOIL Spring Meeting will include a focused look at what issues the report addresses and what state lawmakers should do next, among other things.

The FIO was required to produce at the end of 2011 a study and recommendations regarding the state of insurance regulation in the U.S. Like much of the implementation of the *Dodd-Frank Financial Reform Act*, the study appears to have been caught between its authors at the FIO, higher-ups at the Treasury Department, and White House officials. With the end of the Presidential election season, the release of the report is expected soon.

What the report will contain remains a mystery, with officials at the FIO holding their cards close to the vest. Industry observers expect the study to address group supervision and how current U.S. insurance regulation may need improvement to ensure that holding company and non-insurance risks don't threaten the *(cont. on sidebar page 2)*

NCOIL TO REVIEW BROAD U.S.-E.U. PLAN TO MELD INSURANCE REGULATION

At its 2013 Spring Meeting in Washington, D.C., NCOIL will discuss an outline developed by the U.S. Federal Insurance Office (FIO), the National Association of Insurance Commissioners (NAIC), and E.U. insurance supervision authorities for a five-year plan to converge the U.S. and European insurance regulatory systems—one that could result in significant change for the states.

The Way Forward, released just before Christmas by the NAIC, is a list of common objectives and initiatives developed and agreed to by the Steering Committee of a year-old U.S.-E.U. Dialogue Project comprising the NAIC, the FIO, the European Commission (EC), and the European Insurance and Occupational Pensions Authority (EIOPA). As described in the *The Way Forward*, the intent of the project is to "enhance insurance regulatory cooperation and collaboration" between the U.S. and the E.U.

The categories of possible convergence include confidentiality, group supervision, solvency and capital requirements, *(cont. on page 4)*

NCOIL Awaits...

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solvency of insurers.

Other issues may include market conduct surveillance reform, surplus lines regulation, and provisions in an NAIC *Credit for Reinsurance* model that guide states considering how to reduce collateral requirements for non-U.S. reinsurers. Because Congress charged the FIO with also looking at insurance availability and affordability issues for low-income and minority consumers, some industry observers think the report could open the door for FIO review of things like insurance credit scoring.

A March 8 NCOIL forum from 1:45 p.m. to 3:15 p.m. will allow stakeholders to analyze specific elements of the report and consider their potential short and long-range consequences. Legislators also will explore FIO activity during a 4:15 p.m. to 5:00 p.m. NCOIL-NAIC Dialogue meeting and during an earlier, 11:30 a.m. to 12:15 p.m. session of the International Insurance Issues Committee. ■

Medicaid Reimbursements & Medicare: Where Does Your State Stand?

Like it or not, the Affordable Care Act (ACA) requires states in 2013 and 2014 to raise their Medicaid reimbursement rates to equal what Medicare pays for the same primary-care services. The Feds will fully—but temporarily—cover the extra cost. As of 2015, states must grapple with either rolling back their Medicaid rates—to the displeasure of providers—or figuring out how to fund a more expensive program.

Some states, it turns out, do not have far to go when it comes to boosting their Medicaid payments. For some jurisdictions though…well, the picture's quite different. Below are excerpts from a December 2012 report, commissioned by the Kaiser Commission on Medicaid & the Uninsured and prepared by the Urban Institute, that offers a 50-state comparison of 2012 Medicaid physician fees and their relationships to Medicare. The results are rather startling.

"In six states—Rhode Island, New York, California, Michigan, New Jersey, and Florida—Medicaid primary care fees will need to more than double. Increases on this order are so far outside the range of previous Medicaid payment changes that past studies of the effect of fees on physician participation may not provide credible guidance on the impact of this fee increase."

"Average Medicaid physician fees in 2012 varied substantially by state, ranging from 58% of national average Medicaid fees in Rhode Island, to 242% in Alaska. Medicaid fees were more than 10% below the national Medicaid average in California, Florida, Indiana, Michigan, Missouri, New Jersey, New York, and Rhode Island." "California, Florida, Michigan, Missouri, New Hampshire, New Jersey, New York, and Rhode Island, where almost four of every 10 Medicaid beneficiaries live, paid the least relative to Medicare—less than 60%."

"Increases on this order are so far outside the range of previous Medicaid payment changes that past studies of the effect of fees on physician participation may not provide credible guidance on the impact…"

"Average Medicaid fees fell from 72% of Medicare levels in 2008 to 66% in 2012….The drop-off in Medicaid fees relative to Medicare fees was not the result of a decline in average Medicaid fees. In fact, average Medicaid fees rose by almost 5% over 2008-2012. However, average Medicare fees for the same services rose by over 15%…"

"On average, primary care fees will increase by 73 percent, but the magnitude of the increase will vary by state. Average primary care fees will more than double for qualified physicians in six states….The average fee increase will exceed 50% in a dozen more states. Only Alaska and North Dakota, where Medicaid primary care fees are already above national Medicare levels, will not be affected by the fee increase, and only nine states will have fee increases of less than 25%." ■

Fact Findings: How Superstorm Sandy Adds Up

Superstorm Sandy slammed into the Atlantic City area on October 29, ravaging miles and miles of historic New Jersey coastline and wreaking unprecedented havoc on Long Island, the five boroughs of New York City, and points north like Connecticut and Massachusetts. Subways flooded, transit systems were destroyed, millions of buildings lacked power for days and even weeks, communities burned, and fuel ran short. Hundreds of thousands of homes were damaged or destroyed. More than 100 people along the eastern seaboard died.

Because the National Weather Service downgraded Sandy from hurricane to post-tropical cyclone status just before the storm hit New Jersey, homeowners will pay standard deductibles—rather than the higher hurricane deductibles that insurers say are more appropriate.

Below is some of what we know about Sandy claims so far, based on Insurance Information Institute (III) data.

According to Munich Re, insured losses for Sandy will be approximately $25 billion. By comparison, private insurers paid $24.6 billion as a result of the September 11 World Trade Center attacks.

Sandy is on track to be the second or third costliest storm for insured losses in U.S. history. Hurricane Katrina came in at $48.75 billion and Hurricane Andrew at $25.66, both in 2012 dollars.

Though only around 14 percent of Northeastern homeowners have flood insurance, total flood claims are expected to total some $7.5 billion.

Homeowners' claims account for around 71 percent of claims so far. Approximately one million homeowners' claims are likely.

Private insurers are looking at about 230,500 auto claims, mostly in NY, and roughly 167,500 commercial.

Total economic damages, say early estimates, could be $50 to $60B. ■

2013 NCOIL Almanac: Your Source for Insurance Info

Making, shaping, and monitoring insurance laws and regs is tough work—especially without key contact info. Knowing whom to reach, where to call, and how to e-mail are critical to success.

The brand new, post-election 2013 *Insurance Legislative Fact Book & Almanac* will soon be available—your resource for finding more than 4,500 public officials and agencies that regulate insurance in the U.S., Canada, and overseas—as well as discovering hard-to-locate info on staff names, bill rooms, and filing deadlines, among other things.

First published in 1985, the Almanac is available in online book, hard-copy, and CD-Rom and can be purchased for $95 before February 22, $115 thereafter. Bulk orders enjoy discounts.

Indeed, says *Government Finance Review*, the Almanac is "a wealth of information for those seeking to make, affect, or administer the laws that govern insurance markets."

Visit www.ncoil.org to order. ■

NCOIL to Ensure...

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navigators, agent advocates say that states should create programs that would require background checks, testing, and continuing education—in line with states' general producer licensing standards.

States have authority to license navigators in either state-run or federal exchanges—though in the case of federal exchanges, states have no say in choosing who navigates. The Department of Health & Human Services (HHS), however, has suggested that the grant application process for federal exchange navigators will ensure that only people with the

proper qualifications are funded.

According to the Department of Health & Human Services, navigators do not need an insurance background, and organizations representing consumers, labor unions, and others could qualify. ■

NCOILetter

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NCOIL TO REVIEW…

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reinsurance and collateral requirements, insurer reporting and third-party audits, regulator data collection and analysis, on-site examinations, and peer reviews of supervisors.

The NAIC has been involved in an U.S.-E.U. Dialogue effort for some time. Discussions have become more urgent over what controversial "equivalence" requirements in the E.U. Solvency II directive mean. Under the "equivalence standard," an entity faces potential regulatory burdens if it has E.U. affiliates but is based in a jurisdiction that the E.U. finds "non-equivalent." Failure to resolve this issue has potential to cause disruptions in trade.

Early in 2012, the FIO entered the fray, and efforts soon began on a "project" to identify similarities and differences and decide on a "way forward" to reduce those disparities and improve cooperation. Seven technical committees compared the two systems, and their reports were released in conjunction with *The Way Forward* document.

At the NCOIL Spring Meeting, the NCOIL International Insurance Issues Committee plans to hear from representatives of the NAIC and FIO regarding the Dialogue activity and will carefully consider how state legislators should respond.

The meeting will take place March 8 to 10 at the Hyatt Regency on Capitol Hill. ■

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