

NCOIL Forms Task Force as Next Stage in Unclaimed Property Debate

Concerned by ongoing conflicting and competing legal requirements for handling unclaimed life insurance benefits, NCOIL is bringing together legislators, industry, regulators, and consumer groups in a new task force dedicated to examining and improving state unclaimed property laws. This latest initiative follows three years of work on unclaimed property issues, including adoption of an NCOIL *Model Unclaimed Life Insurance Benefits Act* in November 2011. Nine (9) states have since enacted a version of the NCOIL model, and other states are considering it.

NCOIL President Rep. Greg



Wren, AL, explained that “The
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SPECIAL FIO EDITION inside this issue

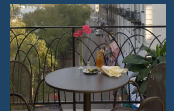
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**NCOIL SPRING
MEETING**
March 7 to 9
Savannah, GA



FIO RELEASES LONG-AWAITED MODERNIZATION REPORT, SUGGESTS HYBRID STATE-FEDERAL REGULATORY SYSTEM

On December 12, 2013, the Federal Insurance Office (FIO) released a much-anticipated report on modernizing U.S. insurance regulation. The report calls for the U.S. to adopt a dual insurance regulatory system that includes roles for both state and federal oversight. The report notes that “federal involvement should be targeted to areas in which that involvement would solve problems resulting from the legal and practical limitations of regulation by states, such as the need for uniformity or the need for a federal voice in U.S. interactions with international authorities.”

Following the report’s release, NCOIL President Rep. Greg Wren, AL, stated, “NCOIL legislators throughout the United States are fully aware of the preeminent role which has been reserved to the states in the regulation of insurance in order to protect U.S. consumers. . . . The FIO report,” he said, “offers observations and recommendation in respect to various aspects of our existing insurance structure. NCOIL will fully address these recommendations as a backdrop to any dialogue which could impact our state-based system of insurance regulation.” (cont. on page 3 sidebar)

NCOIL FORMS TASK FORCE ON INTERNATIONAL INSURANCE ISSUES

Following the 2013 NCOIL Annual Meeting, legislators agreed to form a three-year task force to address international insurance issues. The mission of the task force is to promote understanding of the U.S. state-based system in the international arena and to guard the soundness of state consumer protection and insurer solvency laws against potential overreach of international regulatory efforts.

NCOIL President Rep. Greg Wren, AL, explained the urgent need to form the task force, asserting that “Decisions currently underway at the international level are going to have a tangible influence

on U.S. insurance consumers. We created this task force to supply a much-needed forum for state legislators—as the primary authorities over insurance public policy decisions—to take a more active role in international insurance matters.”

The task force is envisioned to consist of legislators from NCOIL contributing-member states and advisory councils composed of insurance regulators, trade associations, state government groups, and consumer advocates. The task force will meet at the NCOIL Spring Meeting in Savannah, Georgia.

NCOIL 2013 to 2014 Leadership



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NCOIL Forms... (cont. from page 1 sidebar)

unclaimed property issue continues to be a major stumbling block for many states around the country. Non-uniform requirements, audit and examination practices, court cases—all of these things contribute to the confusion. This is an opportunity for NCOIL to take a leadership role and promote consistency in state laws.”

The task force will meet initially in conjunction with the March NCOIL Spring Meeting.

FIO Report: What Some Interested Parties Have to Say

“Reports such as this one as well as other comments provided by consumers, industry, and governmental organizations as part of this process are always welcome and are useful tools for assisting regulators in identifying areas that require improvement.”

– *Senator Ben Nelson, [NAIC](#) Chief Executive Officer*

“The Report provides a valuable guidepost for collectively working toward improvements that lead to greater regulatory effectiveness, efficiency, and marketplace competition.” – *Leigh Ann*

Pusey, [AIA](#) President and CEO

“As we debate what can and should be done by the federal government, it is important to remember that the state-based regulatory system, though far from perfect, has performed remarkably well for decades.” – *Charles M. Chamness, [NAMIC](#) Pres. and CEO*

“PCI is pleased that the report raises the need to reform state rate regulation and prods the states towards greater uniformity or coordination in a number of important areas. However, the report starts by listing a number

of attacks on state regulation that PCI believes do not adequately reflect the strengths and historical success of the current state-based system.” – *David Sampson, [PCI](#) President and CEO*

“While we agree with the report’s conclusion that insurance regulation could be improved and modernized in certain areas, we strongly believe that any federal action should be targeted and limited with day-to-day regulation left in the hands of state officials. – *Charles Symington, [IIABA](#) Senior VP, External & Government Affairs*

NCOIL Envisions Expansion of Opioid Best Practices in 2014

Building on their recent enactment of *Best Practices to Address Opioid Abuse, Misuse & Diversion*, NCOIL legislators in 2014 will pursue additional opioid recommendations in order to maintain a flexible document that continually reflects state trends and priorities. The decision to ex-

pand on the *Best Practices*, made in conjunction with legislators’ unanimous adoption of them at the Nashville Annual Meeting, marks NCOIL’s first-ever initiative to develop a broad, evolving set of guidelines against which states may compare, expand, and enhance their own requirements.

According to NCOIL Workers’ Compensation Insurance Committee Chair Rep. Bill Botzow (VT), who spearheaded development of the *Best Practices* as their sponsor for discussion, NCOIL legislators are interested in augmenting the treatment, recovery, and prevention (cont. on page 4)



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FIO Report: Highlights of Modernization Recommendations

The FIO report makes 27 recommendations aimed at enhancing U.S. insurance regulation, including the following, among others.

» AREAS OF NEAR-TERM REFORM FOR THE STATES

States should:

accreditation: establish an independent, third-party review mechanism for the NAIC program

corporate governance: develop principles appropriate to an insurer's size and complexity

group supervision: continue to develop approaches to address holding companies and their subsidiaries

guaranty fund benefits: adopt/implement uniform rules so that policyholders, irrespective of where they reside, receive the same maximum benefits

IIPRC: have all states become members and expand the products subject to it

insurance scores: regulate vendors that provide scoring products

market conduct: require use of NAIC Market Regulation Handbook, enhance regulator coordination, develop standards for contract examiners, and other things

natural catastrophe: identify, adopt, and implement best practices to mitigate losses

personal lines: develop standards for using data to price coverage

principle-based reserving (PBR): move forward cautiously with implementation

rate regulation: monitor impacts of different regulatory regimes to identify practices that best foster personal-lines competition

reinsurance captives: develop uniform, transparent solvency oversight for transferring risk to them

solvency oversight & capital adequacy: converge regulatory regimes toward best practices/uniform standards

suitability: adopt and enforce the NAIC *Suitability in Annuities Transactions Model*

» AREAS FOR DIRECT FEDERAL INVOLVEMENT IN REGULATION

insurance pricing/coverage: FIO will study and report on how personal data is used.

NARAB II: States should adopt; FIO should monitor implementation.

mortgage insurers: Feds should regulate them.

personal lines rate regulation: FIO and state regulators should create pilot programs seeking to maximize the number of insurers offering products.

reinsurance collateral: Treasury and USTR should pursue a covered agreement for collateral rules based on a revised NAIC model.

supervisory colleges: FIO should engage in them to monitor financial stability and to identify regulatory issues and gaps re: large national/internationally active insurers.

surplus lines: FIO will continue to watch state implementation of Dodd-Frank provisions and determine whether near-term federal action is needed.



FIO Releases...

(cont. from page 1)

While observing that many of the areas recommended for **state regulatory reform** by the FIO are areas in which states are already working, the report highlights three general areas for near-term state reforms: (1) increasing uniformity in solvency oversight and capital adequacy, (2) increasing uniformity in insurer resolution practices, and (3) marketplace regulation.

The report specifically recommends that states “move forward cautiously with **principle-based reserving**” and “state-based insurance product approval should be improved by securing the participation of **every state in the IIPRC** and by expanding the products subject to approval by the IIPRC.”

The report also advises that, “should the states fail to accomplish necessary modernization reforms in the near term, Congress should strongly consider **direct federal involvement**.”

At the NCOIL Spring Meeting in Savannah, legislators will discuss the **potential impacts** of and reaction to the report during a Special State-Federal Relations Committee Meeting on Insurance Modernization & the FIO Report on March 7.



NCOILetter

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NCOIL Envisions Expansion...

recommendations, including a look at how Good Samaritan/Safe Harbor laws factor in, and in learning more about the efficacy of various pain-killers, among other concerns.

The March NCOIL Spring Meeting agenda will include a report on efforts to broaden the *Best Practices*, including outreach to interested parties and a possible game plan for 2014 activity.

Currently, the guidelines hone in on four of the most complicated issues facing states. The recommendations look at how to establish, evaluate, and fund prescription drug monitoring programs (PDMPs) requiring real-time reporting and at how to create strong evidence-based prescribing standards that recognize "one-size-does-not-fit-all"

(cont. from page 2)

and that crack down on "pill mill" pain clinics.

The *Best Practices* also explore ways to promote effective education of physicians and the public, including ways to promote safe drug disposal, and to pursue options for encouraging treatment and prevention, like use of drug treatments and drug courts.

Expansive footnotes identify issues that legislators may wish to consider that are not specifically addressed in the body of the *Best Practices*—including use of alternative treatments and third-party willingness to pay for them.

The opioid guidelines, which enjoy broad interested-party support, are available at www.ncoil.org.