

## Question of Life Insurance Suitability at Forefront of NCOIL Summer Meeting

What criteria should be used in order to determine annuity suitability? How has state regulation evolved to promote suitability for various age groups? Should states be doing more to promote an appropriate match between consumers and products offered? How do market changes and new product offerings influence debate?

(cont. on page 2)

## Summer Meeting Schedule Change:

Sunday, July 19

8:00 a.m. - 9:00 a.m.



**NEW:** P-C Comm. Meeting on Proposed **Ride-Sharing/TNC Model Act**

**CANCELLED:** Special Session - *Big Data: Implications of Insurer Info Sharing*



### inside this issue

Cyber-Security Threat Grows **P.2**

State, Fed Officials Testify re: Insurance Regulation to U.S. Senate Committee **P.3**

NCOIL Advances Legislators' Int'l Voice, Sends Toolkit **P.3**

**2015 NCOIL SUMMER MEETING**  
July 16 to 19, 2015  
Indianapolis, IN



## NCOIL at Summer Meeting to Consider Fairness of Insurer Data Mining/Pricing

NCOIL lawmakers in Indianapolis this July will examine the need for and consequences of allowing property-casualty insurers to use info on consumer pricing behavior. The Friday, July 17, session, entitled *Insurance Data Mining: Sound Business Practice or Unfair Discrimination?*, will focus on "price optimization" techniques and will extend NCOIL efforts regarding insurer pricing strategies, including use of credit data and education/occupation. The 10:30 to 11:45 a.m. event is being held by the Property-Casualty Insurance Committee during the NCOIL Summer Meeting.

Invited speakers for the session—which may be the basis for future NCOIL action—include Gary Anderson, First Deputy Commissioner in the Massachusetts Division of Insurance and Chair of an NAIC Auto Insurance C/D Study Group to address NAIC efforts to develop a Price Optimization White Paper, and Claudine Modlin, Director at Towers Watson, a company providing data mining software to insurers. Scheduled to participate is a representative of the property-casualty insurance industry and Birny Birnbaum of the Center for Economic Justice (CEJ). (cont., page 2 sidebar)

## NCOIL to Examine Network Adequacy under the ACA

On July 17, legislators at the NCOIL Summer Meeting will participate in a special session entitled *ACA Network Adequacy: What's Next for States?*—in recognition of the growing concern over the impact that network adequacy has on state and federal healthcare systems.

Legislators will hear expert insight into specific issues relating to network adequacy, such as variations between states and the different set of rules for PPACA and federal agencies. There also will be discussion on what can be done to balance

costs, quality, and access for adequate networks and ensure that consumers have all the information they need. Suggestions will be anticipated on how directories should be updated to ensure accuracy. What the NAIC is doing to address network adequacy issues and concerns also will be covered.

Invited panelists include Robert Ridgeway, Senior Government Relations Counsel with America's Health Insurance Plans (AHIP), and J.P. Wieske, Chair of the NAIC (cont., page 2 sidebar)

## NCOIL to Consider Data Mining... (cont. from page 1)

Though definitions vary and can be quite complex, price optimization in general looks at consumer responses to things like premium increases (e.g., did the consumer switch to a different insurer when his insurance costs went up?) to help inform—through complicated statistical models—the insurer's future ratemaking decisions.

## NCOIL to Examine Adequate Networks... (cont. from page 1)

Network Adequacy Model Review (B) Subgroup and Legislative Liaison in the Wisconsin Department of Insurance, as well as American Medical Association (AMA) and consumer representatives. The 9:00 a.m. to 10:30 a.m. session will expand on previous NCOIL discussions regarding network adequacy and is envisioned as a potential starting point for further action in 2015.

VISIT [WWW.NCOIL.ORG](http://WWW.NCOIL.ORG) FOR INFO ON NCOIL INITIATIVES AND STATE & FEDERAL OUTREACH.



## Cyber-Security Threat Grows, States and Feds Take Action

It is clear that cyber-security has become a priority worldwide. The costs of cyber-attacks are growing, as is the frequency in which they occur. The U.S. House recently passed cyber-security sharing information legislation that is being sent to the U.S. Senate for a vote, and the President hosted a White House Summit on Cyber-Security and Consumer Protection on February 13, 2015. The National Association of Insurance Commissioners (NAIC) also is grappling with the issue.

The NAIC formed a Cyber-Security Task Force in November 2014 and in April 2015 issued regulatory guidance in its *12 Principles for Effective Cyber-Security*. These principles follow

a series of cyber-attacks that affected Anthem Inc. and Premier Blue Cross Blue Shield and put widespread confidential data at risk. The *12 Principles* look at how regulators can protect consumer, insurer, and producer information from cyber attacks. Key issues included in the 12 Principles include regulatory guidance and oversight, information-technology audits, training and assessment for employees of insurers and insurance producers, and insurer and producer use of an information-sharing and analysis organization (ISAO).

NCOIL is keeping abreast of these issues and at its Spring

Meeting in late February, in a general session entitled *Cyber Loss and Insurance: What Happens When the Big One Hits?*, explored how cyber-risk affects the insurance industry. Legislators looked at efforts to address emerging concerns, at what

types of events insurers should be most concerned about, and at why and how breaches of security are possible in the



first place. As part of the NCOIL Financial Services and Investment Product Committee's 2015 charges, lawmakers will continue to explore growing cyber-security concerns.

## Question of Life Insurance Suitability at Forefront...

(cont. from page 1)

At the NCOIL Summer Meeting on July 18 in Indianapolis, legislators and experts will explore in a special session entitled *A Question of Suitability: What Makes Life Insurance Products Well-Matched For a Consumer?* what is happening with suitability

of life insurance products currently as well as in the future.

Invited panelists in the 9:45 a.m. to 11:00 a.m. session include Jason Berkowitz, Vice President of Regulatory Affairs & Compliance with Insurance Retirement Institute (IRI); Brendan Bridge-

land, Director of the Center for Insurance Research (CIR); Commissioner Nick Gerhart of the Iowa Insurance Division; and Lawrence Kosciulek, Director of Investment Companies Regulation with Financial Industry Regulatory Authority (FINRA).



## REGISTER TODAY FOR THE NCOIL SUMMER MEETING

**July 16 to 19, 2015**

Hilton Indianapolis Hotel & Suites

- sign up at [www.ncoil.org](http://www.ncoil.org) -

Updated tentative agenda, other meeting details online.

## State, Federal Officials Testify before U.S. Senate Banking Committee Regarding State of the Insurance Industry

During an April 28 hearing entitled *The State of the Insurance Industry and Insurance Regulation*, held by the U.S. Committee on Banking, Housing and Urban Affairs, key state and federal officials weighed in regarding how certain U.S. and non-U.S. initiatives are affecting U.S. insurance oversight. Below are excerpts from written witness testimonies.

### COMM. KEVIN MCCARTY

*FL Office of Insurance Regulation  
— on behalf of the National  
Association of Insurance Com-  
missioners (NAIC)*

“The NAIC’s objective is to ensure that the capital proposals developed at the IAIS [International Association of Insurance Supervisors] are reasonable and compatible with our system. We must also ensure they don’t inadvertently lead to unintended consequences such as limiting insurance products or stagnating growth in the insurance sector, including jobs and innovation. If tailored for our regulatory system, there is value in understanding the capital adequacy of insurance groups, particularly when part of a larger conglomerate or affiliated with other entities. But that value only exists if it supplements and wraps around our

existing legal entity standards...”

### MR. S. ROY WOODALL, JR.

*Independent Member with Insurance Expertise, Financial Stability Oversight Council (FSOC)*

“While the negotiation of international insurance agreements may not grab headlines that capture the attention of everyday Americans, these agreements are nonetheless important to the lives of all Americans, given the potentially positive impacts and the risks of unintended negative effects on U.S. insurance consumers, as well as the consequential benefits and costs to the insurance industry and our financial system. As negotiations are ongoing, there is still time to ensure that any international agreements consented to by the FSB [Financial Stability Board] are reached through a more open process and are in the best interests of the United States...”

### MR. MICHAEL MCRAITH

*Director, Federal Insurance Office (FIO), U.S. Dept. of Treasury*

“At the same time that we support diverse and competitive U.S. insurance markets, FIO strongly supports continued growth of the increasingly international insurance market and

the prudential standards that promote consistent and rigorous oversight across jurisdictions.... Through effective collaboration at home and abroad, U.S. insurance authorities are positioned to provide U.S. leadership that complements the shared interest in a well-regulated insurance market....”

### MR. MARK VAN DER WEIDE

*Deputy Director, Division of Banking Supervision & Regulation, Board of Governors of the Federal Reserve*

“The Federal Reserve has acted in the international insurance stage in an engaged partnership with our colleagues from the FIO, the state insurance commissioners, and the NAIC. Our multiparty dialogue, while respectful of each of our individual au-



thorities, strives to develop a central ‘Team USA’ position on the most critical matters of global insurance regulatory policy.”

More hearing info, including opening statements and the witnesses’ full testimonies, is at [www.banking.senate.gov](http://www.banking.senate.gov).

## NCOIL Advances Legislative Voice in Int.’l Talks, Sends Toolkit to States

NCOIL leaders on April 21 shared with state legislators around the country an NCOIL *Legislative Toolkit: Advocating for State-Based Regulation in International Insurance Discussions*. The *Toolkit*—designed to arm state lawmakers with information needed to effectively engage in federal and global insurance discussions—reflects more than a year of NCOIL consultation with state, consumer, and industry stakeholders.

“The *Toolkit* is essential,” asserted NCOIL President Sen. Neil Breslin (NY), NCOIL International Insurance Issues Committee Chair Rep. Bill Botzow (VT), and NCOIL International Issues Task Force Chair Sen. Dan “Blade” Morrish (LA) in their letter to the states, “because insurance dialogues here and abroad—which are moving swiftly and are largely without state legislative input—can be complicated and challenging.” As noted in the *Toolkit*, state legislators are the final arbiters of insurance laws affecting consumers and businesses in this country.

(cont. on page 4)



## NCOILetter

Susan F. Nolan, Publisher/Editor  
Candace Thorson, Managing Editor  
Molly Dillman, Assoc. Editor  
Andrew Williamson, Assoc. Editor

Kim Connors, Operations Coordinator  
Laurie Williams, Fin. Coordinator

Opinions expressed in the  
*NCOILetter* do not necessarily  
reflect NCOIL views or opinions.  
The *NCOILetter* is published by  
Nolan Associates LLC.

## NCOIL Advances Legislative Voice...

Distributed to state legislative leaders and to chairs and members of insurance-related committees, the *Toolkit* lays out basics of current federal and international efforts that could impact states. It includes overviews of the six (6) most urgent areas of concern—including those related to the 2010 Dodd-Frank Act—as well as background on the International Association of Insurance Supervisors (IAIS), which is developing the controversial standards.

The *Toolkit*—available on the NCOIL web site at [www.ncoil.org](http://www.ncoil.org)—also features a glossary of global entities that affect U.S. insurance oversight, in addition to numerous NCOIL resolutions, letters, and comments to federal and international officials

*(cont. from page 3 sidebar)*

that call for more state legislative involvement, greater transparency, and enhanced appreciation of the long-standing effectiveness of the U.S. approach to insurance oversight.

The six (6) specific areas of concern addressed in the 45-page *Toolkit* include group capital requirements, group-wide supervision, market conduct, corporate governance, covered agreements, and international trade.

The NCOIL International Insurance Issues Committee and International Issues Task Force will explore developments related to the *Toolkit* areas of focus, as well as other global concerns, on July 16 during the NCOIL Summer Meeting in Indianapolis.