

SLIMPACT Commission Taking Shape, Legislators Weigh in on Tax Allocation

Ramping up for their first in-person meeting in Newport on July 15, representatives to a *Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT)* kicked off an ambitious series of webinars recently to lay groundwork for full compact Commission operation. Brought together by NCOIL, The Council of State Governments (CSG), and the National Conference of State Legislatures (NCSL), the Commission is making integral decisions on proposed bylaws and rulemaking rules. Officials also are weighing options for a controversial tax allocation formula—an effort that has prompted “grave” SLIMPACT legislator concerns. The in-person Commission event will take place *(cont. p. 2)*



inside this issue

NCOIL President Aims for FIO Advisory Committee Role **P.2**

Point-Counterpoint: Health Exchange Governance and the Private Market **P.2-3**

Geralyn Trujillo, AARP **P.2**

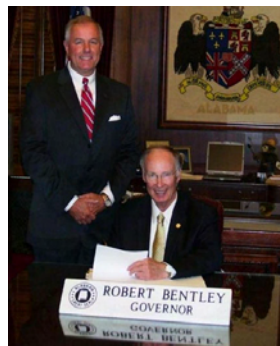
C.M. (Candy) Gallaher, AHIP **P.2**

NCOIL SUMMER MEETING
Newport, Rhode Island
July 14 through 17



ALABAMA AND TENNESSEE GROW SLIMPACT TO NINE, COMPACT READIES FOR TAKEOFF

Alabama and Tennessee governors signed legislation in June making their states the eighth and ninth members of a *Surplus Lines Insurance Multi-State Compliance Compact (SLIMPACT)*. In a show of strength, NCOIL leaders Reps. Greg Wren (AL) and Charles Curtiss (TN) moved SLIMPACT to within one jurisdiction of having formal authority to streamline surplus lines insurance taxation and regulation.

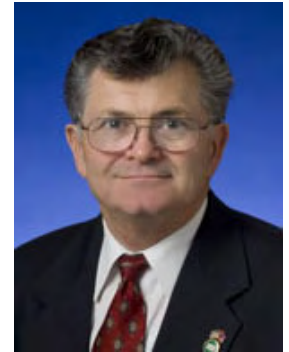


AL Rep. Greg Wren & Governor Robert Bentley

As Alabama Governor Robert Bentley signed SLIMPACT on June 9, NCOIL Treasurer Rep. Wren said, “I’m glad to join my colleagues from across the country in entering the SLIMPACT initiative at the ground level. The states have a historic opportunity to modernize surplus lines taxation, foreign insurer eligibility, and policyholder notices, and Alabama will play a key role in bringing about needed uniformity...”

Tennessee Governor Bill Haslam signed SLIMPACT

on June 10. NCOIL Secretary Rep. Curtiss declared, “...While Congress may not have considered state legislative schedules when members approved the Dodd-Frank Act and gave most states little more than six months to enact landmark reform, the states—and several of our respective national organizations, as *(cont. on page 4)*



Rep. Charles Curtiss, TN

NCOIL welcomes as its Summer Meeting keynote speaker the **Honorable Jack Reed** (RI), Chair of the U.S. Senate Banking Committee’s Securities, Insurance & Investment Subc. Sen. Reed will speak to financial services and other items. The July 15 lunch is set for 11:30 a.m. to 1:00 p.m.



SLIMPACT...

(cont. from page 1)

at the NCOIL Summer Meeting.

Regarding bylaws, Commission representatives on a July 1 webinar supported—with a goal of final approval by SLIMPACT states on July 15—amendments that offer flexibility in scheduling meetings and voting on Commission business. The representatives—who first considered the bylaws on June 24—will refine changes during a July 7 webinar that aim for diversity among governmental and nongovernmental members on a technical Operations Committee, as well as address collection of transaction fees. On July 7, the Commission also will extend its review of draft rules for rulemaking—which, like the bylaws, are based on the 41-member *Interstate Insurance Product Regulation Compact (IIPRC)*.

Regarding tax allocation, the Commission—which may act officially when SLIMPACT welcomes a tenth member—has



begun considering comments and options offered by the Council of Insurance Agents & Brokers (CIAB); the Excess Lines Association of New York (ELANY); the National Association of Professional Surplus Lines Offices (NAPSLO); and Indiana Commission designee Cindy Donovan, who offered an allocation formula endorsed by an (cont. p. 3)

POINT-COUNTERPOINT: What Role for the Private Market in Governing Healthcare Exchanges?

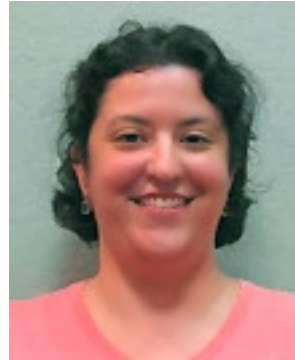
The clock's ticking for states to submit their health exchange plans for HHS certification by January 2013. This summer, during July 14 symposiums at the NCOIL Summer Meeting in Newport, legislators and blue-ribbon experts will explore challenges of building and operating these systems.

In this NCOILetter—Part One of a two-part special on health exchanges—commentators answer the following: Should the private market have a significant role in governing healthcare exchanges?

Consumers at the Center, the Private Market as Advisors

By GERALYN TRUJILLO

AARP has a strong interest in the creation of state health insurance exchanges that are



consumer friendly. We believe that exchanges are vital in extending health coverage to the uninsured and improving access and affordability for those already in the individual and small group markets. Exchanges should consider all policy and operational choices through the

lens of the consumer and make decisions that advance the consumer's best interest.

Governance of the exchange will require input from a variety of stakeholders. There is no doubt that the private market has the expertise and ideas that can support the goals of the exchange. Yet, while various stakeholders in the health care system have contributions and opinions, the governing structure should assure that the consumer is heard and held paramount. While the private market's expertise and insights have a vital part in creating the best possible framework for the exchange, such guidance is best offered via issue-specific advisory groups that provide ongoing input and opinion. By establishing such

forums, the exchange opens up avenues of collaboration and mechanisms for significant input while preserving its heart—a focus on serving the needs of the consumer. Success will be judged on the ability to attract and offer quality private plans that are affordable for consumers, and to effectively and efficiently connect people with both private and public coverage options. Only by involving all stakeholders, including the private market, while keeping the consumer at the heart of the process, will exchanges prove successful. ■

Ms. Trujillo is Senior Legislative Representative, Health & Family, AARP Government Affairs, State Advocacy & Strategy team, Washington, DC.

NCOIL President Aims for Role on FIO Advisory Committee

NCOIL President Rep. George Keiser (ND) last month applied for a coveted position on a new Federal Advisory Committee on Insurance (FACI)—a 15-member body of national insurance experts that will

give advice and recommendations to the Federal Insurance Office (FIO). In his application letter to the FIO, the leader noted his extensive insurance experience and strong economics background.

Rep. Keiser wrote, "My 12 years of active participation in NCOIL and my 18 years of experience in the North Dakota House of Representatives—many as chair of its insurance committee—will add vital (cont. on page 4)



Insurers Bring Invaluable Expertise, Experience to Exchange Governance

By C.M. (Candy) Gallaher

Few aspects of compliance with the Affordable Care Act are as critical to a state as the development of an effective, state-based health benefit exchange. And critical to an exchange's success in offering choice and competition for consumers is its governance. That governance should re-



flect transparent decision-making processes, financial expertise, accountability, and a clear mission to ensure that

regulatory functions are not duplicated. Especially key to exchange governance is broad input from stakeholders including consumers, business, providers, brokers, health insurers, and others.

Why health insurers? Because they offer significant knowledge and unique expertise. For example, they can help the board:

- avoid problems with start-up insurance administrative operations
- understand the implications of trends and market reforms including guaranteed issue, adjusted community rating, and the elimination of medical underwriting
- inform and recommend scenarios that may require policies or adjustments to risk adjustment mechanisms
- understand the impact of Exchange policies on markets, providers, contracting, and costs

- provide insights on important exchange operations such as how to build, coordinate, and connect infrastructure services to maintain a low administrative cost structure and
- determine whether contractor bids are adequate and cost effective

To address concerns regarding possible conflict of interest, boards can and should require that any potential conflicts be reported. Also, the board should adopt a clear, transparent recusal process, including written notice regarding the scope and reason for the recusal.

In short, a state-based health benefit exchange can and should welcome into its governance the unique and essential expertise of health insurance professionals. ■

Ms. Gallaher is Vice President, State Policy with America's Health Insurance Plans (AHIP), Washington, DC.

SLIMPACT...

(cont. from page 2)

NAIC Surplus Lines Task Force and incorporated into a *National Insurance Multistate Agreement (NIMA)*. After brief discussion on July 1, the Commission will delve into details on July 7, including of a new Kentucky Department of Insurance proposal.

SLIMPACT legislative sponsors—who serve as an interim Legislative Committee—are challenging any formula that runs counter to SLIMPACT's purpose. In a July 1 letter to Commission representatives, the legislators asserted: "We have grave concerns with formulas—such as those called for under [NIMA]—that would complicate existing practices and would cause undue burdens for those that have advocated modernization, including insurance industry representatives, brokers, or insureds."

"SLIMPACT states," the letter added, "did not pursue NIMA, in part, because legislators understood that it would not provide the uniformity desired by the Dodd-Frank Act."

In addition to action on the by-laws and rules, the inaugural face-to-face Commission meeting—set for 2:00 to 6:00 p.m.—aims to advance the tax allocation debate and begin hosting entity discussions, among other items.

SLIMPACT includes AL, IN, KS, KY, NM, ND, RI, TN, and VT. ■

**Save your seat at the
NCOIL SUMMER MEETING!**

**NEWPORT, RI
July 14 – 17, 2011**

Check out www.ncoil.org to register!

See agenda details, speaker info, and special session updates!





NCOILetter

Susan F. Nolan, Publisher/Editor
Candace Thorson, Managing Editor
Mike Humphreys, Assoc. Editor
Jordan Estey, Associate Editor
Simone Smith, Production Assis.
Laurie Dingmon, Bus. Manager

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

ALABAMA

well as insurance industry and producer interests—have rallied behind SLIMPACT...”

As SLIMPACT grew to nine members, several states were positioning to be tenth. NCOIL Past President Sen.

(cont. from page 1)

James Seward advanced a bill through the New York Senate, Michigan and others continued SLIMPACT consideration, and Ohio, among others, is already authorized to join SLIMPACT or other mechanism. ■

NCOIL

knowledge and regulatory experience as FACI coordinates with the Federal Insurance Office (FIO).”

“As state legislators govern insurance regulation” NCOIL’s President continued, “I believe I can bring a unique perspective to FIO decision-making that otherwise may be lacking.”

Expressing support for Rep. Keiser, NCOIL Immediate Past Pres. Rep. Robert Damron (KY) said, “As front-line partners with state insurance regulators in implementing two major federal insurance laws that Congress enacted in just the past 15 months—in particular Dodd-Frank—state legislators provide both ex-

perience and perspective that will be important to FIO’s mission.”

NCOIL Past Pres. Sen. James Seward (NY) also expressed confidence in Rep. Keiser. Seward said that Keiser “not only

(cont. from page 2)



Rep. George Keiser, ND

would benefit the new FIO Director by providing valuable expertise and leadership as a FACI member, but he would also serve as an important direct link to the larger legislative community.” ■