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JULY 14-17, 2016



Sen. Travis Holdman
President



Thomas B. Considine
Chief Executive Officer

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SUMMER MEETING
 July 14–17, 2016

HEALTH INSURERS CONTINUE TO EXPLORE USE OF VALUE-BASED CONTRACTS

The Wall Street Journal recently reported on Cigna's announcement that it has entered into "value-based" contracts with pharmaceutical companies Amgen Inc., Sanofi SA and Regeneron Pharmaceuticals, Inc., for the cholesterol drugs Repatha and Praluent, which aim to reduce levels of cholesterol. If the drugs don't reduce cholesterol levels as expected, Cigna will receive a larger discount on the drugs.

The article noted health insurers and pharmacy-benefit managers have signed at least a dozen such deals with drug-makers since 2014, including Cigna, Harvard Pilgrim Health Care and Express Scripts Holding Co., targeting high-cost drugs in categories including cancer and Hepatitis C.

While the number of value-based deals has increased, insurers and manufacturers say that the complexity of tracking patients' health, which falls on the insurer, can be a barrier. For example, Cigna has access to patients' cholesterol levels and will track them over a period of time to determine whether they are meeting the targets. The company also can review lab results and work with customers' doctors as needed. However, the article noted that such setups can be difficult to execute because many achievements, such as reduction in heart attacks and deaths for cholesterol drugs, can take years to become clear, while patients may be impossible to track over time as they change insurers and jobs.

NCOIL NAIC SUMMIT WITHIN A SUMMIT

NCOIL leadership, including President Travis Holdman (Sen - IN), Vice President Steve Riggs (Rep - KY), Property & Casualty Committee Chair Matt Lehman (Rep - IN) and CEO Tom Considine, participated in an NCOIL-NAIC Summit with NAIC leadership including President John Huff (Dir - MO), Vice President Julie McPeak (Cmsnr - TN), Sec-Treas Eric Cioppa (Supt - ME), Midwest Zone Officers Nick Ger-

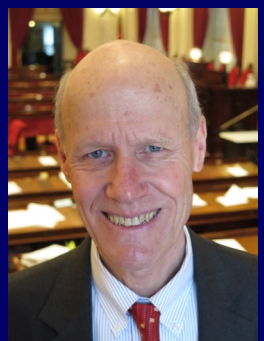
hart (Cmsnr - IA) & John Doak (Cmsnr - OK), Cmsnrs. David Altmaier (FL), Ken Selzer (KS) and Gordon Ito (HI), as well as NAIC Interim CEO Andy Beal (COO & CLO) and members of his senior staff. The meetings took place from May 16th - 18th in Kansas City within a larger NAIC Insurance Summit, and also included six legislators from neighboring states and Dep. Ins. Cmsnr. Clark Shultz (KS). **Cont'd on pg. 2**



Rep. Steve Riggs, KY
Vice President



Sen. Jason Rapert, AR
Secretary



Rep. Bill Botzow, VT
Treasurer

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members go to
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"These sessions provided another opportunity for the leadership of the two organizations to break down the wall between us so we can cooperate more in the interest of protecting state-based insurance regulation," commented NCOIL President Holdman.

The topics discussed included the role of the NAIC in the insurance regulatory construct; the financial analysis services provided by the NAIC to the states; an overview of the NAIC's data protection initiatives; a discussion of market regulation & consumer protection; a status update regarding the National Insurance Producer Registry (NIPR) & the Interstate Insurance Product Regulation Compact (IIPRC), and a tour of the NAIC's data center.

"We had frank, candid, productive discussions," stated NCOIL VP Riggs. "I believe we moved the ball forward in our developing partnership."

At the conclusion of the NCOIL-NAIC Summit, the legislators were free to remain for the balance of the larger NAIC Insurance Summit. "I appreciate being invited here," added Rep. Lehman. "I would encourage any of my colleagues to attend who have the opportunity in the future."

"I believe much of the material we discussed here would be valuable to our full membership," stated NCOIL CEO Considine, "so I plan to add a session to some of the meetings in the future where NAIC senior staff can come in and explain what it is they do, and how they add to the mission of state regulation."

INSURANCE INDUSTRY WILL ENCOUNTER CHANGES IN THE ERA OF SELF-DRIVING VEHICLES

The conversion to self-driving vehicles could bring about the most significant change to the automobile insurance industry since its inception. Surprising to some may be that the conversion will arrive sooner than expected. Washington D.C., California, Florida, Michigan and Nevada have enacted legislation permitting the operation of self-driving cars on public roads for testing purposes. Another 11 States have introduced such legislation. Additionally, the National Highway Traffic Safety Administration (NHTSA), responsible for developing and enforcing the federal safety standards for motor vehicles, has released a preliminary findings report that contained what appears to be a strong endorsement for self-driving vehicles.

There is no doubt that the conversion to self-driving vehicles will change the amount, type and purchase of automobile insurance. Studies have shown that the removal of the human element from driving may yield substantial safety benefits, lowering accident frequency by as much as 80 percent. Moreover, the allocation of the types of insurance coverage could also

change. Analysis suggests that commercial lines could take a larger share, as the marketplace moves towards vehicle sharing and mobility on demand. As the vehicle makes more decisions, the potential liability of the software developer and manufacturer will increase too.

While the era of self-driving vehicles is fast approaching, there are nonetheless many issues surrounding their introduction such as: infrastructure availability - over time, road infrastructure will need to become increasingly "smart" to incorporate the technology embedded in the vehicles; legal responsibility - as the vehicle itself makes more driving decisions, determining who is responsible when an accident occurs will need to be clarified; and data management - integrity, security, privacy and analytics of data will be essential to gaining customer trust and enabling the growth of the platform.

NCOIL looks forward to working with legislators in developing strategies to meet the insurance related needs associated with self-driving vehicles.

JOIN NCOIL IN PORTLAND



TENTATIVE SCHEDULE

NCOIL 2016 SUMMER MEETING

Portland Downtown
Waterfront Marriott
Portland, OR
July 14th—17th

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MEETING !!!!!**



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THURSDAY, JULY 14TH	
Welcome Breakfast	8:30 a.m. - 11:00 a.m.
Special Executive Committee	11:00 a.m. - 11:30 a.m.
Life Insurance & Financial Planning	11:30 a.m. - 1:00 p.m.
The Griffith Insurance Education Foundation Legislator Luncheon	1:10 p.m. - 2:15 p.m.
Workers Compensation Committee	2:30 p.m. - 4:00 p.m.
Health, Long Term Care and Retirement Committee	4:00 p.m. - 5:30 p.m.
ILF Board Meeting	5:30 p.m. - 6:00 p.m.
FRIDAY, JULY 15TH	
Financial Services & Investment Products Committee	9:00 a.m. - 10:30 a.m.
Property and Casualty General Session - Innovation and Disruption: What Does It Mean to the Marketplace and Insurance Industry, What Will it Mean?"	10:30 a.m. - 12:00 p.m.
Keynote Luncheon	12:00 p.m. - 2:00 p.m.
NCOIL – NAIC Dialogue	2:15 p.m. - 3:45 p.m.
IEC Board Meeting	3:45 p.m. - 5:00 p.m.
SATURDAY, JULY 16TH	
Health General Session - Air Ambulances: Up, Up, and Away Too Costly?	9:00 a.m. - 10:30 a.m.
Property and Casualty Committee	10:30 a.m. - 12:00 p.m.
Joint State and Federal Relations/International Issues Committee	12:00 p.m. - 1:30 p.m.
SUNDAY, JULY 17TH	
Business Planning	9:00 a.m. - 9:45 a.m.
Executive Committee	9:45 a.m. - 10:30 a.m.