

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)
Proposed Resolution Withdrawing Support of the NAIC
Interstate Insurance Product Regulation Compact Model Legislation

To be considered by the NCOIL State-Federal Relations Committee on March 2, 2007.

Sponsored by Rep. Shirley Bowler (LA)

WHEREAS, the enactment of the Gramm-Leach-Bliley Act (GLBA) has led to greater integration of the financial services sectors; and

WHEREAS, political and marketplace realities necessitate the modernization of state insurance regulation; and

WHEREAS, some national insurance carriers maintain it can take up to two years for a product filing to be approved in all 51 jurisdictions; and

WHEREAS, critics of state regulation single out the product approval process as the most serious shortcoming of state insurance regulation; and

WHEREAS, such a delay in bringing products to market is disadvantageous for consumers and places insurers on an un-level playing field with other financial service providers; and

WHEREAS, in July of 2003, the National Conference of Insurance Legislators (NCOIL) adopted a resolution in support of the Interstate Insurance Product Regulation Compact (Compact) model legislation drafted by the National Association of Insurance Commissioners (NAIC) in an attempt to address this very serious shortcoming in state insurance regulation; and

WHEREAS, the NAIC is an organization composed of executive branch officials engaged in the regulation of insurance; and

WHEREAS, the Compact creates a commission with a membership which is not elected by the citizens of the individual states and vests that commission with broad powers to regulate annuities, life insurance, disability insurance, and long-term care insurance and advertisements regarding such products by giving the commission the authority to supersede state laws with binding rules and to engage in some rate-setting decisions; and

WHEREAS, further review of the Compact reveals that it impinges on most if not all of the elements of an open, public government, including provisions regarding ethical standards, civil service, public bid, procurement, disposal of property, public records, open meetings, and administrative procedures; and

WHEREAS, an examination of the provisions of the Compact in comparison with individual state laws reveals that several of the operational provisions of the Compact result in unconstitutional delegations of the legislative, executive, and judicial branch power and

authority of certain states; and

WHEREAS, due to the fact that there are several constitutional issues surrounding the Compact as well as concerns regarding its operation and authority to regulate insurance products and advertisements, it is clear that several provisions of the Compact will be unenforceable in certain individual states; and

WHEREAS, because the Compact by its very nature will be unable to be enforced uniformly, the reason for NCOIL's support of the Compact is thwarted; and

WHEREAS, it is apparent that for many states, joining the Compact constitutes an abdication of state authority and power and of our duty as elected officials of our individual states to achieve a more productive environment for insurers and consumers; and

WHEREAS, NCOIL must aggressively work towards other solutions which bring efficiency and uniformity to state insurance regulation to improve the economic environment for insurers and the products and markets for consumers, while recognizing and respecting the standards of government that the citizens of the individual states expect from their public officials and government; and

NOW, THEREFORE, BE IT RESOLVED, that NCOIL hereby withdraws its support of the NAIC Interstate Insurance Product Regulation Compact model legislation; and

BE IT FURTHER RESOLVED, that NCOIL will aggressively work towards other methods to achieve efficiency and uniformity in state insurance regulation; and

BE IT FURTHER RESOLVED, that a copy of this Resolution be sent to all state legislative leaders, insurance committee chairs, insurance commissioners, and governors.