



**January 15, 2020**

## **NCOIL Fall 2019 Meeting Report**

The National Conference of Insurance Legislators (NCOIL) Fall 2019 meeting took place December 11-13th in Austin, Texas. The following issues discussed are of interest to NAIFA.

### **Annuity Suitability/Best Interest/Standard of Care**

Idaho Department of Insurance Director Dean Cameron briefed NCOIL members on the National Association of Insurance Commissioners' (NAIC) work to incorporate a best interest standard into the NAIC Suitability in Annuity Transactions Model Regulation. Director Cameron stated that the NAIC will soon approve a new standard for annuity sales which would require that insurance producers and carriers disclose to the client any conflicts of interest and document the recommendations made and why the client chose a certain policy. It is likely that the NAIC will approve the new standard early next year. The NAIC is also developing a form that advisors and carriers can use to disclose to the client the products the advisor is permitted to sell. Director Cameron, a former financial advisor and NAIFA member, emphasized that many advisors already act in the best interests of their clients.

Some state legislators, who are also financial advisors, expressed concern that advisors are not renewing their Series 7 securities license due to excessive regulation. NCOIL did not take a position on the NAIC's proposed best interest standard. NAIFA supports the NAIC draft model along with other industry associations.

On a related matter, the U.S. Department of Labor (DOL) may consider a proposed regulation to complement the NAIC's new requirements for annuity sales and the Securities and Exchange Commissions' Regulation Best Interest. The NAIC is engaged in discussions with the DOL to ensure that there are not conflicting definitions of the term "best interest."

### **Short-Term Limited Duration Insurance (STLDI)**

NCOIL is considering model legislation to regulate STLDI policies. The proposed NCOIL model would follow federal regulation by allowing STLDI plans to have a duration of up to one year with renewals for up to a maximum of 36 months. However, unlike federal regulation, the NCOIL model would require STLDI policies to include access to a provider network and cover certain medical services and health care benefits. NAIFA testified in support of the model legislation stating that STLDI policies provide critical temporary coverage and may serve as an affordable alternative to costly individual market plans.



Some NCOIL members support requiring STLDI plans to cover more benefits and limit out-of-pocket costs for the policyholder. NCOIL intends to amend its STLDI model and further discuss it during the NCOIL Spring 2020 meeting.

## **Rebating Reform**

NCOIL is proposing model legislation to modernize state anti-rebating laws. The draft NCOIL model would permit insurance carriers to give policyholders certain electronic devices that can mitigate risk, such as wearable “Fit Bit” type units to accompany life and health insurance policies or sensors to detect potential failure of household HVAC units in connection with a property and casualty policy. The model also proposes to allow for carriers and agents to offer permissible gifts and prizes that do not exceed a value of \$500. Speaking on behalf of the NAIC, Director Cameron informed conference attendees that the NAIC is also working on model legislation to reform state rebating laws. Both legislators and regulators noted that among the states the rebating laws vary considerably and uniformity in this area is greatly needed.

Representatives from property and casualty insurance trade associations testified that current anti-rebating laws stifle policy innovation and inhibit the carrier from providing services that can assist the policyholder in managing risk, and they argued that risk mitigation devices should be permitted in connection with the issuance of a policy. Although life insurance carriers support reforming anti-rebating laws, they argued that the allowable dollar amount for raffles and prizes should vary among segments of the industry as there may be instances where the yearly premiums of some life insurance policies may be not much greater than the value of an item in a raffle.

A representative from the Center for Economic Justice, a consumer advocate organization, urged NCOIL to coordinate efforts with the NAIC rather than move quickly to approve its own model.

NCOIL intends to amend the draft model and continue to hear input from stakeholders at subsequent meetings. NAIFA supports reasonable changes to current anti-rebating laws that increase the dollar amount for raffles and prizes and allow for carriers and agents to deliver risk mitigation devices and services to the policyholder.

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