



NAMIC®
Seattle
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2013 Review and Anticipated Advocacy Efforts for 2014

Tuesday, September 24, 2013, 10:30 a.m.

Neil Alldredge
Senior Vice President – State & Policy Affairs
NAMIC
Indianapolis, Ind.

Neil Alldredge serves as the senior vice president of state and policy affairs, leading NAMIC's state and regulatory affairs division. Neil's primary responsibility is to direct NAMIC's state legislative and strategic state advocacy activities in all 50 states.

In addition, Neil represents NAMIC member companies at the National Conference of Insurance Legislators and the National Conference of State Legislatures; serves on the Commerce, Insurance and Economic Development Committee of the American Legislative Exchange Council; and serves on the board of the Insurance Education Council.

Neil is also the lead representative on the insurance-scoring issue for NAMIC member companies. He participated in the drafting of the NCOIL model law and has provided testimony to legislatures in several states and at the NAIC.

Before joining NAMIC, Neil spent five years with the Indiana state Senate, where he served in a dual role as director of planning and research and executive director of the Senate Majority Campaign Committee.

Neil has bachelor's degrees in political science and communications and a master's degree in rhetoric from Ball State University.



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Jimi Grande

Senior Vice President—Federal & Political Affairs

NAMIC

Washington, D.C.

Jimi Grande joined NAMIC in March 2007 and currently leads NAMIC's Washington D.C., office as senior vice president of federal and political affairs, overseeing all of the association's federal and political activities. At NAMIC, Grande helped to navigate the association through the difficult political environment following the financial crisis and the ensuing Dodd-Frank Act. He has also helped to dramatically grow the association's political involvement programs for its membership. During his tenure, the association's political action committee, NAMIC PAC, has nearly tripled in size.

Grande has spent more than 17 years working for and with top policymakers in Washington. He began his career as special assistant to former Speaker of the U.S. House of Representatives Newt Gingrich. Grande came to NAMIC after serving as a political appointee in the Bush administration at the U.S. Department of Labor, where he was a top liaison to Capitol Hill.

Grande entered politics after receiving his Bachelor of Science in political science from the University of Oswego in upstate New York. He currently resides in Fairfax, Va., with his wife, Buffy; daughter, Georgia; and son, Jimmy Jr. He is an active member in his church and local community. He also is devoted to raising awareness and money to fund research to find a cure for Fragile X Syndrome, the most common cause of inherited mental impairment, which has impacted his son.

NAMIC Annual Convention Advocacy Update

September 24, 2013

Neil Alldredge
Senior Vice President
State & Policy Affairs

Jimi Grande
Senior Vice President
Federal and Political Affairs



Presentation Outline

- Washington Outlook
- State Legislative Environment
- NAIC and International Issues
- Key Federal Issues
- Need for Industry Political Involvement

NAMIC Advocacy Staff

- 8 State Legislative Lobbyists
- 5 Federal Lobbyists
- 7 Public Policy Experts
- 5 Communications/Political Affairs professionals

25 full-time Advocates

Washington Outlook



Second Term

President's Ambitious New Priorities:



- Gun Control
- Immigration Reform
- Climate Change
- Tax / Debt Ceiling / Deficit

10 months is a long time!

However.....Dominating the News



IRS Scandal



NSA



James Rosen



Benghazi



Syria



Associated Press

Executive Branch

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- Declared gridlock unworkable
- Goal is to marginalize and ignore Congress
 - FCC fees on cell phones
 - New rules for coal plants
 - Number of new rules
 - Implementation of DFA
 - Implementation of ACA

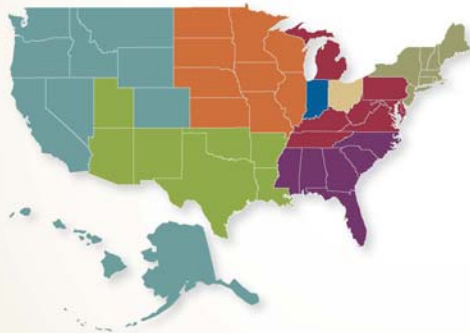
Whose Really in Charge?

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- The 112th Congress passed 220 laws, slightly down from an average Congress who passes about 400.
- Federal Regulators have been passing/publishing nearly 4,000 rules each year
 - More than 180,000 rules are on the books
 - Around 81,000 pages have been added each year
- 111th Congress passed Dodd-Frank, Affordable Care Act (Obamacare) and the American Recovery Act (Stimulus)
- FIO, FACI, CFPB, FSOC.... EPA, HUD

MEET THE NAMIC STATE AFFAIRS TEAM

NAMIC's 50-state advocacy strategy is executed through regional assignments of our government affairs staff. Visit **NAMIC Central** in the **Marketplace for Mutuals** to talk with your state affairs manager.



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<p>Paul T. Martin Southeast State Affairs Manager ptmartin@namic.org Alabama, Arkansas, Louisiana, New Mexico, Oklahoma, Texas, and Utah</p>	<p>Liz Reynolds Southwest State Affairs Manager lreynolds@namic.org Arizona, Florida, Georgia, Mississippi, North Carolina, and South Carolina</p>

State Legislative Map

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Source: National Conference of State Legislatures

2013 State Legislative Agenda

- Rate Modernization (based on NCOIL model, NCSL principles)
- Underwriting Freedom (insurance scoring, CLUE, predictive modeling)
- Civil Justice Reform
- Natural Disaster & Coastal Issues

Targets of Opportunity

- Accident Response Fees
- Customer Choice in Auto Repairs
- Farm Mutual Modernization
- Market Conduct Reform
- No-Fault Auto Insurance
- “Storm Scammer” Legislation
- Workers’ Compensation Reform
- Solvency Modernization Model Bills

Solvency Modernization

- Changes to the Model Holding Company Act
- Own Risk Solvency Assessment
- Corporate Governance Model
- Most Action in States

Model Holding Company Act

- **Enterprise Risk Reporting** – New annual filing (Form F) required that includes enterprise risk expected to have material adverse effect on group solvency. Model language applied to holding companies of all sizes.
- **Confidential Information** – Model allows regulators to share confidential company/group information with NAIC, other regulators (state, federal and international). International organizations not included in model, just regulators.
- **Supervisory College Authorization** – Creates “supervisory colleges,” a confidential regulator-to-regulator forum to discuss financial issues of international insurer groups.

Model Holding Company Act

- NAMIC does not oppose adoption of model and regulation if it includes:
- Exemption from enterprise risk filing for companies with less than \$500 million DWP.
- Consistent effective dates for enterprise risk report Form F filings; and
- Confidentiality protections supported by master confidentiality agreements signed by all states, NAIC and international regulators receiving company information.

ORSA Model Act

- Term originated with U.K. insurance regulator. Initially known as the Individual Capital Adequacy Standards Regime, insurers required to evaluate own risk and report the capital they needed to support those risks.
- Regulator subsequently developed ORSA concept and pushed acceptance within Solvency II requirements. European Commission endorsed concept. Added to the International Association of Insurance Supervisors' list of Insurance Core Principles.
- In September 2012, NAIC adopted its own ORSA Model Act. Now before states for adoption. ORSA filings will be required by 2015.

ORSA Model Act

- ORSA is a new enterprise risk management approach to regulation based on the notion that regulators will get a better picture of a company's solvency position if they have forward-looking information. This new filing – required for companies above \$500 million in DWP – will require the development of risk models, business plan information and growth initiatives for the coming year.
 - NAMIC and others in the industry were successful in creating appropriate confidentiality protections and the compliance threshold.
-

ORSA Model Act

WHAT ORSA IS NOT:

- ORSA is not a simple checklist or audit report, but an in-depth assessment of how an insurer does business.
 - ORSA will not be another standardized form or data call to report, but a customized framework and risk management model to serve insurers' own business strategies and risk appetites.
-

Corporate Governance Issues

- New NAIC Model Act on Governance Disclosure
- Annual Filing
- Timeframe for Enactment

MANAGEMENT POLICIES & PRACTICES

- Describe board's role in overseeing management compensation programs and practices.
- Describe various elements of compensation awards.
- Describe how compensation programs relate to company and individual performances over time.
- Describe any risk adjustments to compensation programs.
- Describe clawback programs in compensation awards.
- Discuss any other issues on compensation monitoring.

BOARD, COMMITTEE POLICIES & PRACTICES

- Describe qualifications, expertise, experience of board members.
- Provide information on meetings held by board.
- Describe how activities meet governance, oversight needs.
- Describe processes to evaluate board and committee performance.

Key Federal Issues

- HUD Rule
- Terrorism Insurance
- Build Strong Coalition
- NFIP – Rolling Back Reform
- PARTS ACT

HUD Disparate Impact Rule



Department of Housing and
Urban Development



HUD Disparate Impact Rule

- Proposed 11/15/12, Finalized 2/15/13, Effective Date 3/18/13
- Established standards determining when a housing practice with discriminatory effects violates the Fair Housing Act (FHA)
- Disparate Impact – legitimate practice may be considered discriminatory and illegal if they have a disproportionate "adverse impact" on members of a minority group
- Would apply to "the provision and pricing of homeowner's insurance"
- Could threaten use of **any** underwriting factor

Industry Pursues all Avenues

- January 2012 comments
- Congressional oversight through hearings, letters and appropriations language
- NCOIL resolution asking HUD to “expressly disclaim from the purview of the proposed rule any impact on...homeowners insurance”
- Trades meeting with OIRA
- Leading trades legal team developing strategy

Mount Holly, N.J. v. Mount Holly Gardens Citizens in Action

- A writ of certiorari was filed June 11, 2012
- Asked SCOTUS to rule that HUD had no authority under FHA to apply a disparate impact rule
- Certiorari Granted on June 17, 2013
- Limited to the question of whether Disparate Impact is permitted under the FHA
 - Positive ruling would effectively nullify the HUD rule
 - Settlement negotiations are under way



NAMIC and AIA File Suit

- NAMIC and AIA filed a Complaint for Declaratory and Injunctive Relief on June 26, 2013
- Alleges that the Disparate-Impact Rule reaches beyond HUD's statutory authority under the FHA
- Requests the court to declare that the Disparate-Impact Rule is unlawful
- HUD seeks a stay of our litigation, pending resolution of Mt Holly
- NAMIC, AIA, PCI and IIABA file joint Amicus in Mt. Holly September 3, 2013
- Supreme Court agrees to hear oral arguments on December 4, 2013

Terrorism Risk Insurance Program



A Brief History of TRIA

- Market post 9-11
- Lack of terrorism coverage impacted \$15.5 bn. in commercial real estate transactions; cost 300,000 construction jobs
- TRIA passed in 2002 – reauthorized in 2005, 2007
- TRIA is for commercial P/C insurance; acts as reinsurance in event of certified terrorist event
- Private sector contributes up to \$27.5 billion
 - 20% Deductible
 - 15% Co-Pay
 - \$100 M event trigger
- TRIA only costs the government a small sum unless there's a terrorist attack



Wide-Reaching Policyholder Base

- Businesses
- Ports
- Hospitals
- Museums
- Casinos
- Commercial Property Owners
- Multifamily Property Owners
- Public Utilities
- Stadiums
- Financial Institutions
- Municipalities
- Manufacturers
- Universities
- Many others...



TRIA Renewal in the 113th Congress

- Current Terrorism Risk Insurance Program authorized through *December 31, 2014*.
- Lapse in program would immediately cause technical default of commercial loans and the devaluing of over \$1 trillion in commercial mortgage backed securities.
- Commercial insurance policies with terrorism coverage would also be null and void if the program expires.
- New commercial lending will be impacted if no signals of Congressional intent by ***at least 6 months prior*** to expiration.
- Therefore Congress ***must not delay*** consideration of TRIA Renewal, should move in 2013.

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Safe Building Code Incentive Act



Strong building codes are good for homeowners, good for businesses, and good for taxpayers

Build Strong

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- Homes and businesses can and should be built to resist the ravages of a variety of natural catastrophes
- LSU Hurricane Center estimated modern building codes would have spared 80% of Hurricane Katrina wind damage (\$8 billion)
- 2005 NIBS study concluded **for every \$1 spent on pre-disaster mitigation, disaster relief assistance is reduced by \$4**
- Strong building codes are good for homeowners, good for businesses and good for taxpayers



Insurance Institute for Business and Home Safety (IBHS)

IBHS Research Center – Richburg, South Carolina

www.ibhs.org



NAMIC Leading Push for Safer Building

- Formed and leading diverse **BuildStrong Coalition**
 - Insurers, firefighters, emergency managers, engineers, architects and building materials suppliers
- Developed support for and received introduction of signature priority, The Safe Building Code Incentive Act (SBCIA).
- Testified at two Congressional hearings as experts on safer building codes promoting the SBCIA
- 50 Cosponsors in 112th
- Big Show this Fall at Research Center



NFIP Reform Becomes Law

NAMIC Chair Sandy Parrillo testified on March 11, 2011

- Adequate Rates
- Updated Maps
- Take-up Rates
- Repetitive Loss
- Operational Inefficiencies

Reforms signed into law on June 30, 2012



The PARTS Act

Preserves competition in the aftermarket parts industry, which helps to keep costs down for policyholders and consumers



Promoting Automotive Repair, Trade, and Sale Act

- H.R. 1663/S. 780 Introduced on April 23, 2013
- Creates 30 month window
 - Current patent law is 14 years
- Protects intellectual property
 - Primary market protected
- Very narrow exception for exterior collision repair parts



Politics is not a Spectator Sport!

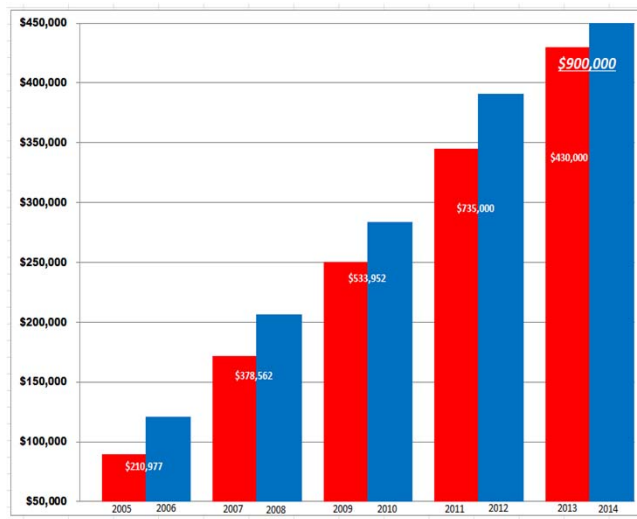


Insurers must be engaged in shaping the legislative and regulatory landscape

NAMIC PAC FUNDRAISING GROWTH BY ELECTION CYCLE

Contributions have grown by over 400% from 2005 to today.

Receipts in the two year 2014 election cycle are expected to exceed \$900,000.



Thank You

