



NAMIC®
Seattle
Where The Industry Comes Together

Advocacy Update for the Farm Mutual Conference

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

Irica Solomon
Vice President – Federal and Political Affairs
NAMIC
Washington, D.C.

Irica Solomon serves as NAMIC's political director. With more than 19 years of Capitol Hill, policy, and advocacy experience to support her efforts, Irica is tasked with strengthening the organization's outreach and involvement in the federal and political arenas. She works to inform and educate NAMIC membership and elected officials on issues impacting the industry. She also manages NAMIC's federal tax portfolio. Prior to joining NAMIC, Irica served as a legislative aide to Rep. Tom Davis, R-Va., and to President Bill Clinton.

She holds a bachelor's degree in political economics from Syracuse University and a master's degree in political management from George Washington University.



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Joe Thesing
Assistant Vice President – State Affairs
NAMIC
Indianapolis, Ind.

Joe Thesing is the assistant vice president of state affairs for the National Association of Mutual Insurance Companies. He oversees the association's 50-state legislative program. Under Joe's guidance, the state affairs managers lead NAMIC's continuing efforts to affect change in the states by working in collaboration with state insurance trade associations, a core principle of NAMIC's advocacy philosophy.

Joe works with the National Association of Insurance Commissioners, the National Conference of Insurance Legislators, and other national policy organizations on high-priority issues.

Joe has been with NAMIC since 2002. As one of five state affairs managers, he has been involved with the association's legislative and regulatory activities in 15 states and has collaborated with state insurance trade associations to address the legislative and regulatory concerns of member companies.

Joe conducts seminars on grassroots advocacy and has authored papers and other publications on topics including the growth of municipal accident response fees, the Judicial Accountability Initiative Law, and self-audit privilege for insurance companies.

Prior to joining NAMIC, Joe was deputy director of legislative services at the Ohio School Boards Association and also served as a program director at the U.S. Department of Justice under Attorney General Janet Reno. He started his professional career at Ohio's office of the attorney general.

Joe has a bachelor's degree in history from Ohio University

NAMIC State & Federal Affairs Update

Advocacy Update for Farm Mutual Conference

September 24, 2013
NAMIC Annual Convention

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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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Affairs begins October 1, 2013



SCOPE OF FARM MUTUAL SESSION

- Review NAMIC's 2013 State & Federal Legislative Priorities
 - Review Emerging Issues
 - Looking Ahead to 2014
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NAMIC'S 2013 STATE LEGISLATIVE AGENDA

- Rate Modernization
 - Underwriting Freedom
 - Civil Justice Reform
 - Natural Disasters & Coastal Issues
 - Solvency Modernization
 - Workers' Compensation
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NAMIC's 2013 FEDERAL ISSUES AGENDA

- Terrorism Risk Insurance
 - Tax Reform
 - Insurance Regulation
 - Natural Catastrophe issues
 - HUD Disparate Impact
 - Other Priorities: FARM bill, Postal Reform, Cyber-security, After-market parts, Affordable Care Act implementation
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RATE MODERNIZATION--State

- Nevada's rate filing statute (from 60 to 30 day waiting period).
 - Florida adopted commercial lines modernization which expands the number of commercial lines products that are exempt from the rate filing and review requirements.
 - There were no serious or successful attempts in 2013 to return to prior approval.
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Underwriting Freedom--State

- Seventeen credit-based insurance scoring bills introduced in states this year, but 16 died during the legislative sessions.
 - Working with Alaska to expand the use of CBIS to policy renewals.
 - Nevada enactment that would have created burdensome compliance standards favorably amended.
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REGULATORY REFORM -Federal



- Federal Insurance Office (FIO)
 - Authority to monitor the industry, identify regulatory gaps or systemic risk, and monitor the extent to which underserved communities have access to affordable insurance products

 - Financial Stability Oversight Council (FSOC)
 - Recent review of U.S. insurance regulation has called for greater uniformity of oversight of the industry

 - Consumer Financial Protection Bureau
 - Currently out of the business of insurance

 - McCarran-Ferguson protections in Congress
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CIVIL JUSTICE REFORM--State

- Florida adopted legislation providing that a witness qualified as an expert by knowledge, skill, experience, training, or education may testify in form of an opinion as to facts at issue in a case.
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- Louisiana enactment providing that a class action cannot be obtained if the court would be required to look at the merits of any individual class member's claim to determine whether or not the individual would fall within the defined class.

- Texas enactment which provides a mechanism for the state's asbestos and silica courts to dismiss long dormant claims on the inactive docket while preserving a claimant's ability to re-file a dismissed case should the claimant develop an impairing condition.

HUD's DISPARATE IMPACT RULE – Federal



- In February, HUD issued a rule to formalize the national standard for determining whether a housing practice violates the FHA as the result of discriminatory effect.
 - HUD may use “disparate impact” analysis to prove allegations of unlawful discrimination with regards to homeowners insurance.
 - Any factor used by insurers to assess risk could be challenged if it produces statistically disproportionate outcomes among particular demographic groups.
 - NAMIC’s Administrative Actions at the Congressional, Executive and Supreme Court levels. (Guidance, legislation and lawsuits)
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Natural Disaster & Coastal Issues--State

- The aftermath of Super Storm Sandy created challenges for the insurance industry up and down the East Coast.
 - Increased CAT activity over the past few years may be resulting in increased regulatory scrutiny of farm mutual insurance companies.
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- New Jersey was one of the state's hardest hit by Sandy--legislative and regulatory over reaction was a very real threat.
 - Enactment requires insurers to provide policyholders with a brochure explaining hurricane deductibles, notable coverages, and other information.
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- New York, a package of twelve burdensome and dangerous bills ultimately died.
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“Storm Scammers”

- Significant trends relates to business-community efforts to combat unscrupulous home repair contractors who try to dupe consumers following hail and wind storms.
 - 18 states have passed legislation to protect consumers from fly-by-night contractors.
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- In 2013, proposals were adopted in Arkansas, South Carolina, Utah, and Wisconsin.
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CATASTROPHIC EVENT ISSUES -Federal



- Building Codes/BuildStrong Coalition
 - “Superstorm” Sandy response
 - National Flood Insurance Program
 - Rate Roll-back
 - Terrorism Risk Insurance Act Re-Authorization
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Farm Mutual Modernization--State

- NAMIC has assisted farm mutual member companies in several states with revising their governing statutes.
 - Montana passed legislation that will make it easier for farm mutual insurers to secure competitive reinsurance.
 - North Dakota, legislation was adopted to expand incrementally the marketing authority of farm mutual companies.
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Emerging Issues--State

SOLVENCY MODERNIZATION:

- The NAIC is currently engaged in a substantial effort to enhance solvency regulation. The first two important pieces that are becoming active in the states are changes to the Model Holding Company Act and the Own Risk and Solvency Assessment.
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Solvency Modernization—Con't.

- NAMIC made a significant effort this year to convince regulators to provide a compliance threshold for smaller companies related to the Enterprise Risk Report portion of the Holding Company Act.
 - Kansas joined Texas with a \$300 million compliance threshold and Idaho and Florida added language to their law providing regulators with clear flexibility to grant exemptions.
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Third-Party Litigation Funding

- NAMIC continues to lead insurance industry advocacy efforts on third-party litigation funding and our issue analysis, "Third-Party Litigation Funding: Tipping the Scales of Justice for All," continues to serve as a valuable resource for legislators.
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- Twelve legislative proposals introduced this year would subject litigation lenders to a state's fair lending laws thereby cap the interest rates that they can charge.
 - Many of these proposals would also require that a plaintiff disclose the existence of a litigation loan to the opposing party.
 - Indiana passed legislation requiring the legislature to further study litigation loans and Oklahoma adopted a proposal that may allow regulators to place reasonable restrictions upon these lenders.
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Gun Liability Laws

- Nine states (CA, CT, DC, IL, MA, MD, NY, PA, & NC) introduced gun liability bills this year. Only D.C. bill – B 170 – still alive.
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EMERGING ISSUES - Federal

- Affordable Care Act Implementation
 - Small Business outcomes
 - FARM bill update
 - Postal Reform
 - Tax Reform
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TAX REFORM- Federal



- What does tax reform mean, really?
 - If Congress really gets this moving, what about the business of insurance?
 - Process/ Timeline/ Where NAMIC fits in
 - Where does the small p/c insurer tax election fall?
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Small P/C Insurance Company Tax



- Since 1986, very small p/c companies with direct or net written annual premiums less than \$1.2 million can elect to be taxed on net investment income.
 - Many companies are approaching the limit - and both they and their policyholders will be adversely impacted.
 - NAMIC supports adjusting this election level to reflect the last 27 years of inflation.
 - When indexed to inflation, the premium threshold would be \$2.12 million.
 - Helps the 600 plus small mutual companies continue to offer coverage to consumers in niche rural markets.
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What should the Farm Mutuals be doing?

Small P/C insurance company Tax - ACTION NEEDED

- Congress needs to know that this tax treatment is IMPORTANT!
 - It's a technical issue- but one that affects your bottom line.
 - It HAS to be included in tax reform NOW.
 - Please use the talking points coming up to WRITE a letter NOW to your elected officials.
 - Sample letters are also available.
 - **Everyone who turns in a letter will be entered to win an Ipad or Kindle! YOUR CHOICE (Just like your tax election!)**
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- As a voter in your district I am respectfully asking you to sponsor and support The Small Mutual Inflation Update and its inclusion in tax reform.
- Currently small property/casualty insurance companies, like mine, with annual premiums under \$1.2 million may elect to be taxed on their net investment income. This election level in the 1986 tax code was not indexed for inflation.
- Had it been indexed for inflation it would be 2.12 million today. This Update seeks to preserve this election and properly adjust it as well.
- My company & others who serve rural farming communities are **approaching /have passed** the current “limit” and our customers will also be adversely impacted if it is not kept in and adjusted.
- I rely on this to provide additional cash flow so that all available financial resources can be used solely for paying claims. Otherwise, I would have to cancel policies or increase their rates to offset the new taxes.
- Please confirm your support of this bipartisan effort benefiting the small business and farming community in your district. Contact **Noah Jacobson in the office of lead sponsor Rep. Erik Paulsen/Rachel Stanley in Rep. Ron Kind’s office.**



Questions