



Legislative & Regulatory Report

NATIONAL ALLIANCE OF LIFE COMPANIES *An Association of Life and Health Insurance Companies*

March 31, 2010

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The news in this publication, including links to background and supplemental information on state websites, is available on the NALC members website at <http://members.nalc.net>.

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Alabama

Hearing Notice

Notice is hereby given that a hearing will be held at 10:00 AM on Wednesday, May 12, 2010, at the offices of the Alabama Department of Insurance, 201 Monroe Street, Suite 1700, Montgomery, Alabama, as follows:

- Revision of Section 7 of Regulation No. 112 [Rule 482-1-112-.07], which revises the existing rule for the addition of language for the appointed actuary on asset insufficiency. (10 pages)
- Revision of Section 3 of Regulation No. 115 [Rule 482-1-115-.03], which revises the existing rule to modify the definition of health insurance to include creditable coverage as described by federal regulations. (4 pages)
- Revision of Section 5 of Regulation No. 120 [Rule 482-1-120-.05], which revises the existing rule for the deletion of certain valuation language and the addition of the impact of asset insufficiency. (6 pages)
- Revision of Section 4 of Regulation No. 139 [Rule 482-1-139-.04], which revises the existing rule for the addition of language on Commissioner's consent for policies issued after January 1, 2004, and prior to January 1, 2007. (2 pages)

Any person wishing to submit testimony at said hearing is requested to submit said testimony in writing to the Alabama Department of Insurance, Attention: Legal Division, Post Office Box 303351, Montgomery, Alabama 36130-3351. Any written submission of testimony prior to the hearing will not preclude anyone from making an oral or written presentation at the hearing.

This notice is available at <http://www.aldoi.gov/currentnewsitem.aspx?ID=758>. A copy of the regulations may be obtained by sending an e-mail request to Brenda.Camp@insurance.alabama.gov.

Arkansas

Bulletin 2-2010

2010 Company Appointment Renewals for Producers

Every licensed entity which appoints an insurance producer in this state shall annually file with the Insurance Commissioner a renewal appointment under the Producer License Model Act, specifically Ark. Code Ann. § 23-64-514(b), together with the fee amounts specified in Ark. Code Ann. § 23-61-401 and Arkansas Insurance Department Rule 57.

The insurance company's renewal of a producer's appointment indicates that the appointing company has reviewed the producer's background and fitness to continue to act as an agent of the company. An insurance producer's appointments shall remain in effect during any period of active duty in any branch of the United States military pursuant to Ark. Code Ann. § 23-64-507(b)(2).

Under pertinent law, each appointment shall remain in effect until terminated. CAVEAT – Under Ark. Code Ann. § 23-64-507(c), an individual insurance producer who allows his or her license to lapse may reinstate the same license within twelve (12) months after the due date of the renewal fee, without the necessity of passing a written examination, by paying a penalty in the amount of double the unpaid renewal fee. However, the appointments are terminated at the time of lapse and are not reinstated if the license is reinstated. The company must file new appointments and pay the appointment fee for the producer if the license is reinstated or reactivated.

The following procedures apply in 2010 for appointment renewals and terminations. A company must annually review its records on its appointed Arkansas producers and business entities (insurance agencies) and decide whether the company will renew each appointment. The company can research its appointed producers and business entities by going to the License Division page on the Arkansas Insurance Department (“Department”) website at www.insurance.arkansas.gov/license/divpage.htm, selecting “Company Appointment Search” in the yellow box, and keying in the insurance company’s NAIC number. All the appointments shown are active appointments for the company. If an appointment does not appear on this list, the appointment is not active. The company should verify the status of the individual’s or agency’s license by using Producer Search or the Agency/Business Entity Search.

The company can also verify Arkansas appointments by use of the NAIC Producer Database (PDB) for individual appointments; however, the NAIC PDB will not show business entity appointments (agency shared appointments) or the individual producers who share that business entity appointment. The company can also order, for five dollars (\$5.00), a list in electronic format or, for ten dollars (\$10.00), a printed copy from the Department’s Information Systems Division by calling 501-371-2657 or by sending an electronic request to insurance.Information.Systems@arkansas.gov and requesting a Company Appointment Listing.

To terminate an appointment, the company must process a termination with the Department. For individual appointments, the company may send the terminations on paper forms with a ten dollar (\$10.00) fee for each terminated appointment. The company can also process the individual termination electronically by accessing the Department’s website at www.insurance.arkansas.gov/license/divpage.htm and selecting the “On-line Producer Address Change Request Form” link to be directed to the National Insurance Producer Registry (NIPR) website. The NIPR website provides specific instructions and includes a list of approved business partners.

Business entity appointments (agency shared appointments) can be terminated electronically through a system called LEO. To use this service, contact the service provider Aithent at <https://leo.aithent.com> for registration, services and cost information. The License Division does not have registration, service or cost information for LEO, since it is a service offered by an outside vendor. If the insurance company processes the terminations by paper, the Department must receive the terminations by May 1st annually. Electronic terminations must be completed by May 28th annually.

On June 1, 2010 the Department will generate and mail each insurance company an invoice for the annual renewal fees for all the company’s active appointments as of May 31, 2010. This fee will renew the appointments until June 1, 2011. The company must return a copy of the invoice and the payment no later than thirty (30) days from the date of the invoice. The company’s check must be made payable to the “Arkansas Insurance Department.” By law, a penalty of up to double the fee may be charged to companies who fail to meet the invoice payment deadline.

In addition, each company should verify the mailing address for its company licensing by going to the License Division website at www.insurance.arkansas.gov/license/divpage.htm and clicking “Verification of Insurance Company Address for License Process” in the yellow box. If the information displayed is not correct, the company should notify the License Division by e-mail at insurance.License@arkansas.gov prior to May 1, 2010, to ensure correct mailing of the company appointment invoice.

If a company disputes the total dollar amount due for the renewal of appointments, the company must pay the amount of the invoice before the due date. The company should then send the License Division documentation supporting the disputed amount. The company’s request for review and supporting documentation must be sent

separate from the renewal invoice and fee. The Department will review the documentation and issue a refund if the matter is decided in the company's favor.

Questions concerning this Bulletin should be directed to the License Division at 501-371-2750 or by e-mail at insurance.License@arkansas.gov.

This Bulletin is intended to and shall rescind prior Bulletin 2-2009, entitled "2009 Company Appointment Renewals for Producers" and dated February 13, 2009. This and other bulletins cited are available at <http://www.insurance.arkansas.gov/Legal%20Dataseservices/PCBulletinYR.htm>.

Colorado

Notice of Rule-Making

Notice is hereby given that a public rule making hearing will be held before the Colorado Commissioner of Insurance on April 1, 2010, at 11:00 a.m. The hearing will take place at the Colorado Division of Insurance, 1560 Broadway, Suite 850, RM B, Denver, Colorado, 80202. The following proposals will be discussed:

4-1-8 Concerning The Disclosure Requirements For Life Insurance Illustrations

http://www.dora.state.co.us/insurance/regs/p4-1-8_040110pdf.pdf

4-2-2 Hospital Indemnity and Disability Income Policies

http://www.dora.state.co.us/insurance/regs/p4-2-2_040110.pdf

A written comment period will be permitted for three business days after the public hearing. The notice is available at <http://www.dora.state.co.us/insurance/regs/noh.htm>, and includes links to the text of the proposed rules. Please send all comments, questions, and requests for information to the Division via email to DOIRulesAndRecords@dora.state.co.us. Please reference the proposed or amended regulation in the subject line.

Delaware

Proposed Regulation 1408: Prompt Payment of Long-Term Health Insurance Claims

Insurance Commissioner Karen Weldin Stewart, hereby gives notice of intent to adopt Department of Insurance Regulation 1408 relating to payment of long-term care services. The docket number for this proposed regulation is 1337.

The purpose of the proposed regulation 1408 is to require timely payment of claims involving Long Term Care insurance. The text of the proposed amendment is reproduced in the March 2010 edition of the Delaware Register of Regulations. The text can also be viewed at the Delaware Insurance Commissioner's website at: <http://www.delawareinsurance.gov/departments/documents/ProposedRegs/ProposedRegs.shtml>.

The Department of Insurance does not plan to hold a public hearing on the proposed changes. Any person can file written comments, suggestions, briefs, compilations of data or other materials concerning the proposed amendments. Any written submission in response to this notice and relevant to the proposed changes must be received by the Department of Insurance no later than 4:00 p.m., Monday April 5, 2010, and should be addressed to Mitch Crane, Esquire, Delaware Department of Insurance, 841 Silver Lake Boulevard, Dover, DE 19904, or sent by fax to 302.736.7979 or email to mitch.crane@state.de.us.

Proposed Regulation 505: Fiduciary Fund Requirements For Producers

Insurance Commissioner Karen Weldin Stewart, hereby gives notice of intent to adopt Department of Insurance Regulation 505 relating to fiduciary fund requirements for insurance producers. The docket number for this proposed regulation is 1341.

The purpose of the proposed regulation 505 is to prescribe fiduciary fund requirements and exceptions for insurance producers. The text of the proposed amendment is reproduced in the April 2010 edition of the Delaware Register of Regulations. The text can also be viewed at the Delaware Insurance Commissioner's website at: <http://www.delawareinsurance.gov/departments/documents/ProposedRegs/ProposedRegs.shtml>.

The Department of Insurance does not plan to hold a public hearing on the proposed changes. Any person can file written comments, suggestions, briefs, compilations of data or other materials concerning the proposed amendments. Any written submission in response to this notice and relevant to the proposed changes must be received by the Department of Insurance no later than 4:00 p.m., Monday May 3, 2010, and should be addressed to Mitch Crane, Esquire, Delaware Department of Insurance, 841 Silver Lake Boulevard, Dover, DE 19904, or sent by fax to 302.736.7979 or email to mitch.crane@state.de.us.

Maryland

Retained Asset Accounts (Bulletin 10-10)

COMAR 31.09.14 – Retained Asset Accounts – which was proposed for adoption on November 5, 2009, was finalized in the Maryland Register on January 29, 2010, with an effective date of February 8, 2010. The Maryland Insurance Administration has received several questions from insurers about these final regulations. This bulletin includes the questions and the Insurance Administration's responses to the questions.

The bulletin is available at

<http://www.mdinsurance.state.md.us/sa/jsp/news/Bulletins.jsp?divisionName=Bulletins&pageName=/sa/jsp/news/Bulletins.jsp>. Questions about the bulletin may be directed to the Life/Health Section of the Maryland Insurance Administration at 410-468-2170.

Michigan

Public Hearing: Credit For Reinsurance

The Department of Energy, Labor and Economic Growth, Office of Financial and Insurance Regulation, will hold a public hearing on Tuesday, April 27, 2010, at 3:00 p.m. at the Michigan Library and Historical Center, 702 West Kalamazoo, Lansing, Michigan in the Forum Auditorium on the Ground Floor. This hearing is on a proposed revision to R 500.1124, Requirements for Letters of Credit.

Currently R 500.1124 requires letters of credit subject to and governed by the Uniform Customs and Practice for Documentary Credits (UCP) of the International Chamber of Commerce (ICC) to refer to UCP 500. The proposed revised rule removes the reference to UCP 500 and replaces it with the current international standard of UCP 600.

These rules are promulgated by authority conferred on the Commissioner of the Office of Financial and Insurance Regulation by Section 210 of the Insurance Code, 1956 PA 218, MCL 500.210. The rules are proposed to take effect immediately upon filing with the Secretary of State.

The proposed revised rule - Rule Set 2009-059 LG - is published on the Michigan Government web site at <http://www.michigan.gov/soahr> and will be published in Michigan Register on April 15, 2010.

Written comments may be submitted to the following address by 5:00 P.M. on Tuesday, April 27, 2010. Copies of the draft rules may also be obtained by mail or electronic transmission at the following address: Office of Financial and Insurance Regulation, Office of General Counsel, Department of Energy, Labor and Economic Growth, P.O. Box 30220, Lansing, MI 48909-7720. Phone: Amy Miilu at 517/335-5872, FAX: 517/335-3157, E-mail: Miilua@Michigan.gov.

New Jersey

Producer Appointment Procedures (Bulletin 10-07)

The purpose of this Bulletin is to ensure that insurers are aware of the producer appointment renewal procedures outlined in N.J.A.C. 11:17-2.9.

Pursuant to N.J.A.C. 11:17-2.9(a)5, producer appointment notifications shall be renewed with the Department of Banking and Insurance (“Department”) annually on May 1. Insurers shall utilize the online appointment renewal process available through the National Insurance Producer Registry (“NIPR”). The rule further provides that the renewal appointment fee as set forth in N.J.A.C. 11:17-2.12 shall be collected from the insurer. All active appointments on record with the Department as of April 1 of the same year shall be subject to renewal.

Commencing on April 5, 2010, the NIPR website at www.nipr.com will contain the renewal invoices and listings of appointments due for renewal on May 1, 2010. The invoices will not be displayed on the NIPR website after close of business (5:00PM EDT) Monday, May 31, 2010 and those appointments will not renew.

Prior to March 26, 2010, insurers that subscribe to NIPR or contract through an NIPR Authorized Business Partner may obtain a listing of the appointments currently on record with the Department and terminate any appointments listed that are no longer active via the Company Appointment Reconciliation Report (“CARR”) available on the NIPR website. If you do not have a subscription to the NIPR CARR or do not utilize the services of an Authorized Business Partner, you may contact NIPR at 816-783-8467 or marketing@nipr.com for a subscription or a list of Authorized Business Partners.

Insurers are reminded that all agency terminations must be posted on NIPR's producer data base before 5:00 PM EDT on March 26, 2010 or they will be included on the renewal invoice. The renewal invoice cannot be altered and the company must provide payment for the full amount billed. Appointments added on or after April 1, 2010 will not need to be renewed in 2010 and will not be reflected on the renewal invoice or list of appointment renewals due.

The appointment renewal process beginning April 5, 2010, when the electronic invoices will be available on the website is as follows:

1. On the Internet, go to www.nipr.com
2. Follow the links to company appointment renewals and sign-in using your company identifiers: company NAIC number, FEIN, and/or company name.
3. After entering the necessary identifying information, the company may:
 - View the detail report of appointment renewals;
 - Print the Report;
 - Download the Report as text (delimited);
 - Download the Report as XML; and
 - Make electronic payment.

4. Payment must be made online via credit card or electronic check. (Paper check payment is not available). To use the NIPR electronic “Pay by Check” payment option, authorization by your financial institution may be required. NIPR recommends that you verify with your bank if your account will need a pre-authorization to use this electronic check service before submitting your appointment renewal. More specific information regarding electronic check payment is available on the NIPR website under Company Appointment Renewals.

It should be noted that help screens and NIPR Customer Support are available to guide your staff through the process.

Questions regarding the electronic appointment renewal process or electronic payments should be directed to: NIPR Customer Service at 816-783-8468 or customerservice@nipr.com. Questions regarding specific appointment matters or termination of appointments as a result of failure to timely pay may be directed to Anne Marie Narcini, Chief of Market Regulation and Consumer Protection, New Jersey Department of Banking and Insurance at: annemarie.narcini@dobi.state.nj.us.

The bulletin is available at <http://www.state.nj.us/dobi/bulletin.shtml>.

Rhode Island

Public Notice of Proposed Rule-Making

Pursuant to the provisions of R.I. Gen. Laws § 27-30-12 and 42-14-17, and in accordance with the Administrative Procedures Act Chapter 42-35 of the General Laws, the Department of Business Regulation hereby gives notice of its intent to amend Insurance Regulation9 – Consumer Credit Insurance.

The purpose of this amendment is to bring regulation into compliance with the amendments to R.I. Gen. Laws § 27-30-1 et seq in 2009. The amendments are based upon the National Association of Insurance Commissioners Model Regulation.

The proposed amended regulation and concise summary of non-technical amendments are available for public inspection at www.dbr.ri.gov, in person at Department of Business Regulation, 1511 Pontiac Avenue, Cranston, Rhode Island 02920, or requested by email edwyer@dbr.state.ri.us or by calling Elizabeth Kelleher Dwyer at (401) 462 9520.

All interested parties are invited to submit written or oral comments concerning the proposed regulations by April 28, 2010 to Elizabeth Kelleher Dwyer, Department of Business Regulation, 1151 Pontiac Avenue, Cranston, Rhode Island 02920, edwyer@dbr.state.ri.us. A public hearing to consider the proposed amendment shall be held on April 28, 2010 at 10:00 am at 1511 Pontiac Avenue, Cranston, Rhode Island 02920 at which time and place all persons interested therein will be heard.

The notice and rule are available at <http://www.dbr.state.ri.us/rules/proposed.php>.

South Dakota

Proposed Rules

A public hearing will be held in the Main Floor Conference Room, Anderson Building, Pierre, South Dakota, on April 13, 2010 at 10:00 a.m., to consider the adoption and amendment of proposed rules to the following:

Chapters 20:06:12, 20:06:19, 20:06:25, 20:06:26, 20:06:36

The effect of this rule change is to update the sources referenced in rule. The reason for adopting this rule is to ensure all parties are referring to the updated references.

Chapter 20:06:21

The effect of this rule is that long term care insurers will have standards for timely claims processing and must put in place an external review procedure. The reason for adopting this rule is to ensure that claims are handled timely and fairly

Chapter 20:06:39

The effect of this rule change is to require association plans operating in the individual market to file rates for approval. The reason for adopting this rule is to ensure those insured under individually marketed association plans have fair rates.

After the hearing, the Division of Insurance will consider all written and oral comments it receives on the proposed rules. The Division may modify or amend a proposed rule at that time to include or exclude matters that are described in this notice.

The rules are available at <http://www.state.sd.us/drr2/reg/insurance/Legal/hearing.htm>.

Governor Vetoes Subrogation-Related Legislation

South Dakota Governor Mike Rounds has vetoed legislation that would have forced insurers to wait until after an insured party is “made whole” before pursuing subrogation. “I agree with the sponsors of SB 169 that the current system in South Dakota, which allows insurers to recover their subrogation interest ahead of any recovery by an injured party, is inequitable and should be changed,” Rounds wrote in his veto message. “I veto SB 169, because, I believe, it swings the pendulum too far in the opposite direction.”

He suggested a compromise “which moves injured parties to the front of the line, while not placing the subrogation interests of insurers entirely at the end of the line, is the appropriate policy balance which should be struck.” The state Senate attempted to override the veto, but fell three votes short of the two-thirds majority required.

The American Insurance Association commended Rounds' veto, saying the bill would have prohibited insurers from recovering funds from liable parties, which would have unfairly and unnecessarily increased insurance costs for South Dakotans had it been enacted into law.

While Rounds said he was “skeptical” of arguments that the bill would result in a drastic increase in insurance premiums, “I do have a concern that the total reversal of policy in SB 169 will just trade one imbalance for another. Injured parties should not remain strictly at the back of the line, but I do not think the order of the line should simply be reversed.”

Subrogation is the practice of insurers recovering funds from the party or parties responsible for an insured's loss. Earlier this month, the South Dakota House of Representatives approved the bill, which had been opposed by insurers who feared new obstacles to winning funds to reimburse benefits paid to policyholders.

The bill's primary sponsor, state Sen. Nancy Turback Berry, D-Watertown, said the legislation would fairly change rules so insurance companies no longer have a claim to the first dollars of a settlement or judgment. About 12 states currently have similar make-whole statutes, she said.

Vermont

Life and Health Actuarial Opinion & Memorandum Regulation

The purposes of this regulation is to prescribe requirements for statements of actuarial opinion, which are to be submitted in accordance with 8 V.S.A. 3561, 3577, subchapter 4 of Chapter 103 and Chapter 121 and for memoranda in support thereof; rules applicable to the appointment of an appointed actuary; and guidance as to the meaning of “adequacy of reserves”. The department has not yet scheduled a hearing or set a deadline for public comment. For additional information, contact Peter F. Young, Assistant General Counsel, (802) 828-4871 or Peter.F.Young@state.vt.us.

The rule is available at <http://www.bishca.state.vt.us/proposed-rules-and-regulations>.

Virginia

Online Printing of Producer Licenses (Administrative Letter 2010-02)

The purpose of this Administrative Letter is to advise insurers and insurance producers that they may now print licenses online. The implementation of this functionality has been the most frequently requested service enhancement by insurers and producers since the Bureau of Insurance (Bureau) implemented the Sircon for States system. We are pleased to make this feature available.

Currently, when the Bureau of Insurance issues a license, it is mailed to the producer. Effective immediately, the Bureau will no longer mail licenses. Electronic applications for licensure are submitted to the Bureau through either Sircon’s Compliance Express (CX) or the National Insurance Producer Registry (NIPR). For applications submitted through CX, Sircon sends an e-mail notification to the producer when the license has been issued. The producer will then print the license at www.sircon.com/virginia. This service is free for up to 30 days after the license application submitted through CX has been approved. After 30 days, the licenses and/or duplicate licenses may be printed for a Sircon service fee, which is currently \$5.50.

For applications submitted through NIPR, an e-mail notification is not sent to the producer when the license has been issued. Producers may check their licensing status through the Bureau’s “Producer Lookup” feature at <http://scc.virginia.gov/division/boi/webpages/ConsumerInquiry/ProducerSearch.aspx>. When the license status reflects that the license has been issued, the producer will then print the license at www.sircon.com/virginia. The Sircon service fee (currently \$5.50) will be applied.

The letter is available at <http://www.scc.virginia.gov/division/boi/webpages/boiadministrativeltrs.htm>. Licensing information is included in the pamphlet, General Information Pertaining to All Licenses, on the Bureau’s website at www.scc.virginia.gov/division/boi/webpages/licenseforms/licenseinfo.pdf.

Questions relating to this Administrative Letter should be directed to: J. Preston Winn, Supervisor, Agents Licensing Section, Bureau of Insurance, P. O. Box 1157, Richmond, VA 23218, 804-371-9631 (Telephone), 804-371-9290 (Facsimile).

Wisconsin

Notice of Rulemaking Hearing

2001 CSO Preferred Class Structure Mortality Table in Determining Reserve Liabilities

The Wisconsin OCI will hold a public hearing to consider the adoption of the proposed rulemaking order affecting Section Ins 2.81, Wis. Adm. Code, relating to use of the *2001 CSO Preferred Class Structure Mortality Table in determining reserve liabilities*. The hearing will take place April 14, 2010, at 10:00 a.m., or

as soon thereafter as the matter may be reached. The location is OCI, Room 227, 125 South Webster St., 2nd Floor, Madison, Wisconsin

Written comments can be sent to: James W. Harris, Legal Unit - OCI Rule Comment for Rule Ins 281, Office of the Commissioner of Insurance, PO Box 7873, Madison, WI, 53707-7873; james.harris@wisconsin.gov. Comments submitted through the Wisconsin Administrative Rule Web site at: <http://adminrules.wisconsin.gov> on the proposed rule will be considered. The deadline for submitting comments is 4:00 p.m. on the 14th day after the date for the hearing stated in this Notice of Hearing.

Existing provisions establish mortality tables to be used by insurers to calculate minimum reserves and requirements related to testing and reporting of actuarial information. Current rules allow insurers, meeting prescribed conditions, to use the 2001 CSO Preferred Class Structure Mortality Table as adopted by the National Association of Insurance Commissioners (NAIC) at the September, 2006, national meeting and published in the NAIC Proceedings (Third Quarter 2006), in determining minimum reserves on policies written after January 1, 2007. The proposed rule makes the 2001 CSO Preferred Class Structure Mortality Table available for use in determining minimum reserves on policies written starting January 1, 2005 and prior to January 1, 2007 with consent of the commissioner if additional conditions are met. The proposed rule will increase the ability of insurers and the commissioner to monitor financial status by reference to required reports as well as the financial examination process.

The notice and proposed rule are available at <http://oci.wi.gov/ocirules.htm#pending>.