

CEJ and CIR Comments on NCOIL Unclaimed Life Insurance Benefits Model Act Revisions October 6, 2014

Dear Representatives Keiser and Damron,

The Center for Economic Justice and the Center for Insurance Research write to ask you to reconsider the inclusion of data reporting requirements in the NCOIL Unclaimed Life Insurance Benefits Act. We make this request because the decision to exclude data reporting requirements conflicts with NCOIL's efforts to modernize market regulation. Inclusion of data reporting requirements in the Unclaimed Life Insurance Benefits Act would promote the modernization of and efficiencies in insurance market regulation that NCOIL seeks.

State legislators and industry representatives complaint about current market regulation practices with particular complaint against expansive, repetitive and expensive market conduct examinations. The only way to reduce the need for comprehensive market conduct examinations, while still empowering regulators with the tools necessary to protect consumers from harmful insurer and agent market practices, is to collect detailed data on insurer market performance. With granular data on insurance sales and claims settlement practices, regulators can rely on sophisticated market analysis to identify problem markets, problem insurers and problem agents. Regulators can then focus enforcement efforts on those problems while leaving the vast majority of regulated entities alone. The key to this improvement in efficiency and effectiveness of market regulation is more and better data collection.

During the discussion of data reporting requirements in the Unclaimed Life Insurance Benefits Act, those arguing against including the data reporting requirements claimed that the reporting requirements would be burdensome on insurers, that some of the data could be obtained from other sources and that regulators could monitor insurer practices under the model law during market conduct exams.

We suggest that the arguments offered in opposition to including data reporting requirements in the model contradict NCOIL's efforts for modernizing market regulation. It is contradictory to argue that market conduct exams need to be reduced and streamlined, while continuing to add market surveillance responsibilities to regulators to be carried out by addition to the already long-list of market conduct exam activities. It would be consistent with NCOIL's market regulation reform initiatives to include data reporting requirements in the model law.

We also suggest that it is more efficient for regulators to obtain data from insurers, even if those data are available from another non-insurance source because insurer reporting to, say, unclaimed property administrators, may be on a different basis than the data state regulators require or request. It makes sense for an insurer to report all the necessary data elements to the insurance regulator to ensure that all the data elements are reported on a consistent basis.

Of course, if some of the data are already reported to insurance regulators, repetition of these data reporting items should be avoided.

Finally, we remain puzzled by industry's ongoing opposition to providing more detailed data to regulators for market surveillance. While industry complains about the burden of data reporting, there is no recognition that more data reporting by insurers can reasonably be matched with fewer and less burdensome market conduct exams. While there is always a cost to initiating data reporting, in our view, the benefit from additional data reporting in terms of reduced routine examinations due to enhance market analysis will far, far outweigh the costs of data reporting. In an era of big data in which insurers amass and acquire huge volumes of detailed data about policyholders and applicants because of the demonstrated benefits of predictive analytics, it is ironic that insurers continually object to reporting the type of data that would enable regulators to utilize the same efficient and effective analytic technologies.

For these reasons, we respectfully request your consideration of the inclusion of data reporting requirements in the model law.

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