

The Consumer Participation Program of the National Association of Insurance Commissioners

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The National Association of Insurance Commissioners (NAIC) is the association of chief insurance regulators of the 50 states, the District of Columbia, and four territories. It seeks to improve state insurance regulation by facilitating uniformity in insurance regulation. To do this, it drafts and adopts model bills and regulations, designs the annual statement form filed by insurance companies, coordinates examinations of insurance companies, accredits state insurance departments that meet NAIC's standards, and values securities held in insurance company portfolios.

Each year, NAIC adopts charges or goals for the coming year. Two of NAIC's charges in 1994 were to: (a) develop model legislation regarding the extended warranty and service contract industry and (b) study the merits of group auto insurance as a means of addressing some of the cost, underwriting problems, and consumer dissatisfaction associated with auto insurance.

The organization meets quarterly for a series of group work sessions dealing with specific charges they have identified. Official members of the groups are usually the insurance regulators, but most meetings are open to others and input from the industry and consumer groups is usually welcome and often solicited. A typical NAIC conference might be attended by 1,500 individuals including approximately 1,000 from industry and 300 from state insurance departments.

To ensure that the consumer's perspective is heard, NAIC created its Consumer Participation Program in 1992. Through the program, NAIC allocates a portion of its budget to pay the travel expenses of selected consumer representatives to participate in the quarterly meetings. The program funds 12 to 15 consumer participants each year, representing such diverse organizations as the Economic Empowerment Association, the Consumer Fraud Watch, the Texas Consumers Association, and Action for Older Persons.

Consumer participants are often asked by regulators to share the consumer perspective and have the opportunity to shape NAIC policy.

The author was a funded consumer participant in 1994, representing the American Council on Consumer Interests. Through the year, she attended working sessions on health care reform, title insurance, credit insurance, insurance and catastrophes, and group auto insurance.

In 1994, NAIC focused on long-term care insurance by writing model regulations and legislation which could ensure fair premium increases and some return of value to consumers when they cancel policies as well as discourage agents from inappropriately selling policies to consumers who can't afford them. However, NAIC does not regulate the insurance industry; for its model regulations and legislation to have any real effect, they must be adopted by the states.

NAIC often leads the way on emerging insurance issues. For example, NAIC held hearings on genetic testing in 1994. The primary question addressed was whether insurance companies should be allowed to use the results of genetic testing to underwrite an insurance policy. NAIC also addressed issues surrounding viatical settlements in 1994. In a viatical settlement, companies buy terminally ill consumers' life insurance policies, paying the consumer a percentage of the policy's face amount.

NAIC is obviously influential in shaping public policy but it also serves an educational role, writing consumer publications that state insurance departments can use as models for their own publications. And, the organization schedules educational sessions during its quarterly meetings for both the industry and regulators.

Since much of the impact of NAIC is through its influence on state insurance departments and corporate policy, it is not very visible to consumers. The organization does, however, have an interest in consumer issues. Anyone can contact them at 120 West 12th Street, Suite 1100, Kansas City, MO 64105-1925 to let them know about an insurance issue that should be addressed. Consumers can also request copies of model regulations and legislation from NAIC. Although much of a state's own regulation/legislation may be based on NAIC models, there are likely to be deviations. The NAIC models often describe ideals that may be useful to consumers in judging products and markets. If a state is considering new regulation or legislation regarding insurance, it is important to ask how closely the proposals follow the NAIC models.