

MINUTES

SENATE & HOUSE INSURANCE AND COMMERCE COMMITTEES
MEETING JOINTLY
ROOM MACB, Little Rock, Arkansas
Tuesday, July 16, 2013

The Senate and House Interim Committees on Insurance and Commerce met jointly Tuesday, July 16, 2013, at 2:00 p.m. in Room MAC B in Little Rock, Arkansas.

Committee members present: Senators Jason Rapert , Chair and Keith Ingram, Vice Chair; Cecile Bledsoe, Johnny Key and Jon Woods. Representatives Tommy Wren, Chair and Robert Dale, Vice Chair; Henry Wilkins, IV, Harold Copenhaver and Joe Farrer.

Non-Voting members present: Representatives Jon Eubanks, James Ratliff, Bruce Cozart, Mark Lowery, George McGill and Micah Neal.

Also attending: Senators Alan Clark and Eddie Joe Williams; Representatives Tommy Thompson, Butch Wilkins, David Fielding, Fredrick Smith, Joe Jett and John Hutchison.

Senator Rapert called the meeting to order.

CONSIDERATION TO APPROVE SEPTEMBER 26, 2012, MINUTES [EXHIBIT C]

Senator Ingram made a motion to approve the September 26, 2012, meeting minutes. Senator Bledsoe seconded the motion, and the motion carried.

REVIEW OF 2013 ENACTED LEGISLATION AND IMPLEMENTATION STATUS

Ms. Susannah Marshall, Deputy Commissioner, Arkansas Bank Department, stated there was one piece of legislation that affected the banking industry.

Act 153 revised out-of-state ATM usage fees charged by the Arkansas state charter banks which have full-service branches in other states. This revision allows Arkansas state charter banks to charge the allowable usage fee as established by the law of the state in which the bank operates a full-service branch. This revision does not change the usage fees that Arkansas state charter banks may charge in the state of Arkansas. These fees remain the lesser of \$2 or 2%. This act is currently in effect, because it contained an emergency clause.

Senator Rapert asked Ms. Marshall to update the committee on the status of the banks in Arkansas pertaining to closures or other issues. Ms. Marshall stated the banks in Arkansas have remained safe and sound. There are a few institutions that have some challenges, but the department is closely monitoring those institutions.

Senator Rapert inquired about the merger between Centennial and Liberty Bank under Home BancShares, Incorporated. Ms. Marshall stated the application has officially been filed with their office and is currently in the review process. It will be slated for approval at a specially-called bank board hearing. She stated both are Arkansas state charter banks, and the resulting institution from the merger will remain an Arkansas state charter bank.

Senator Rapert requested that the department, at a future meeting, provide the committee an update on the Dodd Frank Act [Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010].

Mr. David Smith, Chief Counsel, Arkansas Securities Department (ASD), stated most of the legislation concerning the department was clean-up language. There were a couple of substantive matters: One was in the Fair Mortgage Lending Act [Act 1167] which removed an exemption so operating subsidiaries of federally chartered banks or state chartered banks that are chartered outside of Arkansas involved in mortgage loan

activity will have to be licensed with the ASD. The department has begun a process of identifying those non-licensed entities. Currently all identified non-licensed entities have applied for licensure.

Another legislative change was to the securities act [Act 460] which allows for private cause of action by clients of investment advisors. If there is a violation and they have a cause of action, they can implement that private action without involving the department.

Senator Rapert stated that constituents are interested to know what, if any, action the department has taken against Mr. Steele Stephens, the investment advisor involved in the State Treasurer's Office scandal.

Ms. Ann McDougal, Deputy Commissioner, ASD, responded federal authorities have given Mr. Stephens immunity under the federal criminal code. Ms. McDougal stated this is an open and on-going investigation by their office and Mr. Stephens is no longer in business. His application for license termination was received on May 21, and his father's, Mr. Steve Stephens, was terminated on April 3, therefore they are no longer in the business. Ms. McDougal stated their office has hired an independent consultant to assist in any administrative hearings held on this matter. Mr. Stephens has been terminated from St. Bernard Financial but his Series 7 license has not been revoked. Ms. McDougal stated the department has a one year period from the time he terminated his license to revoke the license. Mr. Steele Stephens and Mr. Steve Stephens have both signed agreements waiving the one year period in light of the federal criminal prosecution that is on-going. Ms. McDougal noted the department will pursue this matter to the fullest extent it is able to.

Ms. Lori Eden, Operations Manager, Employee Benefits Division (EBD), Arkansas Department of Finance of Administration, noted the following 2013 legislation:

ACT 452 - AN ACT TO REQUIRE AUTOMATIC ENROLLMENT OF A NEW STATE EMPLOYEE IN A DEFERRED COMPENSATION PLAN; TO PROVIDE OPT-OUT PROVISIONS FOR A NEW STATE EMPLOYEE; AND FOR OTHER PURPOSES.

Ms. Eden stated their agency has been meeting with the Arkansas Administrative Statewide Information System (AASIS), ING, and Stephens to work toward the enrollment and opt-out process. They anticipate meetings with state agencies, starting in August, to educate them how to inform new employees of the program and the opt-out procedures.

ACT 331 - AN ACT TO AMEND THE LAW REGARDING HEALTH INSURANCE ELIGIBILITY FOR CERTAIN RETIREES; AND FOR OTHER PURPOSES.

To ease the implementation of this act, EBD created a special election form to simplify the enrollment process for retirees. They will be working closely with the state's various retirement systems.

Representative Wren stated teachers are concerned about paying higher health insurance premiums than state employees. Ms. Eden stated health insurance premiums are based on plan funding. School districts [public school employees] are funded less than state employees, which is the basic problem. Representative Wren stated that he and Senator Key, along with other legislators, found approximately \$15 million dollars to help reduce the cost of health insurance to teachers. He stated even after these monies were found, an increase in premiums is still pending and he finds this very concerning. Ms. Eden stated the department is currently trying to set-up meetings to work with superintendents and school districts to improve the communication process concerning health insurance premiums.

Mr. Jay Bradford, Commissioner, Arkansas Insurance Department (AID) and Ms. Cindy Crone, Deputy Commissioner, AID, were recognized and explained the following legislation: **[Handout D4]**

Act 1500 - AN ACT TO ENACT THE ARKANSAS HEALTH INSURANCE MARKETPLACE ACT; TO PROMOTE COMPETITION AMONG HEALTH INSURANCE CARRIERS; TO DECREASE THE COST OF HEALTH INSURANCE; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

She noted this act provides for the Arkansas Health Insurance Marketplace Board of Directors.

Act 1439 - AN ACT CONCERNING THE HEALTH INSURANCE MARKETPLACE NAVIGATOR PROGRAMS; AND FOR OTHER PURPOSES.

This act followed a National Conference of Insurance Legislators (NCOIL) model for legislation.

Act 1497/1498 - AN ACT CONCERNING HEALTH INSURANCE FOR CITIZENS OF THE STATE OF ARKANSAS; TO CREATE THE HEALTH CARE INDEPENDENCE ACT OF 2013; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Ms. Crone notes this is the “private option” act, and has been inviting for insurers to come to the state. This doubles the size of the marketplace. Five medical plans and six dental plans have applied for marketplace status.

Commissioner Bradford stated that the federal waiver for the private option has not yet been approved, but he expects approval.

Representative Fielding asked about the number of guides assigned to each county. Ms. Crone stated she would provide that information. Each county will have a speaker’s bureau who will be reaching out to churches and community-based organizations, and licensed agents and brokers will be available to also provide assistance.

Ms. Crone stated a new call center will be located in northwest Arkansas. It is one of three in the nation, and Arkansas will be a user. The call center will be staffed with individuals covering 150 different languages.

Senator Rapert stated there were folks from Centers for Medicare and Medicaid Services (CMMS) and Health and Human Services (HHS) at the recent NCOIL meeting. He specifically stated he asked when Arkansas would know about the private option, and he did not get a response.

Senator Rapert referring to his handout, “Health Insurance is Changing”, stated 25.7 million people will be eligible for premium tax credits based on their income. 40% of people who currently purchase coverage on their own will not be eligible. He stated, “What you have occurring is an increase in premiums across the board and the nation, but a lot of people that are going to get those increases in premiums are not going to participate in any subsidy.” He noted without the individual state options and without individual states being granted waivers to not have to broaden coverage in some areas he does not know how premiums will ever be affordable. **[Handout D4]**

Senator Bledsoe asked if guides are being paid with federal grant money, will they be state employees? Ms. Crone said it would be according to the entity that gets the contract; if it’s not a state agency, they would not be state employees. Senator Bledsoe asked if the guides would be eligible for unemployment benefits. Ms. Crone said when the funding goes away, the jobs go away.

Senator Bledsoe asked if there was a difference between the guides and navigators. Ms. Crone responded that training and credentials are the same for guides and navigators; the federal government calls theirs “navigators” through a grant program and we call ours “guides” through a contract program.

Senator Rapert stated there is uncertainty as it relates to the multi-state plan. Ms. Crone stated their office has not yet approved any plan, and BlueCross BlueShield is doing a multi-state plan which is a different plan from the Arkansas BlueCross BlueShield plan. Senator Rapert asked if the multi-state plan would have the authority to match premiums of other offered plans. If so, this does not seem to be a fair and open competitive stance. Ms. Crone stated that a multi-state plan submits the same application as a domestic or any other plan, so they don’t get the opportunity to wait and then come in and match a price in Arkansas.

Ms. Crone noted the federal government, for a state-partnership exchange, is charging a 3½ % fee for products sold inside the exchange which helps to pay for any parts that Arkansas or the federal government spends for this federal partnership. Senator Rapert stated that if the Arkansas exchange [state-based] comes into being in 2015 [2016] the 3½% surcharge will stop. He noted this is “passed on” through premiums.

NATIONAL CONFERENCE ON INSURANCE LEGISLATORS (NCOIL) UPDATE ON CURRENT ISSUES

Senator Rapert , NCOIL Executive Committee, encouraged the committee members to become involved with NCOIL where various issues the committee and the legislature are dealing with are covered.

Senate Rapert stated a resolution was passed to reaffirm support for the federal Terrorism Risk Insurance Act of 2002 (TRIA) which extends the terrorism exceptions as it relates to insurance risks at the federal level.

Senator Rapert noted other issues addressed and topics for future meetings include:

- Unclaimed life insurance benefits
- Best practices as it relates to opioid abuse
- Long-term care insurance; should there be tax credits
- Index annuities

CONSIDERATION TO ADOPT FOR INTERIM STUDY

Senator Rapert requested the committee adopt the following Interim Study Proposals (ISP):

1. ISP 2013-005-(Sen.Chesterfield) *TO REQUIRE FULL PAYMENT OF PREPAID FUNERAL BENEFITS FUNDED BY A LIFE INSURANCE POLICY* [EXHIBIT F1]
2. ISP 2013-058 (Sen. Maloch) *CONCERNING THE SALE OF EVENT TICKETS* [EXHIBIT F2]
3. ISP 2013-053 (Senator Clark) *TO ENCOURAGE A HOMEOWNER TO MAINTAIN VOLUNTEER FIRE DEPARTMENT MEMBERSHIP FOR AN INSURER TO APPLY A RATE CREDIT OR REDUCED RATE ON HOMEOWNERS INSURANCE PREMIUMS* [EXHIBIT F3]

Senator Key made a motion to adopt ISP 2013-005, ISP 2013-058, and ISP 2013-053 for interim study. Without objection the motion carried.

UPDATE ON DISLOCATED WORKERS' SERVICES OFFERED BY THE STATE OF ARKANSAS TO THOSE AFFECTED BY RECENT LAYOFFS

Mr. Grant Tennille, Executive Director, Arkansas Economic Development Commission (AEDC), stated a lot of the immediate response to company layoffs are handled by AEDC and the Arkansas Department of Workforce Services (ADWS) with ADWS usually being the lead agency. Companies are required, either by agreements with the state or by federal regulations, to provide AEDC a notice in advance of a layoff called a "WARN notice". AEDC receives this anytime from a few days in advance to a 24-hour notice. Mr. Tennille stated, with the assistance of ADWS, the first job fair in Conway was held within 36 hours of being told the layoff would occur. Confidentiality agreements prevent AEDC from disclosing certain details, but Mr. Tennille stated there are other things in the works in Conway that will assist a large percentage of the workforce laid-off at Hewlett Packard (HP). AEDC, with the assistance of ADWS, tries to make direct contact with every affected employee to ascertain his skill level and what kind of work he wants or would be qualified to perform.

Senator Rapert asked if there was a database where employers show their job openings.

Mr. Artee Williams, Director, ADWS, stated the department manages a job database for private sector employers at no cost to the employer and funded with federal funds called "Arkansas JobLink". Jobs are posted and updated daily and can be searched by city, zip code, geographical region, occupation, etc. There are approximately 13,000-14,000 jobs listed in this database. Mr. Williams stated if an Arkansas employer does not provide ADWS with its job order, ADWS has the ability to retrieve this information by "spidering" and load it into the database to make it available to Arkansans. [Additional Information – 1]

Mr. Tennille stated the Conway HP facility is one of their lowest operating-cost facilities around the world, and as they restructure they will have other business units looking to put people into a low operating-cost facility. He stated AEDC will continue to support HP because they are still one of the largest employers in central Arkansas who provides great jobs in addition to being a valuable partner to the city of Conway and the state of Arkansas.

Report Received

The 2013 Use and Impact of Credit In Personal Lines Insurance Premiums report was received. **[EXHIBIT H]**

There being no further business, the meeting adjourned at 4:05 p.m.

Note: Follow-up agency responses to members' questions are attached as Appendices.

Appendix 1:	Senator Rapert re: Multi-State Plans' authority to match prices
Appendix 2:	Senator Bledsoe re: In-Person Assisters / Unemployment
Appendix 3:	Representative Copenhaver re: Dental plan solvency evaluation
Appendix 4:	Representative Farrer re: Private Option cost-sharing
Appendix 5:	Senator Williams re: Private Option income verification
Appendix 6A&B:	Representative Fielding re: In-person assister organizations in certain counties