



Sandy – From the Perspective of a Regulator

by AnneMarie Narcini

The last weekend of October would normally include activities like Halloween parties, raking leaves, apple or pumpkin picking and football games. Thoughts of hurricanes would be packed away with summer clothes. But in 2012 in New Jersey, most eyes were on weather channels and websites, tracking the path and increasing size of Sandy.



As Sandy crept up the Atlantic Coast, it grew and morphed as its warm air met with the cold northern air from the Jetstream, blocked from moving eastward by the Greenland Block. Sandy made a virtually unheard of sharp left turn, and on the evening of October 29, 2012, slammed into the coast of New Jersey north of Atlantic City as a post-tropical cyclone. With a full moon and higher than normal high tide at the time of landfall, the resulting storm surge caused devastating flooding along the New Jersey coast, the Raritan Bay and many areas along the Hudson River. Since Sandy was so large, nearly 1,000 miles

wide at times, damage was felt throughout the state. In all, two dozen states were impacted by the storm, including major snow accumulations in six states, with the most serious damage in New Jersey and New York.

In New Jersey, we are still dealing with the consequences of Sandy as the state rebuilds and recovers. Looking back over the past months since the storm, there are many lessons we as regulators have either learned or confirmed. Some plans continue to work well; some new ideas were quite successful and some strategies may be retooled in our planning going forward.

Pre-Disaster Planning

Following disasters in the 1990's and 9/11, the New Jersey Department of Banking and Insurance established a Disaster Response Plan for continuity of operations. Such items as identification of essential personnel needed in the event of an emergency, methods of communication with staff, provisions for short and longer term relocation of offices and emergency data backup are included in the plan. The Commissioner also formed a Disaster Response Plan Development Group to identify obstacles for banks and insurance companies providing services to customers following a disaster. The group identified concerns with the ability of insurers to serve the needs of policyholders in the event of significant disruption of infrastructure. In November of 2007, the Commissioner issued

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for more upcoming events.



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Order No. A07-126 that required insurers to review their Disaster Response Preparation Plans and update them as needed to respond to Emergency Orders requiring them to allow for such requirements as: issuance of drafts, debit cards or checks for emergency assistance following a disaster; liberalized claim processing; suspension of cancellations and nonrenewals; alternate forms of communications with policyholders; business continuity plans for producers and complying with Department requests for claim-related data. Each insurer also had to provide the Department with primary and back-up contact staff in the event of a disaster. In 2009, Order A09-103 required all insurers to update their plans and contact information and required that a current version of the plan must be maintained at the company's principle place of business in the state and made available to the Department upon request or as part of a Market Conduct or Financial Examination.

The Department also believes it is critical that it have a seat at the table with state homeland security and emergency management authorities to focus on the importance of insurance in economic and long term recovery. In cooperation with these agencies, the New Jersey Financial Services Sector Working Group, comprised of a cross section of financial services businesses, was formed. This group focuses on recovery from the financial services perspective and has conducted table top disaster exercises with insurance industry and Department participation. All of this pre-planning proved beneficial when Sandy struck.

Following a disaster, it is important that these plans be reviewed and updated. Issues like lengthy power outages and flooding require longer term contingency plans for back up facilities and lack of fuel due to extensive power outages can cause significant problems in getting adjusters and claim staff in place.

Keep Calm and Communicate

It's important that regulated entities receive a clear and reliable message. By

the Friday before Sandy hit, we knew the chance of significant impact in our state was high. The Department reached out to insurers via the various trade associations and also participated in a call with industry and representatives of the Northeast Zone State Insurance Departments. The Commissioner issued Bulletin No. 12-12 requiring all authorized or admitted property and casualty insurers with in force business to activate their Disaster Response Plans and reminded them of the obligations under Order Nos. A07-126 and A09-103. Throughout the storm and during the immediate days following, even while businesses remained closed and power was out throughout much of the state, senior staff remained in contact directly with industry via phone and email when available and indirectly through the trades and press releases while we maintained ongoing communication with emergency management authorities.



Immediately following the storm, the Governor issued Executive Order 107 that advised carriers that the storm did not meet the regulatory definition (a named hurricane from which sustained hurricane force winds of 74 mph or more as measured in New Jersey by the National Weather Service) required to trigger a hurricane deductible and directing regulated entities to exercise appropriate forbearances on premium collection, cancellation and nonrenewals and documentation requirements in the wake of the storm. The Order also permitted the use of electronic payments and pre-paid debit cards for claim payments; a process that assists policyholders needing funds for emergency repairs and additional living expenses. The Department received feedback that prompt and

clear communication helped regulated entities to know expectations and appropriately respond to policyholders.

Maintain Contact with the Public

Department staff was needed both in the office responding to calls and complaints as well as at Disaster Response Centers, the Joint Field Office, community centers and other areas where consumers needed direct assistance. Fellow regulators and the National Association of Insurance Commissioners (NAIC) were quick to offer help. Because hotel accommodations throughout the state and into neighboring states were needed for evacuees and FEMA workers, and since experience from prior disasters taught us that consumers respond best to staff with local knowledge, we coordinated with the NAIC to establish an overflow call center at the NAIC offices in Kansas City. Our phone lines were programmed so any caller in a wait queue for our disaster call center would be forwarded automatically to the NAIC call center where volunteer regulators from Iowa, Kansas, Missouri and Nebraska responded. Since our state uses the NAIC's State Based Systems (SBS) for our call and complaint tracking, the volunteer regulators could track information in the SBS system in Kansas City that we could access in New Jersey instantaneously, allowing immediate assistance for those in urgent need.

Setting up the process, providing training materials and designing reports takes time that could be spent in other ways in the midst of a disaster. I would recommend creating the process and documenting procedures as part of disaster planning rather than implementing during a disaster.

With the overflow call center in place, New Jersey staff could focus on complaint investigations and face to face contact with survivors. Smart phones allowed staff to contact carriers in the field in urgent situations and the face to face interaction with the public helped to document the issues, expedite resolution and educate and reassure consumers.

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Many times policyholders just need someone to take the time to hear them, and then to obtain an explanation. In disaster situations with extreme claim volume, sometimes this is understandably overlooked.

During peak times of need following a disaster, staff has to be flexible. Few departments have sufficient consumer assistance staff to handle the increased volume. At its peak, there were over 30 Disaster Relief Centers in our state and many community centers requesting our help. Through the Governor's office, the Department participated in more than two dozen mobile cabinets, often with senior level staff including the Commissioner. Staff from other areas of the Department paired up with more experienced consumer assistance staff, and training and resource materials were constantly updated. Assembling and training disaster response field staff and working through issues like overtime benefits and transportation works best when planned in advance as well. Anything that can be considered and documented before disaster strikes frees up resources to aid in the disaster.

The Importance of Data

State officials and emergency management personnel need data quickly following a disaster to determine the scope of damage and apply for federal aid. Data helps the media quantify and understand the extent and location of damage, so there's less reliance on anecdotal information. The Department also needs to monitor carrier market conduct and financial solvency and the public needs factual information via press releases and Department outreach. It is critical to balance the need for data with insurers' need to focus resources on handling claims. New Jersey used the NAIC Northeast Zone's data call format for uniformity in reporting.

The Department also analyzed call and complaint data on a daily and weekly basis to identify key areas of consumer concern and any potential carrier issues. Immediate contact with carriers when

trends were developing provided prompt resolution before concerns became major problems.

Take the Time to Learn About Programs You Don't Regulate

Many of the issues from Sandy were related to flood claims. Analysis of inquiry and complaint data after the storm indicated that based on claims submitted as a result of the storm, flood complaints were four times as prevalent as homeowner complaints. Before a flood disaster strikes, know the role the Department plays in complaint handling on flood claims, develop appropriate contacts and get to know National Flood Insurance Program (NFIP) administrative staff. Address issues such as data collection and sharing of information ahead of time and have an agreement in place. For staff interacting with consumers, it is important to understand the basic structure and coverage of the standard flood policy so consumers can be guided to the appropriate contacts for assistance. Keep in mind that NFIP has an appeal process for claim denials and lack of knowledge of this process and the deadlines could jeopardize a consumer's rights of recourse.



Consider a Plan for When You Cannot Help

Sometimes disputes go beyond our regulatory authority. Sometimes people need a chance to be heard or don't want to wait for lengthy legal disputes to be resolved. We found that establishing a nonbinding mediation program was a win-win for all involved. Our fellow

regulators in the Gulf States and North Carolina were of tremendous assistance to us in sharing their processes and responding to our questions as we worked out the details of our program. Mediation is less costly for insurers than litigation and much timelier for consumers. Our program requires a mediation conference within 30 days of the filed request. To date, more than 80 percent of the mediations held resulted in some sort of settlement or an agreement to continue discussion and work towards resolution. Even those cases resulting in an impasse score high ratings in post-mediation surveys.

Lessons Learned in 50 Words or Less

If it can be planned and documented ahead of time, do so. Review plans often and update as new lessons are learned. Disasters impact people in different ways and can cause emotional distress. We all share the same goal – to move from victims of disaster to survivors in recovery. ■

About the author: Anne Marie Narcini is responsible for oversight of Market Analysis, Market Conduct, Licensing Application Investigations and Insurance Education as well as the Department's Consumer Call Center. She is the current Chair of the NAIC Market Actions Working Group (MAWG) as well as the Producer Licensing (EX) Working Group and Vice Chair of the Producer Licensing Task Force. Anne Marie was the 2008 recipient of the IRES Foundation's Paul DeAngelo Memorial Teaching Award.

Catastrophe Response

by Dave Bano, Chief Claims Officer, Nationwide Companies

Preparing for a catastrophe within the insurance industry requires that the response be nimble and flexible to any type of event. Many catastrophic events have characteristics that are different and these must be addressed at the time of the event. To be able to respond to these unique situations, Nationwide finds it helpful to operate within a written catastrophe plan, outlining spans of authority along with specific roles and responsibilities identified for the CAT response. Our plan includes preseason strategy meetings to review the response plan and to identify who is personally responsible for specific activities during the anticipated event.

All claims adjusters responding to the catastrophe must know what to expect, since state-specific or CAT-specific direction must be implemented very quickly.

Included in the planning is any specific training needed for the event and/or the state-specific issues that need to be understood by all claims adjusters responding to the event. All claims adjusters responding to the catastrophe must know what to expect, since state-specific or CAT-specific direction must be implemented very quickly.



The preseason planning meeting also helps with the development of communications to the sales force, as well as to

the various call centers and the customer service staff. These communications can help agents and associates become more aware of any specific CAT response initiatives and help communicate to the customer what they can expect to see happen.



The communications to the agents and call centers and the training to the claims adjusters should be flexible to incorporate any unusual issues that the specific CAT event presents. Being flexible includes looking for innovative ways to improve our process and the service to our customers.

Nationwide has found that planning and supplying for the basic needs of the public promotes goodwill and provides amenities that may not be readily accessible. Examples include water, diapers, packaged food snacks, mobile charging stations, and other similar items.

The claims service provided in a catastrophe is supported by associates who work in the affected area and the mobilization of associates from unaffected regions in the country. Mobilization includes balancing a proper claims work force in both the unaffected regions and the area

impacted by the catastrophe. Contracts with vendors such as independent adjusting companies and mitigation specialists also support the claims catastrophe response, or the service needed in the unaffected region.

The more effective the pre-CAT planning, the more effective the response.

Nationwide has found that planning and supplying for the basic needs of the public promotes goodwill and provides amenities that may not be readily accessible. Examples include water, diapers, packaged food snacks, mobile charging stations, and other similar items. In addition, being present in CAT-stricken areas often allows us to provide consumer education about the insurance claims process to those visiting our humanitarian teams.

Planning for a catastrophe should also include reflecting on any opportunities from prior events and capturing the information during debrief or feedback sessions. This information can then be utilized for the next preseason planning meetings. Details matter in these discussions (i.e., how sales tax works in the area, what are current labor rates and material costs). The more effective the pre-CAT planning, the more effective the response. ■



About the author: Dave Bano is the Chief Claims Officer for the Nationwide companies. He has over 30 years of Claims and General Management experience.

NAIC Update

Market Regulation & Consumer Affairs (D) Committee

By Tim Mullen, Director Market Regulation, NAIC

State insurance regulators continue to push forward with another busy year for the NAIC's Market Regulation & Consumer Affairs (D) Committee under the leadership of Sharon P. Clark (KY), Chair of the D Committee and Stephen W. Robertson (IN), Vice-Chair of the D Committee. The mission of the D Committee is to monitor all aspects of the market regulatory process for continuous improvement. This includes market analysis, regulatory interventions with companies and multi-jurisdictional collaboration. The Committee is also charged to review and make recommendations regarding the underwriting and market practices of insurers and producers as those practices affect insurance consumers. The goal of this article is to provide a mid-year summary update on the activities of the D Committee, its task forces and working groups as of July 1.

The mission of the D Committee is to monitor all aspects of the market regulatory process for continuous improvement.

Affordable Care Act

States moved forward in 2012 with the implementation of the Affordable Care Act (ACA). Under the guidance of the Market Conduct Examination Standards (D) Working Group, states are now developing examination standards for the following key immediate mandates the ACA: (1) annual and lifetime benefit limit exclusions; (2) coverage of preventive health services; (3) extensions of adult dependent coverage to age 26; (4) internal and external review; (5) minimum loss ratio requirements; (6)

prohibitions on preexisting conditions exclusions for individuals under 19 years of age; (7) rescissions; and (8) summary of benefits and coverage. In addition to focusing on examination standards, the Working Group is reviewing the coding schematic for the NAIC's Complaint Database System to ensure the proper coding for issues related to the ACA.

Auto Insurance

The Auto Insurance (C/D) Study Group is charged to review issues relating to low-income households and the auto insurance marketplace and to make recommendations as may be appropriate. To accomplish this goal, the Study Group recently sent a survey to all states requesting information on initiatives, laws and programs in each state relevant to issues that could affect low-income consumers.

The Study Group will reach out to states that have conducted studies or data calls related to the issue of low-income drivers. These states will be asked to present at the NAIC Summer National Meeting.

Results have been received from 50 states/jurisdictions. These results and other recently completed research will be incorporated into a Best Practices Document that states can use in dealing with the issues of availability and affordability of auto insurance. The Study Group continues to discuss several approaches related to possible data collection to determine the various factors insurers use and the impact of the factors on rates. The Study Group will reach out to states that have conducted studies or data calls related to the issue of low-income drivers. These states will be asked to

present at the NAIC Summer National Meeting.

Corporate Governance

During the NAIC Spring National Meeting, the D Committee received a referral from the Corporate Governance (E) Working Group, which is developing high-level corporate governance principles. While the Working Group's primary focus is on the review of corporate governance from a financial solvency perspective, Working Group members recognize there is a benefit to considering the market conduct implications of these enhancements. To this end, the Working Group has requested input from the D Committee regarding the list of corporate governance inquiries that are being considered for annual collection from insurers and a recommendation to the extent these inquiries would benefit from additional questions or details regarding market conduct matters. The D Committee plans to make its final recommendations at or before the NAIC Summer National Meeting.

Collection of Transactional Data for Market Regulation

The D Committee continues to broach the topic of collecting transactional data for market regulation and directed NAIC staff to work with the Market Analysis Procedures (D) Working Group to evaluate the benefits and costs of collecting transactional-level data. NAIC staff continues to review the issue to provide additional information for review by members of the Working Group and the D Committee. While it is still too early to determine what policy may ultimately come out of this discussion, the following issues will likely be discussed in more detail: (1) the distinction between summary data and transactional data; (2) how transactional data is currently

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being used by regulators and insurance companies; and (3) the costs and benefits of using transactional data for insurance regulators and companies.

Complaint Coding

Since the review and adoption of the NAIC's Complaints Database System (CDS) in 2010, states have moved forward with modifying their back-end systems to be consistent with the adopted coding structure. As this process has moved forward and states have remained focused on continued improvement in the complaint coding process, state insurance regulators have expressed a desire to review the adopted 2010 codes to determine if the new codes need further refinement. The Market Conduct Examination Standards (D) Working Group will take up this review after it completes its review of the coding schematic necessary to track ACA complaint issues.

Insurance Department Investigator Safety

The Antifraud (D) Task Force is focused on the development of an Insurance Department Investigator Safety Guidelines, which outlines the potential issues to be considered by states when developing safety policies. While not all dangerous activities or situations can be avoided, the goal of the Task Force is to minimize the risks associated with investigations. To this end, the Guidelines provide direction regarding safety policies, procedures and precautions that can be taken to ensure investigators remain safe while conducting field operations.

While not all dangerous activities or situations can be avoided, the goal of the Task Force is to minimize the risks associated with investigations.

Interstate Collaboration

The Market Actions (D) Working Group (MAWG) is focusing its efforts on reviewing and updating its Policies

and Procedures Manual. In addition, MAWG is conducting a National Analysis Project, which includes a review and analysis of data in the NAIC's Market Information Systems and an MCAS Outlier Analysis Project, which is focused on identifying nationally significant companies that are considered "outliers" for underwriting and claims handling based upon the states' review of MCAS data.

Market Conduct Annual Statement

2013 was another successful year for the filing of the Market Conduct Annual Statement data with the states. As of May 31, 2013, there were 25,808 filings submitted. In addition to the ongoing maintenance and collection of the MCAS filings for life and annuities and property and casualty, the Market Analysis Procedures (D) Working Group has focused its efforts on developing MCAS blanks for long-term care insurance.

In addition, the Working Group adopted nine scorecard ratios for the stand-alone long term care blank and adopted a Best Practices Guide for the analysis of MCAS Data.

The Market Information Systems (D) Task Force adopted MCAS blanks for both stand-alone and hybrid long term care insurance during a call on June 26. These blanks include the collection of aggregate information related to an insurance company's in-force policies and claim activity. In addition, the Working Group adopted nine scorecard ratios for the stand-alone long term care blank and adopted a Best Practices Guide for the analysis of MCAS Data.

NAIC Market Information Systems

The Market Information Systems (D) Task Force continues to focus on the simplification of the NAIC Market Information Systems to enhance state data entry and collaboration. This process started with NAIC staff interviewing

state insurance departments to determine obstacles related to the use of the systems, including the Examination Tracking System, Regulatory Information Retrieval System, Complaint Database System, Market Analysis Review System and the Market Initiative Tracking System. Through these interviews, opportunities to reduce the burden on state data entry were identified. The recommendations from state insurance regulators include eliminating or reducing state data entry requirements, leveraging automated submission options, merging existing functionality of systems, streamlining access to information, and implementing additional education and training on the systems. In summary, all of the recommendations being implemented focus on improving collaboration and streamlining the data entry process.

The NAIC membership encourages all parties to participate in the activities of the Market Regulation & Consumer Affairs (D) Committee, its task forces and working groups. Individuals wanting more detail and information about any of these initiatives should visit the following NAIC web link: http://www.naic.org/committees_d.htm. ■

About the author: Tim Mullen is Director of the NAIC's Market Regulation Department. As the Director of the Department, he provides professional expertise and support to state insurance regulators for the following market regulatory functions: antifraud, consumer assistance, market analysis, market conduct examinations, and producer licensing. Mr. Mullen is a member of the Missouri Bar, the Kansas Bar, a Chartered Property & Casualty Underwriter, a Certified Insurance Examiner, and the 2009 recipient of the Paul L. DeAngelo Memorial Teaching Award from the IRES Foundation.

Incoming President's Remarks

By Holly Blanchard, FLMI, AIE, ACP, CCP, AINS, AIRC, Current IRES President

Sometimes things don't go as planned but the end result is even better than expected. Such is the case with this edition of *The Regulator*. Battling unexpected delays, Stacy Rinehart and the publications committee have worked tirelessly to put *The Regulator* together for our members. The release of this edition has been delayed, but I think that you'll find that this double edition of *The Regulator* is arguably one of the best *Regulators* to date.

As I get settled into my new role as President of IRES, I want to take the time to introduce our members to their Executive Committee and tell you about the exciting initiatives and enhancements that you will see throughout the upcoming year. This year's Executive Committee members are: Mark Hooker-Immediate Past President (Chair, Meetings and Elections); Holly Blanchard-President (Chair, Executive); Parker Stevens-President-Elect (Chair, CDS); Stacy Rinehart-Vice-President (Chair,

Publications); Tanya Sherman-Secretary (Chair, Accreditation and Ethics); Tom McIntyre-Treasurer (Chair, Budget and Finance); Erin Mirza-At-Large (Chair, Membership and Benefits); Andrea Baytop-At Large (Chair, Education); and Lee Backus-At-Large (Chair, Public Relations).

First and foremost, we will be working to understand the makeup and expertise of our members at an even greater level. This allows us to create even more educational, networking, and career advancement opportunities for our members in the areas that they need. We will continue to offer great webinars about timely, important insurance issues, as well as designation assistance programs, helping our members to become the most-well rounded, well-versed professionals in the industry.

In addition to designing training around the makeup of our membership, we will create more resources for your success

ranging from an on-line library with educational tools on all things insurance related to new courses on leadership and public speaking.



IRES members are on the forefront of insurance regulation issues. Whether it is serving on NAIC Committees, creating Model laws, drafting state statutes and regulations, or making the insurance industry one of the best and most comprehensive in the world, our members are changing the insurance industry as we know it.

This is your IRES and in order to make it the best it can possibly be, let me know what other benefits and enhancements you want to see. I look forward to working with this dynamic group of people, and am very proud to serve as your President for the upcoming year! ■

Past-President Hooker Bids Farewell

By Mark A. Hooker, CIE, CPCU, FLMI, CWCP, CCP, MCM, AIRC, AAI, AU, AIS, LUTCF, Immediate Past-President of IRES

Fellow IRES Members:

First of all, I would like to say that it has been both an honor and a privilege to serve as your 25th President this past year. I have to tell you that I am extremely proud of what your Executive Committee, Board of Directors and many other volunteers have accomplished this year. It wasn't always pretty, but we got a lot done! It took a lot of cooperation, sweat, and sometimes headaches from many of you to get it all done.

I convened the board eight times this year--twice the amount proscribed by our bylaws. Accordingly, I think it would be appropriate to highlight these accomplishments and recognize some of the volunteers responsible for making it happen.

Many of you recall that we started this year with a visit from a fellow named Isaac at the Fort Lauderdale CDS. The hurricane prevented many of you from attending and presented an unprecedented challenge for the Board. Holly Blanchard and the Education Committee were responsible for issuing the approximately \$10,000 in refunds and credits to those of you who could not make it do to the adverse weather.

The event happened at a time when IRES was not in its best position financially, but through the foresight of the board, we managed to make the CDS result positive. The Board purchased event cancellation insurance. With many hours of preparation of the claim by Lynette Baker, Joe Bieniek and Holly Blanchard and a timely response by the

IRES Foundation, we managed to turn it around and reimburse our members.

Even under these adverse conditions, IRES has managed to improve its financial condition over doubling the amount of cash on hand it had this time last year. The board had to make some tough decisions along the way and I would like to thank Joe Bieniek and the Budget and Finance Committee for their careful stewardship of our funds.

The Hurricane Isaac challenge did not deter Holly Blanchard and the Education Committee from accomplishing other tasks--the least of which is putting together the outstanding program we

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had for Portland CDS and Regulatory Skills Workshop. The committee also awarded the 2nd Annual Al Gross Jim Long Rookie of the Year Scholarships to LeAnn Crow from KS, Desiree Mauller from WV, Adam Zimmerman from MD, and Ashok Viswanathan from CA.

Additionally, the Education Committee, with the Help of Tim Nutt and Martha Long, delivered its first ever designation assistance class conducting 8 free study sessions for 15 members on the AIRC 420 and 10 members already signed up for our next installment the CPCU 520 class. Jo Le Duc of Wisconsin will be facilitating that course.

I would be remiss if I didn't mention that this year, IRES entered into an agreement with the IRES Foundation to plan and execute the first ever Joint Market Regulation Forum to be held next year in St Louis MO. I hope to see each of you there as it should be an outstanding event.

Tanya Sherman, with assistance from John Pegelow and the Membership and Benefits Committee, put on 6 webinar sessions which were free to its members. These webinars provided a valuable source of no cost continuing education to our members, two of these sessions, Financial Economic Conditions/ Catastrophes and Impact to Market Regulation and Managing Changes (State and Federal) had around 150 participants each. Tanya (Vice-Chair) and our newest director, Erin Mizra, along with Gregory Bronson of Tennessee, took our quarterly state chair outreach calls to a new level of professionalism in informing our members of the various happenings around IRES.

Stacy Rinehart, Lynette Baker, and Leslie Krier, in addition to publishing four Outstanding Regulator issues, were instrumental in getting a concerted public outreach program which included creating a new tag line "Your Network of Knowledge for Insurance Regulation." They were instrumental in developing an outreach program to new commissioners as well as working with the Membership

and Benefits Committee to reach out and recruit new members who work in the consumer service area of departments of insurance.

Parker Stevens and the Accreditation and Ethics Committee had a big year. I would like to recognize Cristi Owen of making the "E" part of the Accreditation and Ethics Committee prominent. Cristi's group working developed more robust ethical guidelines as well as attestations which are to be incorporated in both designation applications and membership renewal.

Tom McIntyre led a group which developed a Model Training Program for Market Regulation personnel which we forwarded to the NAIC for consideration as a referenced document for the Market Regulation Handbook. Tom Ballard, Don Koch, Cindy Amman, Cheryl Brunette, Bill McDonald and Gary Domer and several others developed and delivered the inaugural classes of the Advance Market Conduct Management graduating 24 students. A phenomenal achievement is the fact that IRES graduated 194 MCMS this year - a number exceeding 1/4th of the total number of MCM graduate since the program began in 2007.

I attribute the this year's success to the unflappable efforts of Doug Freeman and others in marketing as well as the policy decision to allow registration for any class at the beginning of the year as opposed to announcing classes and registering attendees one at a time. In addition to the AMCM's and MCM's, IRES also designated 10 CIE's 27 AIE's and 5 CICSR's. However, these numbers are entirely too small.

Finally, I want to again commend the efforts of Tom Ballard as well as Katie Johnston, the Past Presidents Council and the Meetings and Elections Committee for their efforts in revising our bylaws which was nothing less than monumental. I firmly believe that among other things the changes in the bylaws will facilitated member growth by allowing sustaining members to earn the

AIE and CIE designations and creating a public relations and external communications committee to promote IRES. The expansion of the executive committee will also create new leadership opportunities which will more equitably apportion the work of our volunteers and increase the number of new ideas.

Where do we go from here?

It goes without saying that we need to expand our membership. I believe we have started forging and honing the tools to accomplish that. I firmly believe that it in the long run, the best way to create new members is to promote our designations. We simply have to graduate more AIE's and CIE's as well as encourage our Consumer Services friends to earn the CICSR designation. Members that attain this designation tend to remain members.

Furthermore, attaining these designations demonstrates a level of competence for those who earn them and it reflects well to our external customers which are the insurance commissioners as well as the entities which we regulate. We must be careful facility members earning these designations without lowering our standards –lest the prestige of earning one becomes less meaningful.

I hope that IRES continues to expand its designation assistance program as a service to our members. In order to do this, we will need a cadre of senior members to volunteer to facilitate. We also must be vigilant in promoting the other services that IRES provides to members namely webinars. Rookie of the Year and Designation Scholarships and programs such as AMCM and MCM.

In closing, I would like to again thank our membership for the opportunity to serve as well as the executive committee and board for all of their support and service this year. It's been a great ride. I wish Holly and the new Executive Committee continued success. Board Member Changes. ■

An Update on TRIA

By Joe Bieniek, CPCU, AIE, CRM, CCP, CIC, ARC, AMCM, AIS, AU, AINS

The Terrorism Risk Insurance Program Reauthorization Act of 2007 is set to expire on December 31, 2014. The terrorism endorsements that carriers begin to attach to policies on January 1, 2014, may not be ready for the possible expiration date. Insurance companies and producers are not necessarily aware of the potential problem. There are some remedies but they are not a 100% cure-all. The U.S. insurance industry would be benefited if Congress reauthorizes the Terrorism Risk Insurance Act (TRIA) by the end of 2013.

This article will provide a summary of TRIA including concerns expressed with reauthorizing TRIA.

What's in a Name?

There are various references in the U.S. insurance industry to the terrorism insurance program. The following is a brief overview of the titles and their acronyms:

- The federal government including the U.S. Department of the Treasury (Treasury) refers to the entire program as the Terrorism Risk Insurance Program (TRIP)
- First came Terrorism Risk Insurance Act (TRIA)
- Next came Terrorism Risk Insurance Extension Act (TRIEA)
- We are currently on the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA)

For the most part, within the U.S. insurance industry the colloquial reference since its inception in 2002 has been TRIA. For the purposes of this article, I will refer to the above acts and program collectively as TRIA unless I am specifically talking about one of the other specific acts.

History

President George W. Bush is the only president to sign any of the acts.

Following is a brief summary of the acts whereby the federal government provides backstop protection for carriers.

TRIA was signed into law on November 26, 2002. TRIA contains certain definitions, requirements, and procedures for insurers filing claims with the Treasury for payment of the federal share of compensation for insured losses under the TRIP. The Claims Procedures Rule, in particular, specifically addresses requirements for federal payment, the submission of an initial notice of insured loss, loss certifications, the timing and process for payment, associated recordkeeping requirements, as well as the Treasury's audit and investigation authority. These procedures will apply to all insurers that wish to receive their payment of the federal share of compensation for insured losses under TRIA. Insurers are advised to review the legislation and TRIP regulations before submitting information.

TRIA was signed into law on November 26, 2002. TRIA contains certain definitions, requirements, and procedures for insurers filing claims with the Treasury for payment of the federal share of compensation for insured losses under the TRIP.

TRIEA was signed by the President on December 22, 2005. The law extended the life of TRIA through December 31, 2007.

TRIPRA extended the program by seven years through December 31, 2014. It was signed on December 26, 2007. Several provisions of the initial Act were changed in the 2007 extension. Some of the more significant changes include:

- Revising the definition of a certified act of terrorism to eliminate the requirement that the individual(s) are acting on behalf of any foreign person or foreign interest
- Required clear and conspicuous notice to policyholders of the existence of the \$100 billion cap.
- Fixing the Insurer Deductible at 20% of an insurer's direct earned premium, and the federal share of compensation at 85% of insured losses that exceed insurer deductibles.
- Fixing the program trigger at \$100 million for all additional program years
- Requiring the U.S. Treasury to promulgate regulations for determining pro-rata shares of insured losses under the program when insured losses exceed \$100 billion.
- Requiring the Comptroller General to study the availability and affordability of insurance coverage for losses caused by terrorist attacks involving Nuclear, Biological, Chemical, or Radiological (NBCR) materials and issue a report not later than one year after the enactment of TRIPRA.
- Requiring the Comptroller General to determine if there are specific markets in the United States with unique capacity constraints on the amount of terrorism insurance available and issue a report not later than 180 days after the enactment of the TRIPRA.
- Requiring the President's Working Group on Financial Markets to continue an ongoing study of the long-term availability and affordability of terrorism risk insurance.
- Accelerating the timing of the mandatory recoupment of the federal share through policyholder surcharges.

NBCR is not specifically included or excluded in TRIPRA. It is considered as not included.

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The Secretary of the Treasury is to certify acts of terrorism. To date, there has been no action on the Boston Marathon bombing of April 15, 2013. Many have expressed frustration in that fact and are encouraging Congress to improve the process of certifying acts of terrorism.

TRIA requires insurers to offer terrorism coverage on the same terms and conditions as other types of coverages offered on commercial policies; both property and casualty including workers' compensation.

TRIA requires insurers to offer terrorism coverage on the same terms and conditions as other types of coverages offered on commercial policies; both property and casualty including workers' compensation. Individual state laws govern workers' compensation policies and acts of terrorism are included. The policies cannot limit the coverage or the dollar amount of coverage.

Treasury implements TRIP. Their web site provides updated information on the Program, including announcements of all rulemakings, interpretive guidance, and requests for public comments. Following is a link to these: <http://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx>.

Concern

Various trade associations, carriers and reinsurers have expressed their concern on reauthorizing TRIA. All believe TRIA should be reauthorized. There are some groups that do not believe TRIA should be reauthorized.

The current program expires December 31, 2014. This is significant to the U.S. insurance industry now. The insurance industry would like Congress to take action now.

Typically in the commercial marketplace policies are issued for one year. January 1 is a significant renewal date for many policyholders. A policy issued on January 5, 2014, will not expire until January 5, 2015, which is past the expiration of TRIA. This means there is a five day gap. A policy issued on January 6, 2014, has

a six day gap and so on. What's a carrier to do?

Many insurance companies need the support of the federal government to provide a viable market for terrorism coverage. With the support of the government, the carriers can continue to provide terrorism coverage in the marketplace. Terrorism coverage for NBCR perils is generally unavailable and the support of the federal government would be helpful. Three bills have been introduced in the 113th Congress to extend or modify TRIA. In the last few months Congress has held three hearings.

In listening to the September 19, 2013, United States House of Representatives Committee on Financial Services hearing entitled The Terrorism Risk Insurance Act of 2002, it became evident that if the act is reauthorized, the coverages and the deductibles will likely change. The United States Senate Committee on Banking, Housing, and Urban Affairs held a hearing on September 25, 2013 entitled: Reauthorizing TRIA: The State of the Terrorism Risk Insurance Market. Neither of the Committees has referred anything to a sub-committee for further review. The House of Representatives Committee on Financial Services also held a hearing on November 13, entitled: The Future of Terrorism Insurance: Fostering Private Market Innovation to Limit Taxpayer Exposure.

There are some consumer advocates and others that do not believe TRIA should be reauthorized. For the most part they feel taxpayers should not provide assistance and there are some that believe acts of terrorism can be modeled. If the acts of terrorism can be modeled, there is a certain amount of predictability and therefore terrorism coverage can be priced accordingly. The insurance industry does not believe the acts of terrorism can be modeled and thereby priced accurately and are urging Congress to help them by reauthorizing TRIA.

The Treasury along with other areas of the federal government are looking for additional information. Congress may

not take action before the end of this year. The Federal Insurance Office (FIO), established by the Dodd-Frank Wall Street Reform and Consumer Protection Act, is to assist with the Terrorism Risk Insurance Program. FIO is not a regulator. FIO is a part of the Treasury. I have yet to see FIO providing any assistance with TRIA. Under Dodd-Frank, FIO is to monitor insurance, monitor the extent underserved communities and consumers have access to affordable non-health insurance products and represent the United States on prudential aspects with International Association of Insurance Supervisors (IIAS) and the Financial Stability Oversight Council (FSOC).

At a conference I recently attended, one of the speakers said their office was recently in touch with a legislative aide to U.S. Representative Michael Grimm (R-NY). Grimm serves on the Committee on Financial Services. The speaker said perhaps there will be movement in June or July 2014.

The U.S. insurance industry wants Congress to renew TRIA before 2014 begins.

NAIC and Advisory Organization Roles

The National Association of Insurance Commissioners (NAIC) and advisory organizations have assisted insurance companies so far; all indications are they will continue to do so.

Since the inception of TRIA, the NAIC has been active with implementing the program. The NAIC has assisted the state insurance regulatory bodies, insurers and the federal government. The NAIC and its members have also testified before both houses of Congress on the need to extend the program. In August 2013, the NAIC passed a resolution supporting the reauthorization.

The NAIC's Property and Casualty Insurance Committee and its Terrorism Insurance Implementation Working Group have adopted model bulletins. They have also adopted expedited filing forms under each of the acts intended

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to help state insurance regulators advise insurers about regulatory requirements related to providing terrorism insurance under the program. The model bulletins provide guidance to insurers related to rate filings. They also provide policy language that state regulators would find acceptable to protect U.S. businesses from acts of terrorism. The model bulletins describe important changes that are contained in the Act and inform insurers regarding whether rate and policy form filings might be needed. The NAIC also adopted model disclosure forms. The Treasury worked with the NAIC to assure that the disclosures satisfied the revised disclosure requirements required in the Act. Insurers may use the disclosures as drafted; they may modify the forms to meet individual circumstances or use forms that are substantially similar.

One of the services provided by the advisory organizations of Insurance Services Office (ISO) and American Association of Insurance Services (AAIS), is the promulgation of policy forms and endorsements for the property and casualty industry. These two organizations have terrorism forms approved for their member companies. They also have what many refer to as conditional endorsements approved for their members. These conditional endorsements help with the gap occurring with policies in force on January 1, 2015, as mentioned above. There are two groups of these conditional forms. The first is a set for policies issued in 2014 and the second is for policies issued after the expiration of TRIA. Florida and New York do not allow for conditional endorsements of TRIA.

Insurance carriers using their own forms have been making filings with insurance departments to get their conditional endorsements in place for use beginning January 1, 2014.

Worldwide Terrorism Coverage

The United States is not the only country where the government is involved with

helping its citizens or industries with acts of terrorism. The following is a brief overview of the different programs in use today:

- Israel – It is complete government coverage with no private involvement since 1961
- Spain – Since 1954 – Government coverage, sold by private insurers
- France – Public-Private Risk Share with unlimited government reinsurance
- United Kingdom – Unlimited government credit to private pool
- Germany – Government-Backed private insurance company
- Netherlands – dedicated reinsurance company
- Other programs exist:
 - * In the European countries of Austria, Belgium, Denmark, Italy, Northern Ireland and Switzerland
 - * In other countries and regions including Australia, Hong Kong, India, Russia, Sri Lanka, Taiwan, Namibia and South Africa

As you can see from this list, the United States is not the only country currently providing assistance.

What Occurs Without a Reauthorization

Since the fall of 2008, the United States and global economies have had many low points. We have endured some difficult times with the great recession, the recent U.S. government shut down and catastrophes in-between.

Small companies and regional carriers are the most disadvantaged. These carriers can be helped by having lower deductibles in TRIA. If TRIA is not renewed, these companies may need to reduce their aggregate exposure to terrorism or buy more reinsurance on the back end. They need support.

If TRIA is not renewed in the U.S. by December 31, 2014, the world

reinsurance markets may become inundated. Capacity may not be enough and the price may be driven up. This may cause increased pressures on smaller or regional companies to remain as they are today.

Perhaps the capital markets, insurance companies and reinsurers will develop varied securitization products to absorb the capacity.

Summary

As of the writing of this article it appears Congress will not act in reauthorizing TRIA in 2013. It appears Congress will discuss the reauthorization in 2014 but they may not take any action.

Many believe Congress should act to reauthorize TRIA by the end of 2013. In doing so, it would be helpful for the economy, the insurance industry, and for standardization and stabilization in the global insurance marketplace.

Whether or not TRIA is reauthorized in 2013 or 2014, the hearings on Capitol Hill earlier this year and in the press indicate Congress should reauthorize TRIA including but not limited to:

- Designing a program specifically for small and regional carriers;
- Including NBCR if it is included on the underlying policy;
- A tightening of the certification process; and,
- The consideration of adding cyber terrorism. ■

About the author: Joseph F. Bieniek, CPCU, AIE, CRM, CCP, CIC, ARC, AMCM, AIS, AU, AINS, is vice president and senior consultant at First Consulting & Administration, Inc. Before joining First Consulting in 2012, he spent five years at the National Association of Insurance Commissioners, nine years at Wolters Kluwer Financial Services, and more than twenty years with Allstate Insurance Company. Bieniek has handled all lines of insurance in a variety of capacities. He is a Director with the Insurance Regulatory Examiners Society (IRES) and a board member of the Kansas City Chapter of the CPCU Society.

Highlights From The 2013 CDS In Portland, Oregon



Board Member Changes

Congratulations and welcome to the new board members: IRES Board of Directors

- Ken Allen
- Thomas Anderson
- John Pegelow

We would like to send out a special thanks to the outgoing IRES board members:

- Lynette Baker
- Polly Chan
- Bob Flege

We thank you for your leadership, valuable time, and amazing expertise that you have graciously given to IRES through the years. ■

Roses of the IRES Ball

Award Winners

Congratulations to each of the award winners at this year's Career Development Seminar.

Al Greer Achievement Award – Bill McCune

Schrader-Nelson Publications Award recipients Kara Baysinger and Keith Woodeschick

Chartrand Communications Award recipient Erin Mirza

President's Award recipients: Lynette Baker, Tom Ballard, Joe Bieniek, Doug Freeman, Leslie Krier

2013 IRES Award Winners.

Al Greer Achievement Award recipient Bill McCune (deceased)

Commissioner Scott Kipper and Deputy Commissioner Michael Lynch from the great state of Nevada accepted the award on behalf of Bill.

In 1998, the IRES Board of Directors established the Al Greer Achievement Award in honor of Al Greer. Mr. Greer was one of the original state insurance examiners who had the vision to establish the Insurance Regulatory Examiners Society in the late 1980s. A founding father of IRES, Al Greer helped fashion the mission of IRES, namely, to raise insurance regulation to a highly respected profession marked by technical proficiency and ethical behavior.

The Al Greer Achievement Award is presented annually to an insurance regulator and IRES member who not only embodies the dedication, knowledge and tenacity of a professional regulator, but who exceeds those standards.

Bill worked for three decades in various aspects of insurance and in the regulatory compliance of insurance. Most recently, Bill worked as the Chief Examiner for Nevada's Insurance Division.

He was a strong advocate for fighting fraud. He served as a Federal grand jury

expert witness in the 80's and received acknowledgement from DC's Office of Tax and Revenue for discovering and assisting in the collection of unpaid taxes during domestic market conduct exams. He has been an active chapter member in various professional organizations and was one of the founders of DC's chapter of Association of Certified Anti-money Laundering Specialists. He was also active with the American society for Quality (ASQ) Audit Division and the Project Management Institute. Both organizations foster management BEST practices as the result of bettering risk enterprise achievements.

Bill was a great ambassador for IRES. He believed in education and continually sought to expand his knowledge of the insurance industry. His presence and expertise will be sorely missed.

Schrader-Nelson Publications Award recipients Kara Baysinger and Keith Woodeschick.

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Roses of the IRES Ball – continued from page 12

In 1994, the IRES Board of Directors established an award for the most significant contributions to IRES publications over the previous year. The Schrader-Nelson Publications Award, honors the most outstanding original contribution to the Society's newsletter, *The Regulator*.

The award is named in honor of the first chair of the Publications Committee, Tony Schrader, and the first recipient of the award, Ben Nelson. Mr. Schrader is one of the Society's founding members, the first chair of the Publications Committee and a former editor of *The Regulator*. Mr. Nelson was the first recipient of this award and received it for his feature article in the March 1994 edition of *The Regulator* dealing with workers compensation reform in Nebraska.

Kara Baysinger serves as the chair of SNR Denton's Global Insurance Sector team and Insurance Regulatory Practice. She has extensive experience in many areas of insurance practices including market conduct issues, sales practices, and regulatory approvals, as well as product and market development issues. Before joining SNR Denton, Ms. Baysinger managed compliance government relations and products as in-house counsel at insurance companies.

Keith W. Woodeshick is a member of SNR Denton's Insurance Regulation practice, where he concentrates on insurance and reinsurance for clients in all insurance industry sectors. His regulatory experience includes advising insurance companies on compliance issues and assisting clients on compliance requirements for service contracts and service warranties.

Chartrand Communications Award recipient Erin Mirza (WI department)

For over 20 years David Chartrand and his incredible associates, Susan Morrison, Elaine Bickel, Joy Moore, and Art Chartrand, were at the helm of IRES. Without the dedication and devotion of these diligent individuals, IRES would not be the organization that it is today.

This award is to recognize those that have made a difference to IRES through their actions. Someone who has really strived to keep IRES moving toward the future. A person who has helped increase membership and promoted us outside the conference and in the insurance community. Finally, someone who continually tries to make a difference in IRES.



TANYA SHERMAN AND ERIN MIRZA

Erin a great example of someone who is taking IRES to the next level and is helping to bring IRES into the future. Although she is busy with her regular duties in the state of Wisconsin, she is always willing to take on additional challenges, to help wherever needed and get things accomplished. She has assisted with a number of initiatives such as the state chair orientation webinar, assisting with updates to the state chair orientation booklet/pamphlet, updating the IRES website, assisting with efforts to target complaint handlers and calls to lapsed members. She has been pivotal in ensuring all items remained on target for goal dates. In recent years, she has been a member of the following committees: the Membership and Benefits Committee, where she also is the Chair of the State Chair Subcommittee and the Publications Committee, where she is the chair of the Website Subcommittee. In addition, she was recently appointed to be the newest member of the IRES Board of Directors. Her positive attitude, energy and leadership skills will ensure that she will be one of the ones to watch as IRES continues to thrive.

President's Award recipients: Lynette Baker, Tom Ballard, Joe Bieniek, Doug Freeman, Leslie Krier

Lynette Baker was extremely busy serving IRES over the past year. She spent countless hours helping prepare the claim under IRES' event cancellation insurance so that members could be reimbursed after Hurricane Isaac hit Florida at the start of the IRES conference. Lynette was also instrumental in publishing the *Regulator*, getting a concentrated public outreach program that included creating the new tag line Your Network of Knowledge for Insurance Regulation. She also helped in the development of an outreach program to new commissioners as well as working with the Membership and Benefits Committee to reach out and recruit new members who work in the consumer service area of departments of insurance.



TOM BALLARD

Tom Ballard led the charge with several others IRES members in developing and delivering the inaugural classes of the Advance Market Conduct Management. Tom also worked tirelessly to help revise the IRES bylaws which was a monumental task.

Joe Bieniek's leadership of the Budget and Finance Committee and their careful stewardship of our funds, even

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Roses of the IRES Ball – continued from page 13

under adverse conditions, allowed IRES to improve its financial condition over doubling the amount of cash on hand from last year.

Doug Freeman was at the helm of the marketing efforts that changed the way IRES operates and led to tremendous successes in 2012.

Leslie Krier kept the fire burning in order to publish four outstanding issues of the Regulator. She was also an intricate part of the IRES outreach efforts, which had an incredible impact on the IRES organization.

2013 IRES Award Winners Speak Up About Their Honor

Lynette Baker

I was very touched to receive one of the President's Awards this year from Mark Hooker. I have known Mark since he first started in market regulation at West Virginia. He often tells the story of when, in his early years at the West Virginia Insurance Department, he came to visit us in Ohio to see how our market



JOE BIENIEK

conduct program worked. Although he laughingly says that I taught him all he knows about market conduct, it is actually him who has helped me through the years. He was always someone that I would call for advice or to discuss some NAIC issue. He became a great friend in the process. Trying to help out where ever I could when he became the IRES President last year was, in a small way,

my thank you to him for all of his help and friendship.

Joe Bieniek

First of all I must say I was surprised as I taken off guard. I felt honored for the work I did as Treasurer. It was a recognition for being a fiduciary steward of IRES that I wasn't expecting and yet proud of the achievement.

Doug Freeman

Not to be crass or arrogant, but we Past Presidents all know what we are doing, what needs to be done, and what we should not do. And, we act with your help by ruminating and discussing numerous issues over time with passion and commitment. I did what he felt I had to do to help save IRES from financial collapse. He appreciates the honor on behalf of the MCM Program and all those who gave it life, growth, and continued success and offspring. ■

IRES CDS Keynote – Dr. Steven N. Weisbart

By Kent Dover, CIE

“Don't call it the life insurance industry.” So says Insurance Information Institute economist and this year's IRES Career Development Seminar keynote speaker, Dr. Steven N. Weisbart, in highlighting just one of the many interesting insurance industry trends brought to light during his fact-filled and fast paced presentation “Overview and Outlook for the Insurance Industry: Challenges and Opportunities.” Two of the myriad of colorful frequency distributions, linear graphs, pie-charts and bar graphs he displayed to IRES CDS attendees illustrated his point. In fact, profits and premiums realized by the life and annuities industry in year 2012 were dominated by annuity sales, not life insurance.

Dr. Weisbart has a Ph.D in Business and Applied Economics and an M.A. in Economics from the University of Pennsylvania, an English A.B. from Cornell University and holds the CLU professional designation.

Incoming IRES President Holly Blanchard introduced Dr. Weisbart, whose credentials include a 27 year stint as a division manager at Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), preceded by employment as an Associate Professor of Insurance

and Risk Management at Georgia State University. Dr. Weisbart has a Ph.D in Business and Applied Economics and an M.A. in Economics from the University of Pennsylvania, an English A.B. from Cornell University and holds the CLU professional designation. He has been with the I.I.I. since 2005.

Without wasting a moment of time, Dr. Weisbart, launched into his PowerPoint presentation, deftly guiding his audience through a series of charts and graphs, each presenting a clear and concise picture of some aspect of economic reality within the various industry sectors of property and casualty, life and annuities, and accident and health. Here's one...did you know that the Life and Annuities sector dominates

all other sectors in terms of total assets? Would you believe 75% of total insurance industry assets in 2012? It's true, according to Dr. Weisbart. Yet in terms of premiums, he showed there is more parity among the sectors with Life and Annuities at 42%, Property and Casualty with 30%, and Health with 28% of total premiums, respectively.

Next he shared some industry employment trends and statistics, explaining that overall employment has been flat for the last 15 years, although there has been a dramatic change within the major subsectors. For example, he showed that as of May 2013, employment in the Life industry was down 5.2% but up 6.3% in the Health- Medical insurance industry since the recent recession began in December, 2007. During the same period, agency and brokerage employment for all sectors was down 2.5%.

The depth and breadth of Dr. Weisbart's presentation was far too great to do it justice here.

But there was also some good news to share. During a generally weak economic period for the overall U.S. economy, he pointed out that the insurance industry experienced three consecutive years (2010 – 2013) of sustained growth where net premiums written exceeded the prior year's premiums for the same quarter.

The depth and breadth of Dr. Weisbart's presentation was far too great to do it justice here. (For IRES members, his complete presentation may be found at www.go-ires.org in the members section.) What came to light were some truly interesting facts and observations. His presentation style was remarkable for the ease with which he dealt with a tremendous volume of data and synthesized those into a series of slides to illustrate the economic forces that have shaped insurance industry trends over the last several years and will impact the industry in the years ahead.

And the best news of all for regulators, in Dr. Weisbart's view, the opportunities for regulators are "limitless!"

At the heart of his presentation was his examination of each of the major industry sectors and his take on both the challenges and opportunities faced by each in the coming years. He also offered the same for insurance regulators. For challenges, one common thread is persistently low interest rates. He pointed out that underwriting is rarely a profit source, so insurers must rely on capital gains and investment income in order to remain profitable. For the P&C sector, the increasing frequency and severity of natural catastrophe events will be a significant challenge, as will changes in exposure mixes, such as in new vehicle and home purchase activity. Opportunities include new insurance needs, like those for cyber risk exposures. For the Life industry, significant challenges include the changing tendency to buy or not buy life insurance as the demographics of household composition change and our population ages. The annuities arm of the industry will be challenged to maintain a high volume of new business upon which it relies for overall premium volume to a greater extent than the Life side.

His presentation style was remarkable for the ease with which he dealt with a tremendous volume of data and synthesized those into a series of slides to illustrate the economic forces that have shaped insurance industry trends over the last several years and will impact the industry in the years ahead.

The good news is that the "baby boom" generation is reaching retirement age and will need new insurance products. On the Medical Expense (Health) insurance front, that sector's greatest challenge is also the most promising opportunity, dealing with a "tidal wave" of over 30 million new customers.

For regulators, Dr. Weisbart includes in his list of challenges the topic of how to regulate social media and the question about how to find the proper balance between transparency and approval or disapproval such that disclosure requirements don't become as onerous as to discourage or eliminate new products in the marketplace. And the best news of all for regulators, in Dr. Weisbart's view, the opportunities for regulators are "limitless!"

Dr. Weisbart concluded his presentation with reference to three valuable sources of additional information for regulators available through the Insurance Information Institute: the Insurance Information Institute's "Insurance Handbook – A guide to insurance: what it does and how it works," "A Firm Foundation: How Insurance Supports the Economy," and the link to the Institute's website, www.iii.org.

CDS attendees expressed their gratitude to Dr. Weisbart with enthusiastic applause and a thank you for his exceptionally informative and interesting presentation. ■

About the author: G. Kent Dover Jr., CPCU, CIE, ALMI, MCM is a Senior Manager at Risk & Regulatory Consulting, LLC. Before Joining Risk & Regulatory Consulting he worked for 22 years at the State of New Hampshire Insurance Department serving as examiner, senior rate analyst and chief market conduct examiner. He is also President of the New Hampshire IRES Chapter.

The Web of IRES Opportunities That Led Me to The Chartrand

By Erin Mirza, MCM

As Tanya Sherman began to describe the 2013 recipient of the Chartrand Communications Award, I was waiting diligently with my notepad, ready to jot down the person's name so that I could then announce the winners of this and other awards being presented at CDS on both the IRES website and on LinkedIn. The moment I realized Tanya was referring to me, I was ecstatic and speechless, to say the least. Lucky for me, I was invited to write something up for the Regulator to say those things that I couldn't get out while on stage at CDS in Portland, Oregon.

Fortunately, I had plenty of down time on the trip back to Wisconsin to gather my thoughts on those individuals that helped me along the way. A few months ago, my friend, carpool member, colleague, and longtime IRES member, Marcia Zimmer, brought the idea up to me of taking the Amtrak Empire Builder train back from CDS. What a great idea! I had never taken a train, so this seemed like the perfect opportunity. The route was scheduled to be roughly 42 hours but ended up being closer to 50, mostly due to (I can't complain) the few hours sitting still and enjoying the view of the rolling hills in North Dakota while the tracks were fixed – safety first! It was a beautiful route in all, which included the Columbia River Gorge, the Cascade Mountains and Glacier National Park.

While viewing the beautiful scenery, in between watching the Lord of the Rings trilogy that Marcia downloaded for us on her iPad for the trip (yes, we finished the whole trilogy), and our many naps (thanks for the pillows, Amtrak, and the blanket, Marcia), I thought of all the people I wanted to thank; the first, whoever nominated me for the Chartrand Communications Award. I can't forget David Chartrand and his associates, Susan Morrison, Elaine Bickel, Joy Moore, and Art Chartrand for leaving such a legacy that led to the creation of the award.

Although I did not have the pleasure to know the Chartrands, Ms. Bickel or Ms. Moore personally, I do know the opportunities they and my fellow IRES members have provided me since joining in June of 2011.

The first two IRES opportunities came from within my office at the State of Wisconsin, Office of the Commissioner of Insurance (OCI) where I was a health and life insurance examiner. Nitza Pfaff asked me to take over as chair of Wisconsin's chapter and Jo LeDuc, former IRES President, and my current supervisor, invited me to be vice-chair of the IRES website subcommittee. I graciously accepted both invitations. Getting an opportunity to work alongside with a former President on an IRES committee? Absolutely! Eventually, Jo had us switch roles so that I could gain experience chairing; another opportunity I am thankful for. The website committee has found its home under Publications now and the Chair, Stacy Rinehart, also Kansas' Co-Chair, has been an amazing IRES mentor as well throughout this process along with Holly Blanchard, 2011-2012 Membership and Benefits (M&B) Chair and current IRES President.

The next opportunity came at the 2012 CDS State Chair meeting in Hollywood, Florida. There was a small group of us that were able to make it in before the tropical storm Isaac hit. Tanya Sherman, 2011-2012 Chair of the State Chair subcommittee and Delaware's Co-Chair, and Kent Dover, New Hampshire's Chair, cheered me on by persuading me to jump in with both feet as the replacement chair for the State Chair Committee. It turned out to be a great opportunity. For this past year and with the help of Tennessee's Chair, my Vice-Chair, Greg Bronson, the State Chair subcommittee duties were covered. Also, thank you Kent for helping to host an outstanding State Chair Orientation in 2012.

The opportunities didn't stop there. In February 2013, a friend of mine and colleague, Ashley Natysin, who was an IRES Board member at the time, realized that due to the busy schedule that came with her newer position at OCI, she would be unable to serve in the capacity she would like on the Board. Ultimately, thanks both to Ashley's kind words and being in the right place at the right time; I was able to join the IRES Board of Directors and continue to serve alongside many great minds.

Another opportunity came at the 2013 CDS in Portland, Oregon, where I was asked to Chair the M&B Committee which comes with a seat on the Executive Committee. To prepare for this new responsibility, LeAnn Crow, Kansas' Co-Chair, graciously accepted my invitation to Chair the State Chair subcommittee alongside Greg Bronson. Lisa Brandt, my colleague at OCI, agreed to offer her tenacity chairing the website subcommittee going forward with Jo.

It was icing on the cake to be presented the 2013 Chartrand Communications Award after being blessed with all of these opportunities – hard work really does pay off! For those I didn't specifically mention, I thank you as well, but wanted to leave the Regulator staff room for the other articles.

IRES is the organization it is due to the great leadership and most importantly, the numerous volunteers and dedicated members like you. Like so many have said before me, get involved. You won't regret it as you will receive so much more than you give. ■

IRES Foundation Celebrates 20th Annual School

By Ron Kotowski, 2013 School Chair and IRES Foundation Board member

Sunshine, education, and constructive discussion: that's what participants found at the IRES Foundation School on Market Regulation held at the Westin Savannah Harbor in Savannah Georgia this past April. The School, now celebrating its 20th year, is focused on stimulating discussion around current events and bringing regulators and industry together to better the knowledge and professionalism of the industry as a whole.

The School kicked off Sunday night with a First Timer Orientation and Reception, which was also attended by the Faculty, who went above and beyond to make the record number of first timers feel welcomed at the School. This was followed by the Welcome Reception for all attendees where everyone had the opportunity to mingle with old acquaintances as well as meet new folks while enjoying a beverage and snacking on some very tasty food. Held in the outdoor courtyard along the bank of the Savannah River, this reception was a wonderful opportunity for the nearly 300 participants to meet panelists and moderators before the curriculum began the following day.

The Opening Session and Welcome on Monday morning was an excellent start to the school. While enjoying breakfast, participants listened to remarks from IRES President Mark Hooker and the keynote speaker Ralph Hudgens, the Insurance Commissioner of Georgia. Hudgens warmly welcomed everyone to Georgia and shared his thoughts on the key issues facing the industry. The School Chair, Ron Kotowski, and Agenda Chair, Cheryl Brunette, introduced the Faculty which consisted of representatives from 17 different state insurance departments in addition to NAIC staff members.

The Commissioners' Forum, which is now a regular agenda item due to its popularity, was a huge success! Louisiana Insurance Commissioner and NAIC President Jim Donelon, Kentucky Commissioner Sharon Clark, Georgia

Commissioner Ralph Hudgens, Missouri Director John Huff and New Jersey Commissioner Ken Kobylowski engaged in a spirited discussion on a number of important emerging issues that are at the forefront of regulation.

The faculty was kept very busy in Savannah. When they were not participating on a panel, they were booked solid with Private Appointments with attendees. This one-on-one time with a regulator is very popular and perhaps the cornerstone of the School. The Regulator Roundtables also provided attendees with the opportunity to spend time with the Faculty in a rather informal setting, while enjoying breakfast.

Monday's luncheon was once again buzzing with excitement as everyone anxiously waited to find out who won the IRES Foundation's two prestigious awards, the Paul L. DeAngelo Teaching Award and the Gary A. Hernandez Memorial Insurance Education Leadership Award. Louisiana Insurance Commissioner and NAIC President Donelon kicked off the luncheon by providing valuable insights about the insurance market. Commissioner Donelon is well respected throughout the industry and we were very honored to have him as our luncheon speaker. The IRES Foundation then recognized two outstanding individuals for their years of dedication and service to promoting insurance education. Eric Nordman of the NAIC was the recipient of the Paul L. DeAngelo Teaching Award. Brian Atchinson of the Physicians Insurance Association of America was this year's recipient of the Gary A. Hernandez Memorial Insurance Education Leadership Award. Congratulations to Eric and Brian and a big thank you for all they have done over the years to support the IRES Foundation School.

The business portion of the School included numerous sessions relating to property and casualty as well as life and health. From Hot Topics, ORSA and ERM, to behind the scene sessions on

what regulators are doing with MCAS data, attendees received necessary knowledge while enjoying valuable networking. The School concluded with "The Family Feud" moderated by Richard Awesome. The session pitted the Regulator Family vs. the Industry Family. It was not a pretty sight as the Industry Family unmercifully out-guessed the Regulator Family for a very decisive victory. There was some speculation that, as a result of the thumping the Regulator Family endured, they might possibly retaliate by paying an unexpected visit to the Industry Family, warrants in hand.

The Tuesday evening networking event to celebrate the 20th Year of the School was well received by all attendees, so much so that no one wanted to leave! It was a beautiful evening complete with hot dogs, pizza, cotton candy, chicken strips, and a special birthday cake to celebrate 20 wonderful years of insurance education. The live band was great and everyone enjoyed the lawn games. Perhaps the biggest attraction was the photo booth, where even the most reserved attendees donned silly hats, masks, fluffy scarves and sunglasses to have their picture taken with their friends and colleagues. Check-out the pictures at <https://www.dropbox.com/sh/4ymn72b16zi3y6/HcQPzUfOe7>

We look forward to seeing everyone again next year!

2 Conferences—1 Suitcase--Mark your calendars for next year when IRES and the IRES Foundation will be hosting a Joint Market Regulation Forum. It will be held August 3-5, 2014 at the Renaissance St. Louis Grand Hotel in St. Louis. MO. ■



Meet Your Executive Board – Stacy Rinehart

Hello IRES members,
I'm Stacy Rinehart and this year I have been Chair of the Publications Committee as well as current Vice President on the Executive Committee. I have been an IRES member since the first week I started working at the Kansas Insurance Department almost ten years ago, and have been on the Board of Directors since 2010.

I graduated from Washburn University in Topeka, Kansas in 2003 with a Bachelor's in Business Administration majoring in Finance and Management. At the time I got offered a job as a market conduct examiner for the Kansas Insurance Department, and took that job not even

realizing the various opportunities I would have.

After performing market conduct examinations for a couple years, I started the market analysis program at the Kansas department. A few years ago I took over as manager of the market conduct and market analysis activities in Kansas. That keeps me busy along with my IRES duties, NAIC working groups, etc.

The Publications Committee is responsible for ensuring all communications from the Society not only look professional, but are within guidelines. We also publish The Regulator® newsletter and handle website changes. We work closely with the new Public Relations committee to review printed materials prior to

release as well. The members of the Publications Committee have been a great asset to me and have put in countless hours to support our goals. I sure could not have done it alone!



I live in Topeka, Kansas, with my husband Ryan and my beautiful, smart, and very energetic daughters Lilian, 8, and Claire, 4. We like to spend what spare time we have enjoying the outdoors when the Kansas weather allows. Feel free to contact me anytime; I always enjoy meeting fellow IRES members! ■

3rd Annual Al Gross/Jim Long Rookie of the Year Scholarship

The Insurance Regulatory Examiners Society (IRES) and the IRES Foundation are sponsoring the 3rd Annual Al Gross/Jim Long Rookie of the Year Scholarship in calendar year 2014.

This award is named after two long-serving Insurance Commissioners who passed away shortly after retiring from their positions; North Carolina Insurance commissioner Jim Long and Virginia Commissioner of Insurance, Al Gross. Both of these Commissioners were dedicated to serving their constituents. In reading about these men, the same attributes came up again and again – Dedicated, Leaders, Innovators, Mentors – neither were afraid to get involved in difficult issues and find solutions that look outside the box. Both men were recognized and touted as exceptional leaders by their peers and those who worked for them.

The scholarship will be awarded to four (4) State Regulators (one in each zone)

who have demonstrated exceptional promise, professionalism, and a commitment to continual improvement. Recipients will be reimbursed up to \$1000.00 in travel related expenses as well as waived registration fees at one of the following programs:

- IRES and IRES Foundation Joint Market Regulation Forum: August 3-5, 2014, in St. Louis, Missouri.
- MCM (Market Conduct Management) Designation Program

The awardees must be current State Insurance Department Employees with less than 2 years of service as of January 1, 2014. They must demonstrate exceptional promise and professionalism in representing their states as regulators and seek to develop skills through completion of training programs provided by recognized insurance industry institutional programs including, but not limited to, those provided by The Institutes (formerly AICPCU), The American College, LOMA, and the NAIC.

The Society and the Foundation propose partnering with NAIC Zone Officers in the selection process. Each NAIC member may nominate one individual for this award. Nominees should complete the form here, http://www.go-ires.org/documents/IRES_Scholarship_App.pdf, with a letter of recommendation from their Commissioner, Director, or Superintendent and submit to info@go-ires.org no later than January 31, 2014.

Nominees and recipients are not required to be IRES members. Members, feel free to circulate this announcement to nonmembers!

We understand the ability to accept the scholarship may vary by state due to ethics consideration; as such, participation by states is voluntary. Should you have any questions please contact IRES Membership and Benefits Chair, Erin Mirza, at erin.mirza@wisconsin.gov or 608-267-4555 or IRES State Chair Chairperson, LeAnn Crow, at lcrow@ksinsurance.org or 785-296-2634. ■

Congratulations to the 2013 Al Gross Jim Long Rookie of the Year Scholarship Recipients

LeAnn Crow (KS)
Desiree Mauller (WV)
Adam Zimmerman (MD)
Ashok Viswanathan (CA)

The Al Gross/Jim Long Rookie of the Year Scholarship is awarded to four (4) State Regulators (one in each zone) who have demonstrated exceptional promise, professionalism, and a commitment to continual improvement. Here is what the award means to them, in their own words.

LeAnn Crow

I was thrilled to be selected as one of the Rookies of the Year for 2013. I felt that it was a good representation of my work and education accomplishments since I had been at the Kansas Insurance Department. IRES is a wonderful organization to be involved in and they encourage education and training, so with being selected as one of the Rookies of the Year, I was able to attend the CDS conference in Portland, Oregon this year. I was able to meet many Insurance Regulators as well as Industry professionals during this conference and listen and be involved in the many different sessions which has been beneficial to my career at the Kansas Insurance Department.

Ashok Viswanathan

The Al Gross/Jim Long Rookie of the Year scholarship is an annual award that enables new entrants in the field of insurance regulation to have an opportunity to interact with experienced regulators and share perspectives and concerns on issues of importance to the industry. As the result of a nomination submitted on my behalf by Mr. Ken Allen, my manager here at the CA Dept. of Insurance, I received a "Rookie of the Year" scholarship

that presented me with the chance to attend this year's Career Development Seminar sponsored by IRES in Portland, OR.

The Al Gross/Jim Long Rookie of the Year Scholarship is awarded to four (4) State Regulators (one in each zone) who have demonstrated exceptional promise, professionalism, and a commitment to continual improvement.

The Career Development Seminar was organized as a series of presentations that touched on a wide ranging set of topics, spanning from ways to spot the signs of a troubled insurer to understanding the issues insurers are presented with by the development of self-driving automobiles. Additionally, the Career Development Seminar was an excellent opportunity to exchange thoughts and ideas with seasoned professionals and acquire an informed view and understanding of the topics being discussed in the seminar. I look forward to participating as an active member of IRES as I advance my career. The experience I had at the seminar left me with a very positive impression of IRES and its important mission of developing regulators into skilled and knowledgeable professionals of the highest caliber.

Adam Zimmerman

I was extremely pleased and incredibly honored when I learned that I was one of the recipients of the 2013 Al Gross/Jim Long Rookie of the Year Scholarships. I was very appreciative

of the Insurance Regulatory Examiners Society (IRES) for selecting me as the winner for the northeastern zone. It meant a great deal to me to be awarded this scholarship which allowed me to broaden my knowledge in the insurance field since I had only been working in my position for just over one year. It was very humbling to me that my supervisor and co-workers thought that much of me and my contributions to the Maryland Insurance Administration, in the short period of time that I had worked there, to nominate me for such a prestigious honor. This scholarship was useful because it enabled me to attend the IRES Career Development Seminar and Regulatory Skills Workshop which was recently held in Portland, Oregon. This opportunity allowed me to network and meet with regulators nationwide and from the United States territories. I was able to exchange ideas and gain valuable knowledge which has proven useful to both my personal growth and development and has helped me in my day-to-day job responsibilities. ■

Loss of a Colleague

By Duane Manns, CPCI, AIE, Kentucky State Chair

It is with deep sadness and sorrow that I report the passing of our friend and colleague, Doug Froehlich. Doug passed away August 23, 2013 after a short illness. Doug worked for the Kentucky Department of Insurance for several years as Examiner-In-Charge on Property and Casualty Exams. Doug earned his CIE designation while working for the Georgia Department of Insurance and was a dedicated and professional Market Conduct Examiner. Doug will be truly missed. ■

Editor's Corner

Musings from the Pacific Northwest

by Leslie Krier, AIE, Co-Editor of *The Regulator*®



It's summer! I don't know how y'all feel about summertime, but when the sky is blue, the air is warm and the sun is out, I have a really hard time staying focused on work. All I have to do is glance out the window and I'm lost to daydreams about what else I could be doing besides sitting in my office.

I usually don't take much time off in the summer. This year has been an exception as I've already spent a week at the beach on the east coast, a long weekend on the beach in Washington with another planned later in the summer, then I will be in Sun Valley for a week at my niece's wedding, then a visit with family nearby. I jokingly told some friends the other day that I was sure my extended family thinks I'm very lonely because all of a sudden they've come up with something I need to be involved in on a weekly basis. And it doesn't stop at the end of summer – they have me planned out well into the holiday season!

Over the years I've come to know the people who make up this great organization, and they've come to feel like family as well.

You know what? I am really enjoying it! What I first thought of as a duty is now a welcome part of my life. It is so much fun to connect and spend time with people who have known me "forever" (and know most of my secrets!). I can remember at one point watching my parents, aunts and uncles be the focal point of the family, then it turned over to my generation and now it's moving to the next generation. All the nieces and nephews are starting to take over the holiday and other family gathering

occasions and I just have to bring food and enjoy myself! It's a pleasure to watch them connect and start new traditions, while making sure that the old ones happen as well.

I've been part of the IRES family for about 18 years now. At first, I felt like an outsider and sometimes it was a chore to go the meetings or make time for a phone call. Over the years I've come to know the people who make up this great organization, and they've come to feel like family as well. I look forward to the time I get to spend with them at CDS or other meetings, and the time that I spend on committees or preparing for a presentation. It's been exciting to watch the organization change, and just like with my family, to see the next generation take over.

I've been part of the IRES family for about 18 years now.

Thank you, Mark Hooker, for moving us forward this last year and tackling some really difficult issues. I know it hasn't been easy for you and that you are ready to hand over the organization to the next person, but you should know that I, for one, think you did a great job as president and appreciate how you've moved us along the path. I haven't always agreed with you, but I have respected your decisions and IRES is better for them.

That same sentiment goes out to the board members who are retiring this year. I hope that even though you are no longer on the board, you stay involved with IRES and bring your perspective to the new generation of IRES leaders. You are the backbone of IRES and thank you for making time to take on the job of running our organization.

just like I've watched my family take on new traditions while preserving the old ones, I can't wait to see where you are going to take us during the next year, and how you will mix the old with the new.

To the 2013-14 Board of Directors and Executive Committee: Best of luck! I can't wait to see what you have in store for us. Just like I've watched my family take on new traditions while preserving the old ones, I can't wait to see where you are going to take us during the next year, and how you will mix the old with the new.

And, last but not least, to the IRES members who have taken the time to read through my musings, I encourage you take a chance, get involved and be part of the family. You have great ideas and there are many ways for your voices to be heard. It's much easier to do so when you're part of the family, so take every opportunity you can to get to know your fellow IRES members. You are a great bunch of people, and I'm proud to call y'all family. ■

Leslie Krier

'Zoning' In

Northeastern Zone

By Jason M. Kurtz

New York's Department of Financial Services Recommends Steps to Regulate "Shadow Insurance"



The New York Department of Financial Services (DFS) recently issued a report summarizing an eleven month investigation into insurers' use of captive reinsurance transactions – which is described in the report as "shadow insurance." According to the DFS report, "shadow insurance transactions" typically involve the creation of captive insurance subsidiaries through which blocks of existing policy claims are reinsured. The DFS states that the lower reserve and collateral requirements of captive insurance subsidiaries allow parent companies, i.e., the insurers, to allocate reserves previously set aside to pay policyholders to other purposes. The DFS believes that this practice may not adequately transfer risks and could result in a smaller reserve buffer for insurers to use to pay out policyholder benefits. The DFS

compares this practice to those that led to the financial crisis of 2008. Thus, the DFS recommends, among other things, that other state insurance commissioners consider implementing an immediate national moratorium on additional "shadow insurance transactions", that the National Association of Insurance Commissioners (NAIC) develop enhanced disclosure requirements for "shadow insurance" across the country and that the NAIC, Federal Insurance Office, Office of Financial Research, and other state insurance commissioners should conduct similar investigations into the use of "shadow insurance" nationwide. The NAIC responded to the DFS report by stating that it is well aware of this type of transaction and that it already assesses and monitors the risks that captives and

special purpose vehicles may pose to insurers on a regular basis.

New Pennsylvania Law Secures Dedicated Funding Source For State's Insurance Department

Under newly enacted legislation, Act 46, signed by Governor Tom Corbett, the Pennsylvania Insurance Department (PID) now has access to a dedicated funding source which will be used to pay all costs and expenses associated with its general operations. The new law places 50% of all insurance fees, including licensing, and 100% of penalties into the insurance department's fund for the upcoming fiscal year. According to PID spokesperson Melissa Fox, Pennsylvania is one of the last states in the nation to create its own dedicated funding structure. Pennsylvania is the fifth largest insurance marketplace in the United States and the fourteenth largest in the world. The PID oversees the operations of 1,700 insurance companies offering more than \$92 billion of annual premiums in all lines of insurance products.

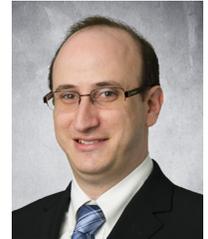
New Connecticut Law Will Authorize Creation of Post-Catastrophe Claims Mediation Program

Connecticut recently enacted legislation, H.B. 6549, that will allow the state insurance department to establish a mediation program for insurance claims arising from any catastrophe which prompts the governor to declare a state of emergency. The mediation program, which will be funded by insurers, will address insurance coverage matters where the amount in dispute is \$5,000 or more and will not apply to claims made to the government-backed flood insurance program. The new law grants Connecticut's insurance commissioner with the authority to designate the mediator. Insurers must cover the costs of the mediation but will not be responsible for the policyholders' costs in hiring attorneys, public adjusters, advisers or representatives.

Southeastern Zone

By Scott G. Paris

Virginia's New Notice of Payment Requirement



Virginia recently passed a law, S.B. 984, requiring that insurers must provide notice to claimants or judgment creditors of payments of over \$5,000 made to Virginia licensed attorneys, other representatives or creditors. Notice must be sent within five business days of payment. Where the insurer sends a settlement offer and a check, a notice must be sent to claimants or judgment creditors within five business day of the acceptance of the offered settlement. The required notice may be sent to physical or electronic addresses. Claimants or judgment creditors may waive notice of payment requirement.

Depreciation of Labor for Claims in Arkansas

The Arkansas Insurance Department issued a bulletin on July 5, 2013 stating that labor depreciation may not be included in insurance claims for structural losses. The bulletin explains only materials may be subject to depreciation for calculating an actual cash value of a loss. Further, calculations for depreciation "must be actual, not artificial." The bulletin provides that "[d]epreciation is artificial and, thus, improper, if it is based on a calculation formula set in advance."

North Carolina Procedures for Catastrophic Adjusters

The North Carolina Department of Insurance (NCDI) issued a bulletin on June 10, 2013 stating that adjusters working in declared disaster areas following a catastrophic event must have a company issued identification badge. The bulletin also provides that

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'Zoning' In – continued from page 20

insurers are permitted to hire experienced out-of-state unlicensed adjusters for emergency adjustment work. Unlicensed adjusters must regularly adjust claims in their home state and be licensed, if their home state requires a license. Unlicensed adjusters will only be permitted to adjust claims for the time required to complete the handling of claims arising from the catastrophic event.

Midwestern Zone

By Benjamin C. Chynsky

Oklahoma Insurance Department States 76,000 Claims Were Filed Following Tornadoes



The Oklahoma Insurance Department announced that almost 76,000 claims have been filed since several devastating tornadoes killed dozens and injured hundreds. Two of the tornadoes in Oklahoma were top-of-the-scale EF5s.

Insurance Commissioner John Doak stated that insurance payments from the storms are approaching \$688 million. The Commissioner's office explained that claim filings are "nowhere near complete" and will continue to be filed for up to one year from the date of loss. The Oklahoma Insurance Department will host several insurance forums to assist people with insurance-related issues from the disasters.

Michigan Insurance Department: 2012 Insurance Complaints Concerned Complaint Handling

The Michigan Department of Insurance and Financial Services (DIFS) announced that Michigan consumers filed more than 3,000 complaints against insurers in 2012. Complaints were filed against carriers writing accident and health, annuity, homeowners, auto, and life insurance policies. The majority of complaints involved claim handling. Complaints were broken down by lines of coverage with 47 percent of complaints involving accident and health insurance. The statistical breakdown

includes ratios which provide a basis to compare insurers. However, not every complaint resulted in a determination that the insurer acted improperly.

Digital Proof of Insurance Allowed in Missouri

Missouri Governor Jay Nixon signed legislation that allows Missouri motorists to demonstrate proof of insurance using an electronic image on smartphones and other mobile devices. Governor Nixon stated that the legislation will "make life a little easier for motorists" by eliminating the responsibility to maintain hard copies of insurance cards. Missouri House Bill 322 applies both to traffic stops as well as motorists seeking to register their motor vehicles at local licensing offices. The legislation also allows insurers to deliver their policies to insureds electronically. The new Missouri law will take effect August 28th. Drivers who prefer to continue to use hard copies may still do so.

Western Zone

By Benjamin C. Chynsky

California Court Tosses Forced Placed Insurance Claims Against Wells Fargo

A California federal judge dismissed claims in a class action lawsuit against Wells Fargo Bank regarding force-placed insurance practices. U.S. District Judge Edward Chen granted Wells Fargo's motion to dismiss the claims, finding that the bank had the power to force borrowers to pay for retroactive flood policies. Judge Chen concluded that the bank's practice was not forbidden by the plaintiffs' mortgages or the National Flood Insurance Act. He also dismissed the claim that Wells Fargo violated an anti-tying law, which prohibits banks from providing services to customers on the condition that they purchase additional services from a bank affiliate.

California Department of Insurances Reduces Rates for California Low Cost Auto Insurance

The California Department of Insurance announced plans to reduce rates for

the California Low Cost Auto Insurance Program (CLCA). The CLCA was established in 1999 by the California Legislature and it is intended to decrease the number of uninsured drivers in California by providing a low-cost option for eligible drivers. Drivers may qualify if they have a good driving record, have been continuously licensed to drive for three years, are at least 19 years old, own a vehicle valued at \$20,000 or less, and meet the income eligibility requirements.

New Mexico Insurance Regulator to Stay in Office

New Mexico's State Insurance Superintendent John Franchini was selected to remain as the state's top insurance regulator. A nine-member committee named Franchini to serve as Insurance Superintendent for a term from July 1, 2013 to Dec. 31, 2015. Since August 2010, Franchini has run New Mexico's Insurance Division in the Public Regulation Commission (PRC). However, voters removed oversight of the state insurance industry from the five-member elected PRC. The newly created independent office will regulate insurance policies and rates. A state law established a committee to hire the superintendent of insurance.

"Zoning In" is developed by members of Nelson Levine de Luca & Hamilton's Insurance Regulation Practice Group. With a team of professionals that includes former insurance regulators, Nelson Levine assists insurance companies with a broad range of regulatory issues affecting the business of insurance. Monthly contributors to "Zoning In" include: Susan T. Stead (614-221-7543, sstead@nldhlaw.com), Molly E. Lang (614-456-1634, mlang@nldhlaw.com), Peg Ising (non-lawyer consultant, 614-456-1632, pising@nldhlaw.com), Jason M. Kurtz (212-233-2633, jkurtz@nldhlaw.com), Scott G. Paris (212-233-2716, sparis@nldhlaw.com), and Benjamin C. Chynsky (212-233-2974, bchynsky@nldhlaw.com).

The above material is for informational purposes only and should not be construed as legal advice, nor is it designed to create any attorney-client relationship. ■

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State Chapter News

Louisiana

by Linda Gonzales, State Chair

The Louisiana Chapter held a State Chapter Meeting on May 9, 2013. FEMA provided a webinar that provided valuable insight into the need to understanding the impacts of the NIPR Reform Act of 2012. There were 28 attendees.

The Louisiana Chapter held a State Chapter Meeting on 30, 2013. The speaker was Antoinette Gaines, Insurance Specialist 2 of Consumer Affairs. Ms. Gaines presented "Homeowners 102: To Be Covered or Not To Be Covered" with a PowerPoint presentation that provided insight on what to expect when a claim is filed and the information the policyholder needs to provide, exclusions, all perils deductibles, hurricane deductibles, named storm deductibles, the need for a property inventory list and what should be included on the list, and other related questions as they arose. There were 37 attendees.

The Louisiana Chapter held a State Chapter Meeting on June 18, 2013. The speaker was Patrick Bell, Deputy Commissioner of Minority Affairs. Mr. Bell presented an Overview of the Division of Minority Affairs that provided valuable insight into the workings of the office and the assistance it provides to minorities. There were 26 attendees.

Kansas

by Stacy Rinehart, State Co-Chair

The Kansas Chapter has voted to elect LeAnn Crow as the new chair of the Kansas state chapter. LeAnn is a 2013 Al Gross/Jim Long Rookie of the Year award winner and has held the MCM designation since 2012.

California

by Polly Chan, State Chair

Polly Chan, State Chair and current Board Member, has been promoted to the position of Bureau Chief of the LA2 Rate Filing Bureau, Rate Regulation Branch.

Congratulations to Ashok Viswanathan, Rookie of the Year 2013.

On April 24, 2013, Joel Laucher, Deputy Commissioner of the Rate Regulation Branch, conducted a very informative seminar on Personal Auto Training.

New Hampshire

Kent Dover, Chapter Secretary

The New Hampshire State Chapter would like to share what information they make available to members in their state. They hold quarterly meetings, and have by-laws as well. For anyone interested in starting a state chapter, please contact their state chair for more information.

About Us:

The Chapter was formally organized in 2002 when New Hampshire IRES members presented their ideas about the organization and operation of the Chapter to the State insurance commissioner, who was instrumental in supporting the formation of the group.

Using the by-laws template provided by IRES, members crafted a set of by-laws that provided a unique framework for how the members wanted to organize and run the Chapter. The New Hampshire IRES State Chair then held the first formal meeting of State IRES members and adopted the by-laws. Using the by-laws as a guide, the group elected Chapter officers and thus launched the New Hampshire Chapter of IRES

Purpose:

The purposes of the State Chapter are to assist in establishing professional standards for insurance regulators and to promote and support standards and venues for their education and training. These and other purposes are spelled out in more detail in the Chapter by-laws.

What We Do:

The Chapter conducts quarterly meetings presided over by the Chapter president. The meetings are open to Department

employees, invited guests and are held in a large conference room with seating for up to 40 persons. The agenda normally consists of welcoming guests, promotion of IRES membership to non-IRES members in attendance, housekeeping items such as acceptance of prior meeting minutes, notices of any upcoming events, updates, scheduling the next meeting and brief remarks on any matters of Chapter interest. For each meeting, a guest speaker is lined up who gives a presentation on a topic related to insurance regulation. In December, an annual meeting is held for the main purpose of accepting nominations and electing Chapter Officers for the following year.

State Chapter members are also encouraged to attend the annual IRES Career Development Seminars and participate as volunteers in support of national IRES activities.

New Hampshire Members:

Kathleen Belanger; Don Belanger, CIE, MCM, Secretary; Kent Dover, CIE, MCM, President; Andy Gagne, MCM; Alan Goode, CIE; Denise Lamy; Ingrid Marsh; Win Pugsley, MCM; Chuck Vanasdalan, MCM, Vice President; Ellen Walsh, MCM; and Jim Young ■

Editor's Note: Thank you to Linda, Polly, Stacy and Kent for submitting state chapter updates. If your state chapter is holding a meeting or if something occurs that involves an IRES member in your state, please let us know at TheRegulator@go-ires.org. We will include it in the next issue.

New Members

Welcome!

The following members have joined IRES since the last issue of *The Regulator*®. Visit the online member directory to learn more about them—and please join us in welcoming them!

GENERAL MEMBERS

- ★ Maria Ailor
- ★ Sarah Bridendall
- ★ Jen Christian
- ★ Shannon Dawkins, MCM

- ★ Laura Ervin, MCM
- ★ Joseph Evans
- ★ Logan Harrison, MCM
- ★ Christian Hennelly
- ★ Dwayne Henry
- ★ John McDonald
- ★ Kathy Milford
- ★ Suzanne Murphy
- ★ Ernest Nickerson
- ★ Colleen Pawluczyk
- ★ Robert Sampson

SUSTAINING MEMBERS

- ★ James Arnold
- ★ Edward Coleman, MCM
- ★ Elephant Insurance Services, LLC
- ★ CSAA Insurance Group
- ★ Meredith Long, MCM
- ★ Markel FirstComp
- ★ Victoria Melucci
- ★ Alexis Webb

New Designees

Congratulations!

The following members have received their Accredited Insurance Examiner (AIE™), Certified Insurance Examiner (CIE™), Certified Insurance Consumer Service Representative (CICSR), or Market Conduct Management (MCM™) designation since the last issue of *The Regulator*®.

Please join us in congratulating them!

AIE™

- ★ Sean P. Connolly, AIE, MCM
- ★ Jose Joseph, AIE
- ★ James Morris, AIE
- ★ Michael Ricker, AIE
- ★ John C. Stike, AIE, MCM, WV

CICSR™

- ★ Mark A. Hooker, CIE, CICSR, MCM, WV

CIE™

- ★ Constantine V. Arustamian, CIE, MO
- ★ Marcia Davy, CIE, NY

- ★ Rita Heimericks-Ash, CIE, MO
- ★ Shelly Herzing, CIE, MCM, MO
- ★ Joanna Sutton, CIE

MCM™

- ★ Nathan A. Adderley, MCM
- ★ Manny Adonis, MCM, WA
- ★ Maria Ailor, MCM
- ★ Craig Alexander, MCM
- ★ Brandon Ayers, MCM
- ★ Andrea Baytop, MCM, VA
- ★ William G. Benson, AIE, MCM, VA
- ★ Colleen Benzin, MCM
- ★ Bill Boyce, MCM
- ★ Lisa Brandt, MCM, WI
- ★ Sarah Bridendall, MCM
- ★ Tommy A. Brinkley, MCM, FL
- ★ Jay-Ann Brown, MCM
- ★ David Browning, MCM
- ★ Kathleen Burch, MCM
- ★ Chris Cagle, MCM
- ★ Renee Campbell, MCM
- ★ Jen Christian, MCM
- ★ Stacy Coleman, MCM

- ★ Edward Coleman, MCM
- ★ Daedre H. Dabney, MCM, VA
- ★ Shannon Dawkins, MCM, FL
- ★ Zachary Dillinger, MCM, MI
- ★ Anita Dulmes, MCM
- ★ Janelle V. Dvorak, AIE, MCM, WI
- ★ Laura Ervin, MCM
- ★ Julie Fairbanks, AIE, MCM, VA
- ★ William T. Felvey, AIE, MCM, VA
- ★ Teresa Fischer, MCM
- ★ Kris Fischer, MCM
- ★ Ingrid Frazier, MCM
- ★ Ryan Garrison, MCM
- ★ Nathan Gasser, MCM
- ★ Doreen M. Gatley, MCM
- ★ Melissa Gerachis, MCM, VA
- ★ Thomas J. Goetzinger, CIE, MCM, CA
- ★ James Gowins, MCM
- ★ Kathy Graham, MCM
- ★ Tammy L. Greening, MCM
- ★ Suzette D. Green-Wright, MCM, UT
- ★ Andrea Greiber, MCM
- ★ Barry Haney, MCM

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- ★ Paul Hanson, MCM, MN
- ★ John E. Hardiman, AIE, MCM, OR
- ★ Jennifer Harris, MCM
- ★ Sean Hart, MCM
- ★ Ian Hauman, MCM
- ★ Ju'Coby Hendrick, MCM
- ★ Christian Hennelly, MCM
- ★ James J. Hennessy, MCM
- ★ Tabitha Hibbitts, MCM
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