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Insurance Regulatory Challenges for 2015 and Beyond

by Eric C. Nordman, CPCU, CIE

Once we believed the world revolved around us. It was shocking to discover it does not. Many of the issues insurance regulators faced in 2014 and those looming before us as we prepare for 2015 involve the globalization of the insurance industry and the corresponding challenges of regulating multi-national insurers. The purpose of this article is to identify and explore some of the international and domestic insurance regulatory issues we face today and will continue to face in 2015 and beyond.

Before we begin a discussion of why insurance regulators need to pay attention to international discussions regarding insurance regulation, it will be helpful to understand who the players are. Important participants include:

The G-20: The Group of Twenty (G-20) Finance Ministers and Central Bank Governors is an international organization designed initially to respond to a financial crises in Asia and Latin America that threatened the stability of the world economy. Established in 1999, it grew out of a similar initiative called the G-7 (Group of the Seven Leading Developed Countries), established in 1975 following the oil crisis. The G-20 provides a forum for debating key economic issues. It is involved in developing policy options to promote economic growth and enhance financial stability in the world. With respect to the Global Financial Crisis, the G-20 works with financial services regulators throughout the world to strengthen macro-prudential regulation and supervision to mitigate the spread of risk; the commitments made at the G-20 are supposed to eventually be implemented by the individual members. The G-20 is important to U.S. insurance regulators because it is promoting the convergence of U.S. and international accounting standards. This is important as convergence directly impacts current financial reporting and accounting standards used to measure financial position in the U.S.

The IMF: "The International Monetary Fund (IMF) is an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. "[1] The IMF was created at the end of WWII to help rebuild national economies devastated by the war. It oversees the international monetary system for the purpose of ensuring monetary exchange rate stability and encouraging nations eliminate trade restrictions. It also works to eliminate poverty. The IMF is important to U.S. insurance regulators because it is the organization that completes the Financial Sector Assessment Program (FSAP). The FSAP is a comprehensive assessment of each country's financial sector. The insurance sector, along with banking and securities, is evaluated every five years during the FSAP. A formal evaluation of the U.S. financial sector is to be completed in 2015. Preliminary work is underway.

1 http://www.imf.org/external/about.htm Accessed on November 24, 2014.

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The FSB: The Financial Stability Board (FSB) is an international body established in 2009 that monitors and makes recommendations about the global financial system. It is charged with promoting financial stability. The G-20 endorsed the charter of the FSB setting it on its current course. The FSB generally promotes reform of international financial regulation. It uses the FSAP from the IMF in its work. The FSB is important to U.S. insurance regulators as it encourages the IAIS to develop standards and presses jurisdictions to implement the standards.

The IAIS: The International Association of Insurance Supervisors (IAIS) was established in 1994 to "Promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders; and to contribute to global financial stability."[2] According to its web site, "the IAIS represents insurance regulators and supervisors of more than 200 jurisdictions in nearly 140 countries, constituting 97% of the world's insurance premiums."[3] The National Association of Insurance Commissioners (NAIC) was a founding member of the IAIS and remains an active participant in the numerous IAIS committees and subcommittees, providing leadership and input on a variety of topics and workstreams. It is important to U.S. insurance regulators as it is the body promulgating the Insurance Core Principles (ICPs)—the international standards on which the FSAP for the insurance sector is based.

International Insurance Issues

Insurance regulators in the U.S. have been engaged with their international regulatory counterparts for more than a quarter of a century. U.S insurance regulators have worked to develop a stronger international insurance regulatory framework.

The focus has been and continues to be to ensure the standards can be adapted to the markets in the 56 jurisdictions making up what the world views as the U.S. insurance market. U.S. regulators also strive to have the standards be beneficial to consumers and not unduly burdensome to insurers.

Viewed as a single market, the U.S. has more than ⅓ of the world premium writings with $1.79 trillion out of $5.17 trillion in worldwide premium.[4] When we view the U.S. premiums as they should be—state-by-state—a different picture emerges. The largest market in the world is Japan with $532 billion (10.3% market share). The United Kingdom is second with $330 billion (6.4% market share) followed by a rapidly emerging market in the People's Republic of China with $278 billion (5.4% market share). The top ten includes three U.S. jurisdictions—California with $241 billion (4.7% market share), New York with $135 billion (2.6% market share) and Texas with $127 billion (2.5% market share). States make up 24 of the top 50 insurance jurisdictions and the top 50 jurisdictions write 87.2% of the world markets. U.S. jurisdictions make up 50 of the top 100 jurisdictions worldwide.

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The relevance of international standards development to U.S. regulators has been increasing since the 2007-2008 global financial crisis. While international standards developed by the FSB and the IAIS are not binding on U.S. regulators, they serve as guidance for public policymakers. Increasingly insurers are writing across national borders. If state legislators are able to enact legislation consist with international standards and best practices, then the legislation benefits U.S. insurers wishing to write business abroad. Similarly, U.S. consumers can benefit from product offerings and added competition from insurers from other countries. The rub comes when the standards developed by the IAIS are inconsistent with the regulatory approach taken in the U.S. International standards must recognize that different regulatory approaches exist around the globe, including the U.S. state-based entity approach, and in order to work, such standards need to be flexible enough to allow for different approaches which reach the similar outcomes. In other words, if process or procedure results in a positive and similar outcome, then international standards should not prescribe a one-size-fits-all approach or suggest that one style of regulation is better than all the rest. This issue will be one of the top issues for insurance regulators during the remainder of 2014 and for 2015 and beyond.

In the past, state insurance regulators were usually the only U.S. participants in dialogs with insurance regulators from other countries. Today state regulators are joined in international talks by the Federal Reserve (the Fed) and the Treasury. The Fed has been granted a role in insurance regulation by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). Under Dodd-Frank, the Fed is responsible for the consolidated supervision of insurance holding companies that own federally chartered thrifts or banks, and for supervision of insurance holding companies designated by the Financial Stability Oversight Council (FSOC) as Systemically Important Financial Institutions (SIFIs). The Treasury is involved because it houses the Federal Insurance Office (FIO)—another creation of Dodd-Frank. One of its charges is to represent the U.S. federal government internationally at meetings of the IAIS and other similar organizations. It is important to

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2 http://www.iaisweb.org/ Accessed on November 24, 2014.

3 Ibid

4 http://www.naic.org/documents/cipr_stats_top_50_worldwide_insurance_markets.pdf Accessed on November 24, 2014.

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note that the FIO is not an insurance regulator or supervisor, but rather is the information arm of Congress providing them with input about the insurance sector.

In the past, state insurance regulators were usually the only U.S. participants in dialogs with insurance regulators from other countries.

A major issue for insurance regulators during the remainder of 2014 and into 2015 is the budding relationship of state insurance regulators with the Fed and the FIO. All three parties have important, yet separate and distinct responsibilities with respect to dialog with international regulatory and standard setting bodies.

With respect to how the IAIS operates, insurance regulators have been concerned about a movement by the IAIS to reduce transparency of its deliberations. U.S. regulators have a history of inclusion and transparency when developing model laws and regulations through the NAIC Open Meetings Procedures. Further state legislatures vote on legislation in an open environment. This history of inclusiveness and transparency has been beneficial to insurers, consumers and the insurance regulatory community as it helps build consensus and clarity around legislative and regulatory proposals. U.S. regulators believe transparency has also improved the quality of IAIS work. Transparency does not require that regulators delegate power to draft legislation to regulated entities, but simply allows the process of standard setting be done in an open and inclusive environment. An issue to be addressed in 2015 and beyond is the processes the IAIS puts in place in light of its recent decision to limit direct stakeholder participation in meetings and whether the result provides the openness and transparency necessary to give IAIS work credibility among the U.S. regulatory and legislative community.

Perhaps you are wondering why the definitions on the first page were included. Here is where they become important. The FSB, which derives its power from the G-20, has been pushing the IAIS to step up its work on development of three new capital standards. Each of these capital standards serves a different purpose. All are much different than the state-based Risk-Based Capital (RBC) standards used as a regulatory tool since the mid-1990s in this country. Once these international standards are adopted by the IAIS, there will be pressure exerted on U.S. regulators to implement them. At first the standards will only apply to globally systemically important insurers (G-SIIs). However, once a standard is established, calls for parity might expand their scope. The FSB has requested the IAIS to develop international standards for a basic capital requirement (BCR) and higher loss absorbency (HLA) capital measures for Global Systemically Important Insurers (G-SIIs). Further, the IAIS is developing a risk-based global insurance capital standard (ICS) as part of a Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).

An issue for later this year and in 2015 is why the highly successful state-based national system of insurance regulation needs to adopt the IAIS standards. It is unclear what benefit these standards will bring to U.S. policyholders. Further, the standards as currently drafted would seem to require insurers to post redundant and unnecessary capital at the group level. This could lead to unintended consequences such as limiting insurance product innovation or stagnating growth in the insurance sector. This could cost U.S. jobs in the insurance sector and stifle innovation by insurers. The measurement of group capital could be an important additional resource for state insurance regulators. It could be helpful in measuring inputs from non-financial firms that are part of a conglomerate. It should not; however, be viewed as a substitute for the time-tested, entity-based solvency oversight practiced today. The IAIS should recognize that in order for its work on capital standards to be successful and ultimately implementable, a one-size-fits-all group capital adequacy test might not be the best solution in every jurisdiction.

Domestic Insurance Issues

Perhaps the most crucial issue facing the property/casualty business is the looming expiration of the Terrorism Risk Insurance Program. The current program will sunset on December 31, 2014 unless Congress acts to extend it. With a Congress deeply divided on many fronts, the prognosis for a timely extension seems unlikely. The recent election results may have made the likelihood of passage even more remote.

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That we, as a nation, face the risk of terrorism on our homeland is a given. Yet we have not yet devised a permanent solution to address this risk. In recent years progress has been made in computer simulation modeling of terrorism risk, yet modelers tell us the modeled results come with a great deal of variability. It is the unpredictable frequency coupled with unlimited potential severity that causes insurers to be extremely cautious about writing coverage for acts of terrorism. However; the insurers have

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been actively writing coverage for acts of terrorism because of the existence of the Terrorism Risk Insurance Program. Without the program, we can expect insurers to take a number of steps to eliminate or minimize the risk of loss from terrorist events. They have already signaled this action by adding conditional exclusions to commercial policy forms. These conditional exclusions will come into effect at the stroke of midnight on January 1, 2015 if Congress fails to act on a program extension. Then many American businesses will find themselves without terrorism coverage.

Things are even worse for workers' compensation insurers and businesses required to buy workers' compensation insurance. Workers' compensation insurance benefits are codified in state law. Insurers cannot exclude coverage for acts of terrorism that injure workers. Uncertainty surrounding renewal of the Terrorism Risk Insurance Program is disruptive to the workers' compensation insurance markets. If insurers fear the concentration of risk in perceived terrorism targets, their only recourse is to raise prices or cancel the policy. If cancellations occur, American businesses might end up with more costly coverage in state residual market mechanisms.

The availability of affordable terrorism insurance has become crucial to American businesses and to a stable U.S. economy. As we move closer to the sunset date of the Terrorism Risk Insurance Program, three possibilities emerge. We could have a short-term extension of the program—perhaps six-months or one-year. A six-month extension will extend uncertainty to the second-busiest renewal season for commercial risks. A one-year extension is better, but uncertainty will continue to prevail. We could have the House and the Senate reach accord on an extension of the program. The Senate passed Senate Bill 2244 by a vote of 93–4. It provides for a seven-year reauthorization of the program with some changes made to increase the insurer co-share from 15% to 20% over five years and gradually increase the recoupment mechanism. There is a very different bill being considered by the House Financial Services Committee. At the time this article was being drafted, there was word of discussions between leaders of the House and Senate; however, the outcome remains uncertain. The third possibility is Congress does not pass a bill and the program is abandoned. Only time will tell.

There are two significant and interrelated challenges regulators are facing with respect to regulation of life insurers.

First is the movement away from a rule-based reserving methodology toward a principle-based reserving (PBR) methodology. Currently, life insurers use a formula-based static approach to calculate reserves for the products they sell. However, life insurance products have become more complex in recent years. As

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Sandy Praeger's Lasting Legacy

by LeAnn Crow & Stacy Rinehart

Throughout Sandy Praeger's tenure as Kansas Insurance Commissioner, she has been a strong advocate for consumers, a proponent of State based Regulation and a supporter of the Insurance Regulatory Examiner Society (IRES).

Commissioner Praeger was elected as Kansas' 24th Commissioner of Insurance on Nov. 2, 2002. She was re-elected on Nov. 7, 2006, and again on Nov. 2, 2010. Prior to being elected as Insurance Commissioner, she served three terms in the Kansas Senate and one term in the Kansas House of Representatives. She has also served as Mayor of Lawrence, KS (go Jayhawks!) and was on the Lawrence City Commission.

During her tenure as Kansas Insurance Commissioner, she served in various leadership positions at the NAIC, including President in 2008 and she has chaired the Health Insurance and Managed Care (B) Committee and Antifraud (D) Task Force for several years. Health care has always been a key component of Praeger's career. In the Kansas Legislature, she worked on patient protection laws, external review of health plans, expansion of children's health insurance in Kansas, and she led the campaign for mental health parity in the state. She also was a vocal supporter of the Patient Protection and Affordable Care Act, putting her at odds with Kansas Republican Governor Sam Brownback.

Commissioner Praeger is a two-time (2010 and 1999) recipient of the prestigious Dr. Nathan B. Davis Award, bestowed annually by the American Medical Association to individuals who have made a significant contribution to the public health through elected and career government service. "Commissioner Praeger's successful efforts to ensure that the people of Kansas have access to affordable and quality care is the hallmark of her career in public service," said AMA Board Chair Rebecca J. Patchin, M.D. "She is an influential national voice on issues such as insurance market reform and the increasing health costs facing small businesses." (http://www.ama-assn.org/ama/pub/news/news/davis-award-praeger.page). At the Fall 2014 NAIC meeting, she received the NAIC President's Award. The AARP and Kansas Wildlife Federation have recognized Commissioner Praeger as their "legislator of the year" for her work on issues important to their organizations. These are just a few of her accomplish-

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a result, regulators and state legislators have been working on a new modernized reserving method. Regulatory actuaries have concluded the formula-based approach causes life insurance reserves to be redundant for some products and insufficient for others. The potential for reserve redundancy led to the second major issue for life insurers. It is a controversy about whether life insurers should be allowed to transfer reserves to a captive reinsurer owned by the life insurer making the risk transfer. The controversy involves the different types of assets allowed for captives that would be non-admitted assents for traditional insurers.

Reserve calculations for life insurance have remained unchanged for almost 150 years. Work has been underway for several years leading to the adoption of the Standard Valuation Law (SVL) in 2009 by NAIC members. The revised SVL introduced PBR to replace the current formulaic approach to determining policy reserves. Insurance regulators and the life insurance industry generally agree the new approach more accurately establishes reserves that accurately reflect the risks of the highly complex products. The improved calculation is expected to reduce reserves that are too high for some products and increase reserves that are too low for other products. Whether a particular insurer will be able to reduce or must add to its reserves depends upon the product mix offered by the insurer.

While work was underway on drafting changes to the SVL, corresponding changes to the NAIC Valuation Manual were also under discussion. The Valuation Manual was adopted by a supermajority of NAIC members in December 2012. Adoption of both the SVL and the corresponding changes to the Valuation Manual by the NAIC members meant it was time for state legislatures to consider adoption of the SVL. This marked a major milestone in the move from rules-based reserving to PBR. For the SVL to be effective a supermajority of states (at least 42 states representing 75% of total U.S. life insurance premium) must adopt the revisions to the SVL. Once the supermajority threshold is reached, PBR will be implemented over the next three years and will apply only to new business.

In the interim, the issue of life insurer-owned captive reinsurers remains. These days the view of what constitutes a captive is greatly expanded over the traditional view that a captive is an insurance company created and wholly owned by one or more non-insurance companies to insure the risks of its owner (or owners). In the traditional view, a captive was essentially a formal self-insurance program. The regulatory framework for overseeing captives is based on the traditional view. The issue today is that captive jurisdictions often allow captives to count as admitted assets things commercial insurers must count as non-admitted for statutory accounting purposes. Life insurers are motivated to create captive reinsurers to transfer the some of the reserves held to cover future life insurance claims to an entity they own which is allowed to count things such as a letter of credit or a parental guarantee as an admitted asset. This transaction has the effect of enhancing the ceding insurer's balance sheet without any change in risk. Regulators have a variety of opinions about whether this practice is appropriate.

Some regulators were concerned about this practice by life insurers. To address the concern the NAIC appointed a Captive and Special Purpose Vehicle Use Subgroup in early 2012. The Subgroup was asked to study insurers' use of captives and special purpose vehicles (SPVs) to transfer insurance risk, other than self-insured risk, and establish appropriate regulatory requirements to address concerns identified in the study. The Subgroup started with a review of existing state laws and regulations addressing the topic. State insurance regulators were surveyed as to their opinions on the use of life insurer-owned captives and SPVs to cover insurance risk. The outcome was a white paper on the use and regulation of captives. The Captive and Special Purpose Vehicles: An NAIC White Paper was formally adopted in July 2013. The white paper documents the findings of the Subgroup and offers seven recommendations for consideration or additional study. The recommendations address: accounting considerations; confidentiality; access to alternative markets; IAIS core principles, standards and guidance; enhancements to the credit for reinsurance models; disclosure and transparency; and Financial Analysis Handbook guidance. The white paper was adopted by the NAIC members on July 26, 2013.

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Following the adoption of the white paper, the NAIC Financial Condition Committee assigned the task of determining how to implement many of the recommendations to the Principle-Based Reserving Implementation Task Force and the Reinsurance Task Force. The Principle-Based Reserving Implementation Task Force was asked to further assess the solvency implications of life insurer-owned captive insurers and alternative mechanisms. In 2015, the Task Force plans to appoint a Captives Working Group to analyze the issue and consider any remaining XXX and AXXX issues not adequately addressed through PBR. Resolution of this sticky issue is an important matter for regulators in 2015.

I would be remiss if I failed to say something about health insurance. It has received much attention in recent years with the debate and eventual passage of the Patient Protection and Affordable Care Act of 2010 (the Affordable Care Act) and now its implementation. There seems to be no other issue that stimulates

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passionate responses from people regardless of whether you believe the Affordable Care Act has been a huge success or you oppose Obama Care because it is a disastrous failure.

The purpose of the Affordable Care Act was insurance reform—not necessarily healthcare reform. It contained many comprehensive health insurance reforms designed to make health care more affordable, accessible and of a higher quality for everyone. There are controversial provisions designed to assure that everyone buys health insurance or pays a penalty if they do not make a purchase—the so-called individual mandate. This year is the first year the tax penalty for non-participation will apply.

From a consumer perspective it is hard to argue that consumers did not benefit from some of the reforms. Things like free preventive care, less costly prescription drugs for Medicare recipients, no preexisting condition exclusions and no annual or lifetime limits are obvious benefits to consumers. Unfortunately all of these added benefits could be costly for the health care system. The theory behind how to pay for these added benefits ties in to the most controversial elements. The individual mandate was intended to bring in the healthy uninsured to help pay for the costs of the seriously ill who are obviously going to buy insurance previously unavailable to them. The penalty for failure to participate was intended to make sure everybody bought at least the bronze level of coverage and contributed to the system.

From an insurer perspective there is much trepidation as the provisions of the Affordable Care Act are being studied every day. The loss ratio standards and corresponding rebates for not meeting the 80% (or 85%) loss ratio have helped consumers and required some insurers to issue rebates. According to the Centers for Medicare and Medicaid Services (CMS), families received an average rebate$80. Yet insurers seem to be dealing with the multitude of changes in a generally positive way.

Although there have been many provisions of the Affordable Care Act implemented, there remains much work to be done in 2015.

Although there have been many provisions of the Affordable Care Act implemented, there remains much work to be done in 2015. The NAIC Health Insurance and Managed Care Committee has several 2015 charges related to Affordable Care Act implementation issues. The Committee is to:

- Coordinate with the Market Regulation and Consumer Affairs Committee to provide policy recommendations regarding uniform state enforcement of the federal Affordable Care Act.
- Coordinate with the Producer Licensing Task Force regarding the regulation and activities of navigators and non-navigator assistance personnel as provided under the Affordable Care Act and regulations implementing the Affordable Care Act.
- Coordinate with the Antifraud Task Force, as necessary, regarding state and federal antifraud activities related to the implementation of the Affordable Care Act.

There is also a Consumer Information Subgroup tasked with review of NAIC publications that touch on health insurance to determine if they need updating based on the Affordable Care Act. In addition, there is a Health Care Reform Regulatory Alternatives Working Group. Among its tasks are providing a forum for discussion of and guidance on the alternatives to implementing an Affordable Care Act-compliant state-based exchange and the implications of such alternatives on state regulatory authority.

Conclusion

As you can see, there is no shortage of issues either on the domestic or international front. It looks like once again, 2015 will be a busy year for insurance regulators. ■

Eric C. Nordman, CPCU, CIE is currently serving the needs of the state insurance regulatory community in his capacity as Director of the Regulatory Services Division and Director of the Center for Insurance Policy and Research (CIPR) with the National Association of Insurance Commissioners. The Division includes two departments – the Research Actuarial Department and the Market Regulation Department. The mission for the CIPR is to serve federal and state lawmakers, federal and state regulatory agencies, international regulatory agencies, and insurance consumers, by enhancing intergovernmental cooperation and awareness, improving consumer protection and promoting legitimate marketplace competition. Collectively they are engaged in a wide range of insurance research and in support of NAIC initiatives, committees, task forces and working groups. He previously held the positions of Director of Research and Senior Regulatory Specialist with the NAIC prior to his appointment as Director of Regulatory Services. He has been with the NAIC since 1991. In his position Mr. Nordman supports the Property and Casualty Insurance (C) Committee. He provides expertise on loss costs, auto insurance, crop insurance, catastrophe issues, property insurance, workers' compensation, cybersecurity, electronic commerce, speed to market, terrorism insurance, medical malpractice, risk retention groups and other regulatory issues.

Mr. Nordman was employed by the Michigan Insurance Bureau for thirteen years. He received his bachelor's degree in mathematics from Michigan State University. He earned his CPCU in 1989 and is a Certified Insurance Examiner. Mr. Nordman was the 2011 recipient of the IRES Al Greer award. The 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. He currently serves as a national director on the CPCU Society Leadership Council.

President's Remarks: 2015 for IRES

by Parker Stevens, CIE, AMCM, Current IRES President

Season's Greetings IRES! As we all prep for the holidays let's not forget about the fact that a new year is just around the corner. I'm so excited about all the wonderful things that each Executive Committee Member, and their Committee, has in store for us. I don't want to spoil the surprise but here is a taste of what you can look forward to.

Currently, IRES is redesigning their booth and website and hope to roll both out in 2015.

Tons of free education! From webinars, to designation assistance courses, to lots of MCM classes, and of course another amazing CDS, anyone looking for more knowledge will have plenty of chances. The Education, CDS, and MCM/AMCM Committees have been working very hard to put together a strong lineup of events and starting around the December you should start seeing information released on each. On that note, if you are interested in help with a webinar or session please let me or one of the Committee Chairs know and we will do our best to find something for you to do.

Lots of new looks! Currently, IRES is redesigning their booth and website and hope to roll both out in 2015. Both of these will have a more modern and colorful look and the website will be very user-friendly. The main reason for the makeover is really related to marketing. Both the booth and website receive a lot of traffic and they are a direct arm of us. Therefore, updating these to catch the attention of first time visitors while inspiring our long time members is a very important mission for our future. We feel just updating these two things will have a major impact on our membership numbers and help us spread the mission of IRES.

The last major change for IRES will be the fact that we are currently going through an RFP process. At the time of writing this article the RFP Committee has selected the three finalists and we all anticipate the Board of Directors to selecting a winner in the month of December. Our current management firm is Synergos which has really only been with IRES for 5 months. (Synergos acquired AMPERE! just prior to the JMRF in St. Louis.) So regardless of who we settle on it will be new for many. All I can say is that each of the three finalists is outstanding and any organization would be lucky to have them as their management firm. We will be in good hands and that in itself is exciting.

We feel just updating these two things will have a major impact on our membership numbers and help us spread the mission of IRES.

Finally, I want to wish you all a very happy and warm holiday season! Cheers. Here's to a great year! ■

Parker Stevens, CIE, AMCM, IRES President
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IRES Board of Directors Election Nominations

We are now accepting nominations.

by Kallie Ruggiero Somme

Next summer, eight positions come open on the IRES Board of Directors. Elections will be held in August 2015 CDS in Charleston, SC. We are currently accepting nominations for the upcoming IRES Board of Directors elections. Board positions are open to state regulators and unaffiliated members. If anyone is interested in running or knows a current IRES member who would like to run, please contact me or have them send their name and e-mail address to ksomme@ldi.la.gov no later than January 24, 2015. If you have any questions, please feel free to contact me. ■

Kallie Ruggiero Somme
IRES Election Chair & IRES Publications Co-Chair

4th Annual Al Gross/Jim Long Rookie of the Year Scholarship

Do you know someone who is new to State Regulation (less than two years), and doing an amazing job?

by Carla Bailey

The Insurance Regulatory Examiners Society (IRES) and the IRES Foundation are sponsoring the 4th Annual Al Gross/Jim Long Rookie of the Year Scholarship for calendar year 2015.

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 Foundation National School on Market Regulation: April 12-14, 2015 in San Diego, California.
- IRES and IRES Foundation Joint Market Regulation Forum: IRES Career Development Seminar: July 19-22, 2015 in Charleston, South Carolina.
- 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, 2015. 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 Wednesday, December 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 the Awards and Recognition Subcommittee Shair, Carla Bailey, at carlab@oic.wa.gov or 206-587-5185 or 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.

Know a superstar who no longer qualifies as a rookie, but deserves recognition? IRES offers two other awards to recognize stellar performance--the Al Greer Award, and The Chartrand Communications Award.

The Al Greer Award

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. As a founding father of IRES, Mr. Greer helped fashion the mission of IRES, namely, to raise insurance regulation to a highly respected profession marked by technical proficiency and ethical behavior. He went on to serve on its Board of Directors and was later elected treasurer and was always willing to help where ever he was needed. 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. Mr. Greer himself was the first recipient of this award in 1997. Recently, the Al Greer Award has been presented to the following recipients:

- Jo A. LeDuc, 2014
- William (Bill) McCune, 2013
- Don Carbone, 2012
- Eric Nordman, 2011
- Cynthia Amann, 2010

Click here http://www.go-ires.org/leadership/pastwinners#greer for a list of all those to whom the Al Greer Award has been presented. Candidates for the Al

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Greer Award must be insurance regulators who not only embody the dedication, knowledge and tenacity of a professional regulator, but also exceed those standards. In addition, a nominee must:

- Have at least ten years of regulatory experience
- Have at least five years as an IRES general member and
- Be a current general member of IRES
- Not currently be serving on the IRES Board of Directors

To nominate a deserving individual, complete an Al Greer Award Nomination form http://www.go-ires.org/leadership/halloffame/algreer and send it to IRES.

The Chartrand Communications Award

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.

To honor the legacy and work Chartrand Communications did for IRES, the Executive Committee and Board of Directors created the Chartrand and Associates Award.

This award is to recognize those who have made a difference to IRES through their actions. Who has really strived to keep IRES moving toward the future? Who has helped increase membership and promoted us outside the conference and in the Insurance Community? Who continually tries to make a difference in IRES? We know these unsung heroes deserve to be recognized.

Recently, the Chartrand Communications Award has been presented to the following individuals:

- Tanya Sherman, 2014
- Erin Mirza, 2013
- Joe Bieniek, 2012
- Holly Blanchard, 2011

Nominations are open to all IRES members, sustaining members and organizations that have been involved with IRES for at least two years. To nominate a deserving individual please complete the nomination form http://www.go-ires.org/leadership/halloffame/chartrand ■

For more information on all of the awards IRES offers, please visit www.go-ires.org/leadership/halloffame

Meet the Executive Board: Ken Allen

I joined IRES in 2000 and earned my AIE designation in 2008 a year after one of my then co-workers, Polly Chan who is now retired, served as IRES President. It was through Polly's inspiration that I began serving on the Accreditation & Ethics Committee beginning in 2007. Last year I joined the Membership & Benefits Committee as Vice-Chair. And while currently still a member of both the A&E and M&B Committees, I did have to step down as M&B Vice-Chair this year now that I have taken on the role of Chair of the CDS Committee as we look ahead to the 2015 CDS in Charleston, SC next July. I was elected to the IRES Board of Directors in 2013 and joined the Executive Committee this year. And while not specific to IRES, I did receive my CPCU designation in 1996.

In September I hit my 25 year anniversary with the California Department of Insurance, all with the Rate Regulation Branch. For the past seven years I have been the Bureau Chief of the RFLA3 Rate Filing Bureau which is responsible for the analysis and review of rate filings submitted under the workers' compensation and title insurance lines, as well as all Advisory Organization filings, and a select group of commercial lines filings including aircraft, burglary & theft, fidelity, and surety.

My wife, daughter, and I live in Upland, California, which makes for a nice one hour commuter train ride to Los Angeles and back every day. I enjoy travelling throughout the U.S. (44 states down, six to go) and tying in visits to baseball stadiums – both major and minor leagues – on those travels. My two favorite trips however were of the non-baseball variety: my honeymoon trip to the Canadian Rockies and a one month backpacking trip through Europe. Other hobbies include playing softball and chess, although not at the same time, and I am part of a group that has had season tickets to the NHL's Anaheim Ducks since day 1 of that franchise. The last thing I'll mention is that although not specifically named, I am part of a large group that holds a Guinness World Record. I'll leave it at that for now and perhaps reveal what the record is at a later date – believe me, it is nothing all that spectacular. ■

Sandy Praeger's Lasting Legacy – continued from **page 4**

ments, which demonstrates the level of respect and recognition that she deserves.

As the foremost protector of Kansas insurance consumers, Commissioner Praeger has been a strong advocate of regulation at the state level. When asked about state-based regulation for an article in the September 2004 edition of The Regulator, her response was "customers would prefer to have state-based regulation and I think that the knowledgeable consumer, the informed consumer, prefers state-based regulation." In the November 2004 edition of The Regulator she stated "State insurance departments work on behalf of real people with real concerns on their own states. They are most familiar with specific concerns and crises that may be unique to their part of the world."

As a supporter of IRES, Commissioner Praeger has attended several CDS conferences and was a frequent "Commissioner Roundtable" panelist discussing the topics that were trending at the time. She has also contributed to a number of articles in The Regulator, most notably regarding health care issues and state-based regulation.

Here at our Department, Commissioner Praeger has endorsed her staff's involvement in IRES. She has always encouraged attendance at the annual Career Development Seminars and participation in the various IRES committees. We have several Kansas Insurance Department employees with IRES designations (some with multiple designations) and have had three members of the Board of Directors (one on the Executive Committee) during her tenure.

As Commissioner Praeger ends her career at the Kansas Insurance Department, we want to wish her the best in retirement and thank her for her support and commitment to IRES. Her legacy as an advocate for consumers and the positive relationships she developed and maintained over the years in the regulatory community are truly remarkable. On a personal level, she is an amazing person and a wonderful boss. She will truly be missed. ■

LeAnn Crow, AMCM, is currently Interim Director of the Consumer Assistance Division at the Kansas Insurance Department. She is also Chair of the IRES State Chair Sub-Committee.

Stacy Rinehart, AMCM, CIE, CICSR, is Manager of the Market Conduct Division at the Kansas Insurance Department. She is Chair of the IRES Publications Committee and current Vice President.

Want to make Sure YOU stay on top of Industry Trends?

Join now or renew your IRES Membership today!

Did you know that over 90% of your IRES general membership colleagues renew their membership each year and on average they stay with us for ten years!?

One of the great benefits of being an IRES member is the fantastic network of insurance regulators and industry compliance professionals that you meet. One way to expand access to this network is by understanding the different backgrounds of each of our members.

The comprehensive application we launched last year helps us to understand the make-up of our members so we can design educational programs and benefits that are best suited for our members' needs. Additionally, this allows us to create new benefits such as mentoring programs and outreach opportunities to members in similar positions within their organizations. We look forward to creating even more benefits for your membership. Thank you for being an important part of our organization!

- General Member: $85
- General Accredited Member: $115
- General Certified Member: $115
- Non-voting General Member: Same as General Members based on designation status
- Retired Member: $45

Renewing online with IRES has never been easier – Just click here! Member dues for 2015 are due on December 31, 2014. If you'd like an invoice, contact Jaea Vue at jvue@synergosAMC.com. ■

IRES Committee Updates

AMCM/MCM Committee

Chair: Andrea Baytop, MCM

The committee is working on scheduling MCM programs for 2015. Two locations have been selected thus far, San Diego, CA in the spring and Charleston, SC in the summer after the CDS. AMCM courses will be offered in the days around the Charleston CDS as well. More specific info to come soon!

Accreditation and Ethics Committee

Chair: Tanya Sherman, AMCM

The A&E Committee is currently reviewing the general and sustaining membership applications for the Accredited Insurance Examiner (AIE), Certified Insurance Examiner (CIE) and Certified Insurance Consumer Service Representative (CICSR) designations. As part of this review, we are working with our partnering organizations to ensure that our course listings are current. We are working with the AHIP organization to expand the selection of courses available for the health track, and making recommendations to include adding annuities courses. The continuing education audit is almost complete. In addition, this committee will be making revisions to the NICE manual to include further clarification on courses and conferences that are available for IRES continuing education credits, as well as other updates. Finally, the committee will be reviewing and making recommendations regarding procedures for lapsed members and reinstatements.

We welcome anyone that is interested in joining our committee. Please contact us and we will be happy to send you an invite! ■

Member News

Nobu Koch, AMCM, CIE, and a member of IRES since 2004 has recently been highlighted as an illustrator of a children's book. "Mary's Wild Winter Feast", a three-way collaboration between the author, Koch, and another illustrator, is now available. The Juneau Empire indicates Koch specializes in 3-D animation. See more about the book at http://juneauempire.com/art/2014-10-09/three-way-collaboration-yields-rich-feast. Congratulations Nobu! ■

Chapter News

Virginia

The Virginia chapter held its quarterly meeting on December 9, 2014, during which its new officers were selected. The 2015 officers are: Christian Hennelly, President; Ruth Davis, Vice President; and Laura Klanian, Secretary. At this meeting Katie Johnson also gave an educational presentation entitled "Private Passenger Motor Vehicle Policy Basics." Ten members attended the meeting.

Upcoming Events

Registration is now open for the IRES Foundation National School on Market Regulation, April 12-14, 2015 in San Diego California.

Visit IRES Foundations website for more information and to register today: ires-foundation.org. ■

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

- ★ Allan Armstrong
- ★ Darrin P. Bailey
- ★ John F. Chaskey
- ★ Cynthia M. Fitzgerald
- ★ Cecilee Houdek
- ★ Damion Hughes, AIE (CO)
- ★ Donna F. Stewart
- ★ Petra Wallace

SUSTAINING MEMBERS

- ★ Svetlana Begunova
- ★ Mark Burdett, AIE (KY)

New Designees

Congratulations!

The following members have received their Accredited Insurance Examiner (AIE™), Advanced Market Conduct Management (AMCM™), Certified Insurance Examiner, Market Conduct Management (MCM™) (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™

- ★ Darrin P. Bailey, AIE
- ★ Benjamin J. Creasy, AIE
- ★ Damion Hughes, AIE (CO)
- ★ Rita Lynn Nuckols, AIE
- ★ Douglas Rees, AIE

INSURANCE REGULATORY EXAMINERS SOCIETY
The Professional Society Committed to Excellence in Insurance Regulation

www.go-ires.org | info@go-ires.org

To submit articles, photographs, or calendar items, contact: IRES, 1821 University Ave W, Ste S256, St. Paul, MN 55104; email TheRegulator@go-ires.org; phone 651-917-6250; fax 651-917-1835.

Editor's Corner

by Kara Baysinger

In this issue of *The Regulator®* we look ahead with great anticipation to 2015. IRES President Parker Stevens gives us a taste of what's in store in for IRES in 2015, including many opportunities for continuing education as well as a redesigned and reimagined IRES website and booth. We are also very fortunate to have Eric Norman of the NAIC's perspective on why state regulators should focus their attention on international insurance activities, and this is sure to be a hot topic in the coming year. Finally, we spotlight Kansas Insurance Commissioner Sandy Praeger who is retiring in January 2015. Commissioner Praeger's many accomplishments in her 12 years in office as well as her substantive excellence and her spirit of dedication, cooperation and collaboration will surely continue to impact the industry in the years ahead.

On behalf of Dentons entire Insurance Regulatory team, we wish you a very happy holidays and joyful new year!

Please let me know if you have any feedback on this issue, or ides for upcoming issues. It's your organization: make sure your voice is heard - right here in *The Regulator®*.

NEXT ISSUE

We always have room for another article, so submit your ideas to www.go-ires.org/newsletter/submit.

Contact us at TheRegulator@go-ires.org.

– Your staff at The Regulator® (Kara, Stephanie, Bella, and Heather)