

How to avoid bad grades on market conduct exams

by **David Holstein**

Supervising Insurance Examiner, Property Bureau, New York Insurance Department

EDITOR'S NOTE: *No insurer relishes a market conduct investigation, but with a little extra effort an insurer can anticipate and avoid some of the most serious infractions that such investigations typically uncover. This is designed to help insurers improve service to their policyholders and avoid unnecessary regulatory intervention. Mr. Holstein supervises the Market Conduct unit in the New York Insurance Department's Property Bureau*

The New York Insurance Department's Property Bureau is responsible for performing market conduct investigations into property/casualty insurers' compliance with insurance law and department regulations. Various types of investigations are conducted both at the offices of the insurer (field investigations) and through "desk audits" at the department (in-house investigations).

The two most common, while by no means the only, types of field investigations conducted are claims settlement practice and rating/underwriting investigations.

Many insurers ask "Why Me?" when they are notified of an upcoming market conduct investigation. The truth is that any number of circumstances or events may trigger a market conduct investigation. Most often, the investigation resulted from a number of specific complaints lodged against the insurer which may indicate a pattern of possible noncompliance. Some other triggers include: calls received on the Insurance Department's "Hotline" through which consumers, agents, brokers and even other insurers report abusive rating/underwriting practices; information received by other units of the Property Bureau or other bureaus in the



Come to Vegas!!

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ing practices; information received by other units of the Property Bureau or other bureaus in the

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Foudree, Stuchel to head Foundation

Bruce Foudree has been elected new chairman of the IRES Foundation, and Beth Stuchel of State Farm has been elected president.

Foudree is a partner with the Chicago law firm of Lord, Bissell & Brook.

The two were elected during the Foundation's annual meeting held in Orlando during the December meeting of the National Association of Insurance Commissioners.

Foudree and Stuchel were both longtime regulators. Before joining State Farm, Stuchel was an attorney and deputy commissioner with the

Iowa Department of Insurance. Foudree is a former Iowa insurance commissioner and former NAIC president.

Both have long been involved with regulator educational projects and with the programs of the IRES Foundation in particular.



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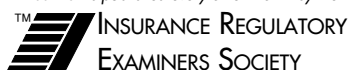
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President's Forum

Gary W. Meyer, CIE
IRES president

Congratulations to Tim Mullen of the NAIC who has been promoted to Manager, Market Affairs, replacing John Mancini. In addition to being an attorney and an MBA, Tim has a CIE designation and is a former Market Conduct Examiner for the Missouri Department of Insurance.

IRES still has occasional inquiries from members who believe that they should be awarded a designation based on experience. Having been involved in the insurance business for almost 36 years, I appreciate the value of experience. The problem with experience is that it is unique to each person and in many cases is very specialized. This is true in both industry and regulation. How are we to evaluate this experience?

I must echo the words of Steve King, my predecessor as Chair of the Accreditation Committee, who advised that we cannot insist that you study to complete a course in our curriculum, only that you pass the test. Our curriculum as well as those of respected national courses such as CPCU, FLMI and CLU demand that the holder display knowledge over the entire range of insurance. We award these designations based on completion of various national examinations administered by LOMA, AICPCU and IIA. The grading of these tests is independent of IRES. Our CIE designation demands knowledge in property, casualty, life and health insurance to a greater degree than any other designation that I am aware of.

The NAIC as well as several states accept our designations as necessary or desired for their market conduct examination staffs. Hopefully, in the future they will also recognize the value of our program in other department functions. I believe that this increasing acceptance is based on our challenging curriculum.

It is my sense that given this acceptance by the states and the NAIC and based on discussions with our Board of Directors, it is unlikely that substitutions of any type, either similar course work or experience, will be accepted in lieu of our required curriculum.



IRES web site update

by Scott Hooper
FOR THE REGULATOR

The World Wide Web just keeps getting better and better—and so does IRES' own site, go-ires.org.

In case you haven't checked out the IRES Web site recently, here are a few of the recent enhancements:

A new look. The home page has a whole new look, with updated artwork and an improved arrangement of the material.

This is more than cosmetic. Knowing that many members surf the Web when they're away from the office, working from a laptop, we strive to make essential information look good even on a small screen.

Personals.

If you have any news you'd like to share with fellow members of the Society, the Member Personals page is the place to do it. There's also room for job postings.



This page isn't brand new, but we'd like to remind you of it once again so you'll think of us when you receive an honor, earn a new designation—or have a new spouse or baby.

Membership. If you know anyone who's thinking of joining IRES, let them know that there's now a membership app available for downloading.

AIE/CIE. Interested in attaining professional certification, or adding the CIE to your AIE? There's a form for that purpose on the site as well. Just surf over to Accreditation, then click on the proper link.

SOFE. The Society of Financial Examiners has recently inaugurated a Web site of its own, so we've activated their link on our site. If you'd like to see what our sister organization is up to, you can get there by clicking on their link in our site.

CDS. The Career Development Seminar is getting closer. As it does, you'll find more and more information on our Web site, including the lineup of sessions. You can also check out our primary hotel on the Strip in Las Vegas with one click. And then there's the on-line, downloadable registration form.

NAIC's 1999 Education Programs for regulators

Following is a schedule of the NAIC's upcoming educational programs for regulators only. To receive more details on these, or to get a listing of the NAIC's other educational programs, contact the NAIC Education & Training Department 816-374-7192.

All programs conducted at NAIC headquarters in Kansas City, Mo., unless otherwise noted.

Financial Analysis Training

January 11-12, Washington, D.C.
February 1-2, Washington, D.C.
February 15-16

Financial Examiners

January 11-15
August 9-13

Automating the Examination Process

March 15-17
September 22-24

Commissioners Education

April 12-16

Regulating the Marketplace

April 26-29

Staff Education

May 10-13

Advanced Commissioners Education

July 19-20

Regulating for Solvency

October 18-21

Auditing Interconnected Networks

November 3-5

Managed Care Organizations Risk-Based Capital Seminar

November 15-16

NAIC

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Department; and also significant increases in an insurer's premium volume and/or claim volume which oftentimes results in a decrease in market conduct vigilance.

Since many of our market conduct examinations are triggered by complaints, avoiding—or at least properly handling—complaints can certainly reduce the chances for market conduct actions. How can an insurer avoid complaints? Communication is most often the key. Insurers must work with the complainant to resolve the problem and refrain from taking an adversarial position. Timely, accurate responses to inquiries often resolve the problem before the inquiry becomes a formal complaint. If a complaint is lodged with the Insurance Department, work with the Department to help resolve the problem.

Communication should merit significant attention by every insurer. It is evident from listening to insurers at our market conduct meetings that many of the problems found during the investigations resulted from a lack of communications at various levels, *e.g.*, home office to/from branch office management; branch office management to/from staff at various levels; and staff to/from insureds, claimants, providers, etc. Quite often, one unit thinks another has provided the backup, answered the question, sent out the payment, etc., when in reality it has slipped through the cracks.

Lack of proper communication between the insurer and the insurance department may also lead to market conduct investigations. Timely and accurate filings as well as timely and satisfactory responses to inquiries and complaints could mean the difference between

being targeted for a market conduct investigation or not being subjected to one.

Documentation is probably the most important factor in reducing the likelihood of a bad market conduct report. The rule to follow is: “Document Everything.” A significant number of violations and fines result from insurer failure to document. In New York, a provision of our Unfair Claims Settlement Practices Regulation states, in part, that “all insurers must maintain within each claim file all communica-

tions, transactions, notes and work papers relating to the claim. All communications and transactions, whether written or oral, emanating from or received by the insurer shall be dated by the insurer. Claim files must be so maintained that the Insurance Department examiners can reconstruct all events relating to a claim.

Insurers shall either make a

notation in the file or retain a copy of all forms mailed to claimants.” Although this applies to insurer handling of claims, the rules outlined are true for any area whether it be claims handling, underwriting/rating or any other aspect of insurer operations.

When it comes to claims, a properly documented file can mean the difference between a violation and a clean bill of health. Documenting why the claim was denied, the date the automobile was inspected, the date the letter was sent to the claimant, etc. will provide the needed information for our examiners when reviewing the file.

In addition to claims practice violations, many underwriting/rating violations have been imposed due to insurer failure to document the rating of the risk (*e.g.*, failure to include rating worksheets in the file, failure to document the reason for the debit or credit



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given, etc.). Copies of all transmittals to insureds, claimants and providers should be in the file. All letters requesting information or used in the determination of a denial must also be in the file. Insurers should keep a log in each file and make notations. Our examiners follow the rule, “If it’s not in the log or noted somewhere in the file, it didn’t happen.” Proper documentation and support go a long way toward providing market conduct examiners with an appropriate history of how a claim or policy was handled.

Even if an insurer has properly documented its files, it is extremely important that the files and all of its components are retained in accordance with whatever record retention or other legal requirements may be in effect for your state.

In New York, our record retention regulation requires an insurer to maintain most records for at least six calendar years from their creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review. The records, if not kept in original record form, can be kept in any durable medium as detailed in the regulation.

New York’s Regulation specifically requires insurers to keep all information necessary for reconstructing the solicitation, rating and underwriting of the insurance contract or policy and, for claims, the file must clearly show the inception, handling and disposition of the claim, including the dates that forms and other documents were received.

Proper handling of complaints, reducing the number of complaints, better communication and enhanced documentation all serve to reduce the likelihood of a bad market conduct report. But just what are

some of the types of violations that we see over and over again which, with just a little extra effort, can be eliminated or at least reduced?

Claims Settlement Practices

Let’s look at our claims investigations first. While we may look into all types of claims settlement practices, the line of insurance that generates the most complaints and violations in New York is automobile insurance. As in many states, we have provisions in our Unfair Claims Settlement Laws that require insurers to

send out required acknowledgements, forms, follow-up forms, letters, etc. within certain time frames. They also must pay or deny claims within certain time frames. Insurers are often either late in sending out the required material, fail to pay or deny on a timely basis or

indicate that this was done but failed to note it in the claim file. It seems that basic procedural changes should be able to eliminate these types of violations.

For example, if a claim is denied there must be adequate documentation in the claim file to justify the denial. More and more we are finding insurers that deny an injury claim without sufficient basis. Files that are clear as to the nature and severity of injury should be processed without additional delay. Yet we sometimes find that insurers request needless additional medical testing. Often, insurers have sufficient information to pay the claim, but due to miscommunication, staffing shortages and cumbersome review procedures the claims get paid or denied well past the required payment period. In such cases, procedures should be strengthened to assure timely, streamlined processing and sufficient documentation of these claim files.



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Violations can often be eliminated by properly documenting in the claim file that a communication was sent or someone was notified. For example, in New York, for an automobile physical damage loss, the following are some of the requirements that an insurer must follow in processing the claim:

- A detailed written estimate specifying all appropriate deductions must be received by the insured or the insured's designated representative;
- A certification of repair form must be given to the insured during negotiations;
- The insurer must provide the insured with a detailed copy of its calculation of the insured vehicle's total loss value;
- The insured must be notified at the time of loss of the insured's reimbursement rights for transportation expenses;
- All total theft losses must be reported to the National Insurance Crime Bureau immediately, but not more than two business days following notice of claim; and
- Upon verification of coverage the company must acknowledge the claim and provide the claimant with the required information.

Violations of these and similar requirements are often cited against insurers that oftentimes claim the material had been transmitted according to the regulation. Unfortunately, the claim file lacks any such evidence. How simple it would have been to either keep a copy of the material or enter a note in a log within the claim file.

Underwriting/Rating Practices

In New York, commercial lines tend to generate the most underwriting/rating complaints, particularly the "commercial multiple-peril" and "other liability" lines. Commercial lines policies are subject to many variables in the rating of the risk and, once again, documentation is the key to avoiding violations.

Through the application of experience and schedule rating plans for the liability portions of the exposures and individual risk premium modification (IRPM) plans for property exposures, insurers are permitted, *based upon specific documentation contained in the*

underwriting file, to apply credits (decreases) or debits (increases) to the manual (base) rate that was filed with the department. New York's Regulation 129 specifies the maximum credits and debits that can be applied on a risk. Many rating violations could be avoided if the insurer properly documented its file to provide justification for its application of debits and credits as well as an explanation as to their specific composition.

The following is an example of the types of rating violations we find that could easily be avoided with proper controls in place:

✓ Very often violations are assigned for failure to apply an approved rating plan to a qualified risk. Insurers often say they did review and consider the risk for application of credits or debits. Since they deemed the risk to be average they did not apply any rating plan debits or credits to it. Unfortunately, there was nothing in the file to indicate that the insurer ever considered the application of the rating plan to this risk. A simple notation on the rating plan worksheet explaining their review of the risk would have sufficed and avoided a violation.

✓ In New York, the underwriting file should contain documentation showing the justification for and breakdown of each debit or credit applied. Violations are frequently charged because proper documentation is not provided.

✓ New York mandates that insurers maintain a "noncompliance log" to record instances of non-compliance with our cancellation and nonrenewal provisions. This is violated more often than perhaps any of the underwriting/rating requirements we review, and is one of the easiest to avoid. All an insurer need do is create a log in any format it wishes and enter any violations of the enumerated sections that may have inadvertently resulted. Even if no violations occur, a log or journal should have been established and be available for inspection by our examiners.

✓ Insurers are required to report data on fire losses in

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excess of \$1,000 to the Property Insurance Loss Register (PILR) within five business days following notice of loss. Again, this is a simple fraud prevention requirement that insurers are quite often not following. Proper and timely notification will easily avoid violations in this area.

✓ Other violations such as failure to provide a specific reason on a cancellation/nonrenewal notice (which New York requires) and failure to advise the insured of the availability of loss information on cancellation or nonrenewal notices all come about due to inadequate, but easily correctable, procedures.

How do these violations happen? More often than not, an insurer lacks a system of checks and balances. Most often, the reasons offered by insurers for the violations relate to a lack of established procedures, “slip-ups” in established procedures or internal control/communications problems. We often hear one of the following explanations:

- a) prior management caused the problems and current management is now working hard to correct them;
- b) branch office staff was unaware of the problem or of certain procedures;
- c) the problems were caused by the computer system, which is now being modified;
- d) staffing shortages or high turnover/lack of experienced personnel; or
- e) problems with communications between branch and home office.

We find the insurers that perform best on follow-up investigations are those that have set up market conduct internal compliance audit units. At the start of our investigations, when we ask what type of internal control the insurer has in place to ensure proper claim

handling or rate verification, we invariably are given a detailed description of internal procedures and perhaps audit programs in place. However, at the end of an investigation in which we find significant violations, we note that had the insurer’s procedures worked, we would not have found the number of violations we did. We find that insurers often perform business audits, but not compliance audits.

Some insurers with very high error rates are asked, upon stipulation, to perform compliance self-audits.

This is the only way to verify whether their market conduct is in accordance with insurance law and departmental regulation. There should be regularly scheduled audits at both the branch- and home-office level and they should be



On some of our recent market conduct investigations. . . we have required insurers, upon stipulation, to establish a full-time compliance department headed by a compliance officer who reports directly to the CEO of the company.



geared not only for proper business practices but compliance as well. On some of our recent market conduct investigations in which we found both high error rates and compliance problems, we have required insurers, upon stipulation, to establish a full-time compliance department headed by a compliance officer who reports directly to the CEO of the company.

Agents, Brokers, Adjusters

Before concluding, a brief mention should be made regarding agents, brokers and adjusters. What steps can they take to assist the insurers, with whom they interface, to enhance their market conduct performance? In essence, it really boils down to pretty much the same issues—proper communication and documentation.

Agents and brokers should make sure they explain all coverages, changes in coverages, premium, etc. to

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MEET YOUR BOARD MEMBERS

John H. Reimer, CIE, ALHC
IRES Board of Directors

A regulator for 14 years, currently Compliance Supervisor for Kansas Health Care Stabilization Fund.

If I weren't a regulator, I'd be: "Doing market conduct exams as an independent contractor or working with a market conduct contracting company — or retired."

The biggest issue facing insurance regulation today: "Determining the legitimate regulatory changes which impact consumers in a positive manner but at the same time avoiding the impacting of insurance companies in a negative way."

My proudest accomplishment: "Being able to help consumers understand their insurance policies better and recovering more money for consumers each year I was assigned to the Consumer Assistance Division Life Unit."

Family: "I have been married 35 years to Judy. She is an RN and is employed at the Topeka Veterans Hospital. We have two children, Scott and his wife Bobbie; Leslee and her husband Ted and their two year old son David, who already is a Bronco fan. Maybe I can change him to a Chiefs fan."

Hobbies: Woodworking projects, taking care of our six-acre yard and water sports.

Most recent book I've read: Jean Auel's earth children series of books. I'm waiting for the next one to be published. Tom Clancy's books are also favorites.

Favorite quote: "The day you were born everyone was happy – you cried alone. Make your life such that in your last hours all others are weeping and you alone are the only one without a tear to shed." — Found in former United Nation's Secretary Dag Hammarskjöld's Bible.

WANTED: NAIC Market Affairs Specialist —

The Research Division of the National Association of Insurance Commissioners has an opening for a Market Affairs Specialist. The Market Affairs Specialist provides support to and monitors activities and efforts of the NAIC Market Conduct Examination Oversight (EX3) Task Force and related working groups, including groups that deal with market related electronic systems. This support involves relating with state market conduct regulators and licensing administrators, monitoring their activities, making recommendations to aid their functions, and promoting available NAIC products and services. The position also provides analysis and recommendations regarding examination audit software applications and processes.

Qualifications include fifth year college or university program certificate; or two to four

years related experience and/or training; or equivalent combination of education and experience. AIE or CIE desired, CPCU or CLU helpful. A high degree of organizational skills is required. Knowledge of state insurance departments and Market Conduct is desirable. Public speaking experience is desired.

The NAIC offers a competitive salary and wide array of benefits, including health-dental-vision-life insurance coverage, 401(k) paid, covered parking, tuition reimbursement, business casual attire, flexible and compressed work schedules, and more.

Submit resume to: National Association of Insurance Commissioners, Human Resource Department, 120 W. 12th Street, Suite 1100, Kansas City, MO 64105, Fax (816/460-7640) E-mail: cpeme@naic.org

REGULATOR'S ROUNDUP

ALASKA — Standards for Fair Claim Settlements

The Alaska Division of Insurance found that some insurers' practices in using out-of-state claim checks were causing unnecessary delays for consumers. In response, the Alaska Insurance Director issued a new bulletin requiring an insurer who uses out-of-state claim checks to identify in writing a local bank where the check may be cashed without delay. To view this bulletin, visit

www.commerce.state.ak.us/insurance. If you have any questions, you can call the Consumer Service Section of the Alaska Division of Insurance at (907) 269-7900 or send an e-mail to Insurance@Commerce.state.ak.us. See AK Bulletin No. 98-12 (Oct. 28, 1998).

IOWA — Workers' Compensation Rating Plans Labeled as Dividend Plans

The Iowa Insurance Commissioner has issued a new bulletin addressing workers' compensation dividend plans after learning that some companies were using unapproved rating plans, labeled as dividend plans. The new bulletin explains that while dividend plans do not require prior approval, workers' compensation rating plans are subject to prior approval by the Insurance Division. The use of unapproved rating plans, even if labeled as dividend plans, violates Iowa Code § 515A.4(8). The bulletin also requires that information necessary to determine compliance be made available to the Division upon request. If you have any questions or comments regarding this bulletin, you can contact Ramona Lee at the Iowa Insurance Division, 330 Maple Street, Des Moines, IA 50319 or send an e-mail to ramona.lee@comm6.state.ia.us. See IA Bulletin No. 98-4 (Oct. 21, 1998).

KANSAS — Historic Reduction in Workers' Compensation Rates

The Kansas Insurance Commissioner has announced "an overall 4.2% reduction in workers' compensation rates effective January 1, 1999." Since 1995, workers' compensation costs have dropped a total of \$116.7 million in Kansas. The

Dee Dee Gowan is an attorney with the law firm Baker & Daniels in Indianapolis, Ind., and focuses her practice on insurance regulatory matters.

by Dee Dee
Gowan



Commissioner credits reforms passed by the Kansas Legislature, the diligent work of the Insurance Department, and employer-based safety programs. To view this press release, visit the Kansas Insurance Department's website at www.ink.org/public/kid.

MISSISSIPPI — Banks Selling Insurance

A federal court has ruled that the Mississippi Insurance Commissioner is barred from interpreting and enforcing state prohibitions on bank insurance sales "in any manner which interferes with a national bank's right to sell insurance and annuities." This decision appears to provide more protection for banks than the U.S. Supreme Court decision in Barnett which originally upheld the right of national banks to sell insurance and annuities products. The use of the phrase "in any manner" in the Mississippi decision potentially goes beyond the Barnett standard which only prohibits an insurance commissioner's ability to "significantly interfere" with sales practices.

MASSACHUSETTS — Individual Equity-Indexed Products

The Massachusetts Insurance Commissioner has issued a bulletin that sets forth guidelines to assist insurers with filing forms for individual equity-indexed products. The new bulletin discusses specific filing and disclosure requirements, including a company's actuarial memorandum, hedging policy, investment plan, annual statement, certificates, policy application, policy forms and advertising materials. If you have questions about this Bulletin, you can contact Henry Lieberman, Supervisor of Policy Review for the Massachusetts Rating Bureau at (617) 521-7340. See MA Bulletin B-98-17 (Oct. 9, 1998).

MICHIGAN — Market Conduct Class Action Suit Denied

In In re Jackson National Life Insurance Company Premium Litigation, a Michigan federal court denied class certification to a group of 300,000 life insur-

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ance policyholders in several states who sought to file a national class action lawsuit over alleged sales practice violations. The court ruled that the "common legal basis" necessary for a class action lawsuit did not exist because each state has its own, state-specific set of insurance regulations. This rationale may be used as precedent to deny a variety of class certifications and, as a result, may alter the future of market conduct class action litigation.

NEVADA — HMO Unfair Trade Practices

The Nevada Insurance Commissioner issued a new bulletin addressing unfair practices by HMOs in contracting with medical providers. Some HMOs are requiring providers of the HMO's Preferred Provider Organization to contract with the HMO coverage provider network as a condition of maintaining their preferred contractual status. The new bulletin states that this practice is coercion and violates Nevada's Unfair Trade Practices Act, Nev. Stat. § 686A.090. See NV Bulletin No. 98-004 (Oct. 12, 1998).

OREGON — Federal Law Preempts State Law

A federal court has ruled that Oregon's Service Contract Act (OSCA), as interpreted by the Director of Oregon's Department of Consumer and Business Affairs, violates the Liability Risk Retention Act (LRRRA). National Warranty Ins. Co. v. Greenfield, 1998 WL 744094, *15 (D.Or. 1998). The OSCA provision at issue prohibits foreign risk retention groups (RRG), as a class, from issuing reimbursement insurance policies to service contract obligors. The court concluded that OSCA discriminates against RRGs and is therefore preempted by LRRRA.

PENNSYLVANIA — Insurance Commissioner's Order Upheld

A Pennsylvania court upheld an order issued by the Pennsylvania Insurance Commissioner which concluded that "[a]n insurer may not refuse to renew a wife's automobile insurance policy due to the license suspension of her husband who is not a named insured driver on the policy declarations page when both husband and wife have separate policies." State Farm Mut. Auto. Ins. Co. V. Dep't of Ins., 1998 WL 751444, *4 (Pa. Commw. 1998). The court explained that an insurer's refusal to renew a wife's automobile policy based on her husband's driving record is a decision based on marital status, and insurers are expressly prohibited by statute from using marital status as a reason for non-renewing automobile insurance.

WISCONSIN — Insurance Regulation Held Invalid

Insureds successfully challenged the validity of a rule promulgated by the Wisconsin Insurance Commissioner under the "valued policy law," Wis. Code § 632.05(2). Seider v. Musser, 1998 WL 635523, *2 (Wis. App. 1998). The "valued policy law" establishes insurance policy limits as the amount of loss for destroyed property owned and occupied as a "dwelling." The rule declared the statute inapplicable when the property was used for commercial purposes. Wis. Admin. Code § 4.01(2)(e). The court determined that the rule was invalid because it conflicted with a plain reading of the statute. Specifically, the statute did not state that use of a dwelling for additional purposes affected the statute's application.

If you have any suggestions for topics from your state for the next newsletter, or if you have questions or want additional information about any of the above news items, please call Dee Dee Gowan at (317) 237-1217 or send an e-mail to dgowan@bakercd.com.

C.E. News

Updates and other tidbits from the National IRES Continuing Education program, the CE program for persons holding AIE and CIE designations.

Designee holders who missed the deadline for reporting their continuing education credits during the initial 3 year-45 hour compliance period which ended September 1, 1998 will soon be receiving notices from the IRES CE Office that IRES will no longer recognize their designation.

To be reinstated, designee holders must certify all their past CE hour requirements and pay a \$60.00 reinstatement fee. Any appeal should be submitted to the Accreditation & Ethics Committee in care of the IRES CE office.

**NEXT REPORTING DEADLINE IS
OCTOBER 1, 1999!!**

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Avoiding bad market conduct exam reports

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the insured to avoid confusion and misunderstandings, especially when a claim arises. They should provide ample documentation and information on any files, applications, and correspondence between themselves and the insured or the insurer. If it is apparent that the risk warrants a premium change due to changes in condition, exposure or classification, do not tell the insurer you need the company to maintain the same premium in order to keep the account. An insurer complying with such a request would, in New York, be committing a violation in that they would “knowingly” be charging a rate that is unjustified and not based upon filed rates and rules.

As for adjusters, similar advice applies. Document all files, conversations and meetings. Provide, in writing, all necessary information about how the claim was evaluated. Estimates should be written and fully explained. Copies of estimates and other pertinent documentation should be provided to claimants and the insurer.

Summary

The insurer that has taken the preventive measures described above will be in the best position to avoid a poor market conduct report. A clean report means Department examiners will be spending less time in insurance company offices. Moreover, the company can avoid substantial monetary penalties and adverse publicity.

Each year we send out a number of reports to insurance companies accompanied by either a “file closed, no action taken” letter or a warning letter to correct isolated violations. Remember the four essential ingredients of a successful market conduct initiative: (1) reduce or eliminate complaints; (2) enhance communication at all levels (both internal and external communication); (3) improve documentation; and (4) use compliance audits. An insurer that adheres to these standards is likely to see its efforts rewarded with a clean market conduct report. ■



Nominate a colleague for the 1999 Al Greer Achievement Award

The Al Greer Achievement Award is given annually by IRES to the regulator who best embodies the dedication, knowledge hard work, and tenacity of the professional insurance regulator. It's time for all IRES members to look around your own departments to see if one of your own colleagues should be the next recipient.

What kind of regulators do we want to honor? Well, take Mary Lou Clack, for example.

Mrs. Clack was the 1998 Greer recipient. She began her career as a secretary in the Missouri Department of Insurance and expanded her knowledge and responsibilities throughout her 20 years with the Department. She has served as Statistical Assistant, Market Conduct Examiner and Examiner in Charge. Some of her duties included co-editor of the quarterly newsletter and education representative. Her friends at the Missouri department who nominated her say that as an Examiner in Charge, Mrs. Clack has directed several critical examinations including a series on redlining.

While doing all of this she has completed her baccalaureate degree, earned her CIE and CPCU, raised four children as a single parent and has been active in her church as a treasurer.

“The Al Greer Achievement Award means a great deal to me,” Mary Lou said. “Recognition by my peers at IRES is the best recognition possible.”

The Al Greer Achievement Award is awarded annually at the CDS to a hard working regulator who consistently exceeds the standards of dedication, knowledge and tenacity we all strive for. If you know of a regulator in the trenches whom you feel embodies these ideals, please consider nominating them for the Al Greer Achievement Award.

Nomination form on next page. Make copies and distribute to colleagues in your department.

AL GREER ACHIEVEMENT AWARD

Nomination Form

The Al Greer Award was conceived in 1997 and will annually honor an examiner who not only embodies the dedication, knowledge and tenacity of a professional regulator, but exceeds those standards.

Current members of IRES Board of Directors are not eligible for nomination.

A. Basic requirements for nominees include the following:

- (1) Five (5) years as an IRES regulator member and a current member
- (2) Ten (10) years regulatory experience

B. Nomination procedure requirements:

- (1) Completed nomination form
- (2) Validation of nomination must be signed by at least three (3) current IRES regulatory members
- (3) Attach a nomination letter of not less than 50 words or more than 100 words
- (4) Send completed form and nomination letter to IRES by no later than April 30, 1999

NOMINEE INFORMATION:

Name: _____

Address: _____

Telephone: Work: _____ Home: _____

FAX: _____

Education / Designations: _____

Insurance Regulatory Examination Experience:

Current Position and Employer:

(make note if nominee is a contract examiner and give jurisdiction currently contracted with)

NOMINATION VALIDATION:

(signature/name of three current members making nomination)

Signature/Name

Signature/Name

Signature/Name

Please return completed *form* and *nomination letter* by no later than April 30, 1999 to: IRES (Al Greer Achievement Award), 130 Cherry Street, Suite 202,

Olathe, KS 66061™
12 The Regulator

Selection Process

Nominations will be accepted from the date the nomination form is placed in *The Regulator* through April 30. All nominations must be postmarked no later than April 30 prior to the next IRES Career Development Seminar.

The Al Greer Achievement Award Sub-committee will then determine nominees who meet the basic requirements and nomination requirements.

Nominees making it through the sub-committee process will be voted on by the members of the Membership and Benefits Committee with the nominee receiving the most votes being the recipient of the award. In case of a tie the entire Board of Directors will vote to determine the winner. (In either instance, only one vote per committee member or board member.)

The counting of votes will be conducted by the chair and vice-chair of the Membership and Benefits Committee along with the executive secretary of IRES. The winner will be kept confidential until announced at the next CDS.



Las Vegas!!

The 1999 Insurance Regulatory Examiners Society

Career Development Seminar

Workshops and general sessions presented
by the IRES Sections

Producer Licensing and Continuing Ed
Consumer Services and Complaints
Enforcement and Compliance
Market Conduct
Financial Examination
Property and Casualty
Life and Health

**WARNING: Hotel rooms always
sell out fast so don't wait
until June to book your
rooms or they'll be gone!!**

For latest details, watch the IRES web site at www.go-ires.org

IRES 1999 Career Development Seminar

AUGUST 1-3, 1999 LAS VEGAS
BALLY'S LAS VEGAS

Official Registration Form

Fill out and mail to The Insurance Regulatory Examiners Society
130 N. Cherry, Suite 202, Olathe, KS 66061

Yes! Sign me up for the 1999 IRES Career Development Seminar. My check payable to IRES is enclosed.

Seminar Fees

(includes lunch, cont. breakfast and snack breaks for both days)

Check box that applies

- ☐ IRES Member (regulator) \$195
☐ Industry Sustaining Member ... \$350
☐ Non-Member Regulator \$295
☐ Retired IRES Member \$85
☐ Industry, Non-Sustaining Member \$555
☐ Spouse/guest meal fee \$65

Name

Title

First name for Badge

Insurance department or organization

Your mailing address Indicate: ☐ Home ☐ Business

City, State, ZIP

\$

Area code and phone

Amount enclosed

Spouse/Guest name

List professional designations that you would like shown on your name badge

Hotel Rooms: You must book your hotel room directly with the Bally's in Las Vegas. The room rate for IRES attendees is \$105 per night for single-double rooms. Please call group reservations at 800-833-3308, or 702-967-4591. The IRES convention rate is available until June 30, 1999 and on a space-available basis thereafter.

SPECIAL NEEDS: If you have special needs addressed by the Americans with Disabilities Act, please notify us at 913-768-4700 at least five working days before the seminar. The Bally's facilities comply with all ADA requirements.

SPECIAL DIETS: If you have special dietary needs, please circle: Diabetic ☐ sheko ☐ Low salt ☐ Vegetarian ☐

CANCELLATIONS AND REFUNDS

Your registration fee can be refunded if we receive written notice before July 3, 1999. No refunds will be given after that date. However, your registration fee may be transferred to another qualifying registrant. Refund checks will be processed after Aug. 20, 1999.

Seating for all events is limited. IRES reserves the right to decline registration for late registrants due to seating limitations.



**Call for more details:
913-768-4700. Or see IRES
web site: www.go-ires.org**

www.go-ires.org



**Bad grades on
your market
conduct exams?
See p. 1**



BULLETIN BOARD

✓ **Welcome new IRES members:** Craig Arnold, New Mexico; Cindy J. Jones, Oregon; Yvonne D. Sainsbury, Colorado; James E. Scott, Jr., AIE, New Mexico; John T. McDermott, Florida.

✓ The next IRES/NAIC Regulating the Marketplace school will be the week of April 26. This is our four-day, in-depth problem-solving and training school for experienced market regulators — from producer licensing to consumer services to market conduct to rates and forms and more. Regulators only!! To request registration forms for your department contact the NAIC's Education and Training Department, 816-374-7192.

✓ The IRES Foundation's next Market Conduct Regulation School for the insurance industry is April 7-10 at the Hyatt Regency at Hilton Head, S.C. This one fills up fast!! For registration forms call or fax the IRES office.

✓ **Insurance Financial and Market Conduct Examiners** — Arthur Andersen LLP, a leading international professional services firm, is seeking experienced insurance examiners to perform financial and market conduct exams of insurance companies. The position requires travel and no relocation is necessary. Requirements include a bachelors degree, Accredited/Certified Financial or Insurance Examiner designation and three-plus years of financial or market conduct exam and public accounting or other insurance audit experience. CPA designation is a plus. Significant opportunity for advancement. Salary commensurate with experience. Please submit your resume along with salary history and requirements to: Arthur Andersen LLP, director of human resources, One Financial Plaza, Hartford, CT, 06103. Equal Opportunity/Affirmative Action Employer