

THE REGULATOR™

INSURANCE REGULATORY EXAMINERS SOCIETY

NAIC President Reider

A bright future in store for regulators willing to change

by Scott Hooper

Special to THE REGULATOR

LAS VEGAS — In the midst of massive change in the regulation of insurance — with companies merging, banks unleashed to sell insurance products, products changing almost daily, not to mention the impending threat of federal insurance regulation — the nation's chief proponent of state-by-state regulation says he's hopeful.

"I'm an optimist," he said.

"But I think I'm realistic, and I really believe that there is a bright future and an important future. And rather than our roles as regulators declining, they're going to be enhanced."



NAIC President Reider

In his keynote address to the 1999 Career Development Seminar, George Reider, president of the National Association of Insurance Commissioners, didn't campaign for the status quo.

But he did make it clear that if regulators work at changing their way of doing business to meet shifting demands, they do indeed have a future.

"There's going to be insurance," said Reider, commissioner of insurance in Connecticut. "There's going to be regulation."

"We're going to be challenged, we're going to have to be sharp, we're going to have to know what we're doing, and we're going to have to work efficiently."

Got clout?

It's not surprising, Reider said, for regulators to wonder about where they'll fit in as change accelerates.

"But I suggest that when push comes to shove, we'll still have a lot of clout," he told his audience in the Pacific Ballroom at Bally's in Las Vegas — the largest crowd ever to attend an IRES CDS.



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Ford of North Carolina is new IRES president



LAS VEGAS — Angela K. Ford, CIE, senior deputy commissioner at the North Carolina Insurance Department, was formally installed as president of the Insurance Regulatory

Examiners Society here during the 1999 annual Career Development Seminar.

Ford said that the IRES motto for 1999-2000 will be, "Education Through Communication and Growth." Some of her major goals for the year will be to boost Society membership by 15%, extend an invitation to join IRES to federal regulators involved in insurance, and to continue to improve communication to the membership of IRES.

"We are involved in a very dynamic insurance arena," she said. "For the first time in many years, we are faced with uncertainty as to who will regulate various aspects of insurance."

See page 2 for more comments from the new IRES president.



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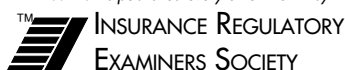
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President's Forum

Angela K. Ford, CIE



I FEEL rejuvenated after the Career Development Seminar (CDS) in Las Vegas. The CDS continues to improve and is more enjoyable and informative as the years go by. It was nice seeing all of you in Las Vegas and I hope to see even more of you in New

Orleans. Some special people worked on the 1999 CDS and I would be remiss if I did not again express my thanks to these extraordinary folks.

Additionally, representation from the "Commissioner" force was at an all time high. Commissioner Molasky-Arman, Nevada, welcomed us all to her state. Those of us who were fortunate enough to speak with her later discovered a warm and interesting person who could speak to the very colorful history of Las Vegas.

I have to dedicate a special paragraph to Commissioner Wagner, Nebraska. Unfortunately, I did not recognize Commissioner Wagner when initially introduced. My so-called friends, Roger Langley and Tom Reents, simply introduced him as "Tim." When I discovered that he hailed from the great state of Nebraska, I asked if he worked with a friend of mine, Bruce Ramge! Needless to say, after removing my foot from my mouth, I discovered that Bruce had a fantastic boss!

Tom Reents is probably still laughing over my faux pas! Commissioner Wagner went on to demonstrate that he truly is a class act by becoming the major attraction at the magic show on Monday morning! I can't say when I've enjoyed myself more.

Commissioners Molasky-Arman and Wagner were joined on the Monday roundtable by NAIC President, Commissioner Reider, Connecticut and NAIC Vice-President, Commissioner Nichols, Kentucky. These Commissioners did an excellent job in presenting the current state of regulatory affairs and advised of the concerns associated with future regulation (see story on

continued next page

page 6 of this issue).

With the future of the regulatory environment subject to so many uncertainties, these Commissioners left us with the feeling that we as state regulators are prepared to meet the challenges that the Year 2000 will surely bring.

One of my favorite parts of the CDS was the Art Chartrand and Bill Bailey show on Tuesday morning. The topics covered a wide range of insurance issues with special focus on the managed care animal. The best part of the program was the participation from the audience. Undoubtedly, this had to be one of the best shows in town!

The CIE/AIE Conferment Ceremony touched my heart more than anything. The IRES membership saluted fellow members who had clearly demonstrated their commitment to excellence with continuing education through insurance coursework. Many of my old and new friends were presented with certificates referencing their achievement. I was especially proud of Ken Johnson, North Carolina, as Ken and I had discussed dedication to our "craft" on many occasions. I am quite sure that Ken is probably thinking, ". . .yeah, Angela, you did all the talking and I did the work!"

I sincerely hope that you make a special effort to join us for the next CDS in New Orleans. IRES is a special organization wherein one gains knowledge of the insurance arena and also makes lifetime friends.

IRES has already established its goals and objectives for the Year 2000 some of which include a change in the accreditation program, enhancement of the CDS, and a special effort to increase membership. While all of the goals and objectives are crucial to IRES's continued well-being, we need to place special emphasis in the membership area. Some of us have been in the insurance arena for a long time and can remember the happy days of a static environment. It would appear that current changes underway reference a dynamic and uncertain environment.

As H.R. 10 and financial globalization proceed forth, it is imperative that we all be informed of the changes to our environment. I am quite sure that all of us are experiencing

increased contact with the federal arm of insurance regulation.

Quite a few Departments of Insurance have signed information-sharing agreements with the Office of Thrift Supervision (OTS) and the Office of the Comptroller of the Currency (OCC.) With this sharing of information comes issues of confidentiality and how the information is to be used. IRES is the perfect mechanism for keeping abreast of the insurance industry. I can clearly say that my fellow regulators from other states have been excellent resources for information. Not only do we share information; we have also established friendships. Most of these friendships started at the IRES CDS.

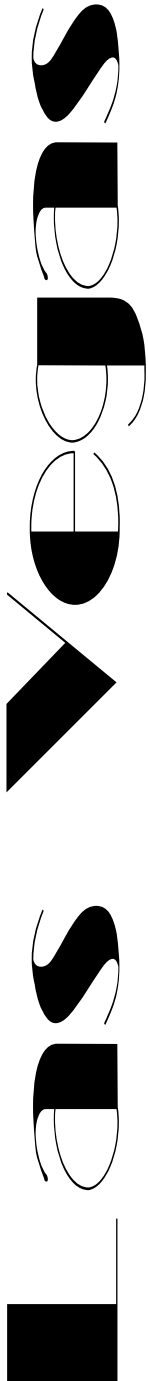
Speaking of friends, a little birdie advised that Dick Rogers, Illinois Department of Insurance, has retired. If you know Dick like I do, then you should know that he'll probably resurface in the insurance environment as our worse nightmare! I can say this about Dick because he knows that I love him. Congratulations, buddy on a job well done!

Our current membership primarily references the state regulatory side of the fence. With the changes that are sure to come our way, I believe that we need to extend a special invitation (to join IRES) to the federal arm of insurance regulation. This is not a new idea; rather, one that is already in practice. I would ask that you write down the names of any federal regulators that you work with or meet in the coming year and forward those names to me.

On the state regulatory front, we've got seven states that do not have a state chair; let's encourage our fellow state regulators to join and participate in IRES. One of our goals for the year 2000 is to increase membership by 15%. Our motto for the coming year is "Education through communication and growth."

I believe that an organization as great as ours is up to the challenge. See you next issue.....


IRES PRESIDENT



NEARLY 500 REGULATORS and insurance industry experts from around North America gathered at Bally's in Las Vegas Aug. 1-3 for the Insurance Regulatory Examiners Society's annual Career Development Seminar. The seminar featured more than 35 individual regulator breakout sessions, four general sessions and numerous opportunities for IRES members from around the world to gather and discuss the challenges facing them as insurance regulatory professionals. We are most grateful to the members, the volunteers, the Bally's staff, the insurance commissioners and the many others who made this an outstanding and memorable educational conference.



The 1999 IRES Career Development Seminar





[CLOCKWISE FROM TOP LEFT] At the Tuesday morning general session, audience members waited patiently for their turn at the microphone. . .Magician and pocket-picker Gene Turner (far right) dazzles Nebraska Insurance Director Tim Wagner with his sleight of hand. . .Incoming IRES President Angela Ford hands the traditional crystal gavel to outgoing prez Gary Meyer. . . The first-day luncheon crowd listens to the keynote address by NAIC President George Reider.





Molasky-Arman of Nevada (left) and Wagner of Nebraska

Las Vegas Roundtable

Commissioners: It's a Brand New Ballgame

Editor's Note: The Commissioners Roundtable traditionally kicks off IRES's Career Development Seminar. Participating in this year's session were NAIC President and Connecticut Commissioner of Insurance, George M. Reider, Jr.; Kentucky Insurance Commissioner and NAIC Vice-President George Nichols III; Nevada's Commissioner of Insurance Alice Molasky-Arman; and L. Tim Wagner, Director of Nebraska's Insurance Department. William Bailey served as moderator of the event. Mr. Bailey is Special Counsel to the Insurance Information Institute and hosts a nationwide weekly radio show devoted to the subject of insurance.

by Wayne Cotter, CIE

"Where are we in relation to the big flow," asked moderator William Bailey. He was talking about the information age and, despite the Las Vegas locale, chose baseball — not gambling — to drive home his point. Are we in the bottom of the sixth inning? The top of the seventh? No, Bailey suggested, it's the top of the first inning and the lead-off batter is just approaching the plate. Scary thought.

Our world is a far different place than it was a decade ago. Currency

and time differences are less important, said Bailey, and national borders are losing their meaning. Three years ago, the founder of Amazon.com, Bailey said, was trying to finance a used Volkswagen, now Amazon.com is worth more than the entire Volkswagen company.

We've seen how the computer industry has changed over the past decade. How *will* the next ten years change the insurance industry? How *should* the next ten years change the insurance industry? These were the core questions put to the panel of insurance commissioners by moderator Bailey at this year's Commissioners Roundtable in Las Vegas.

Connecticut's Commissioner George Reider and Nebraska Commissioner Tim Wagner discussed the pressure banks and insurers are under to expand their markets in order to compete in the global marketplace. H.R. 10, the proposed federal financial services integration bill, is looming large over all state insurance regulators and Commissioner Reider expressed his support of the bill, while stressing serious concerns over some portions.

In particular, Reider is unhappy over



Nichols of Kentucky

continued on next page

a provision that would allow the federal government deference over state governments in federal court cases. Commissioner Wagner noted that federal regulators are currently working with state regulators because they acknowledge the states' authority over the insurance product. However if states fail to overcome the deference issue, they will undoubtedly see their authority erode.

Reider pointed to another troublesome section of the proposed bill, one that would severely hamper an insurance department's ability to restrict banks from issuing insurance products that were deemed detrimental to the public. Specifically, the provision would not allow an insurance department to "prevent or restrict" a bank from doing the business of insurance. This would represent a departure from the standard established in the *Barnett Bank* case, *i.e.*, that an insurance department cannot "significantly interfere" with a bank doing the business of

insurance. Such seemingly innocuous language differences could lead to a great deal of litigation down the road should the current incarnation of H.R. 10 become law. The NAIC is working, he said, to help sponsors understand the implications of such language and make necessary changes.

Nevada's Commissioner, Alice Molasky-Arman, has been in the regulatory arena for more than two decades and strongly supports the state-by-state approach to regulatory oversight. She sees a national government that continues to reach out to the states regarding *federal* initiatives, such as the Health Insurance Portability and Accountability Act (HIPAA) and the Employee Retirement Income Security Act of 1974 (ERISA). Moreover, U.S. Congressional representatives are constantly turning to her state for help with their self-insured constituents. In her opinion, the federal govern-

ment will not be ready any time soon to address the problems of "the man on the street."

Commissioner Reider noted that functional regulation can work. In Connecticut, since the Citicorp/Travelers merger, the Federal Reserve has forged an excellent relationship with Connecticut insurance regulators. Each, he said, has come to rely on the other's expertise. In addition, the two largest Connecticut insurance agencies were purchased, with no apparent problems, by Connecticut's two largest banks.

The federal government tends to focus on financial, not market, regulation, added Kentucky Commissioner George Nichols. Banks have made it clear they do not want regulatory scrutiny over their insurance business, he said, and have long favored competing regulatory structures because if one authority challenges them, they simply shop for a more attractive regulatory venue.

“

“If we do not address the issue of market conduct by . . . making it more uniform and being consistent across the country . . . we will be relegated to nothing.”

”

— Commissioner George Nichols, Kentucky

Audience Participation

Once moderator Bailey turned to the audience for questions, the discussion shifted to the role of market conduct in the regulatory process. Why is it, one IRES member asked, that the NAIC accreditation process emphasizes the financial side over the market conduct side? The accreditation program was developed, said Commissioner Reider, to address concerns of the federal government regarding solvency, but perhaps the time is right to seek an accreditation process for the market conduct side.

Commissioner Nichols agreed, noting he was speaking as a Commissioner, not as an NAIC officer. "I think it is appropriate that we re-evaluate our accreditation process," said Nichols. "I think it appropriate that market conduct



Reider of Connecticut

Commissioners: *It's a Brand New Ballgame — Be Ready*

continued from preceding page

become a part of accreditation.” This means however, said Nichols, that market conduct efforts must show more consistency from state to state.

“If we do not address the issue of market conduct by . . . making it more uniform and being consistent across the country . . . we will be relegated to nothing.” Plaintiffs’ attorneys, said Nichols, are increasingly soliciting consumers to participate in class action lawsuits. These are consumers that should be going to state insurance departments, but instead are working with plaintiffs’ attorneys.

When an audience member noted that many states fail to recognize IRES designations when promoting and hiring, Commissioner Reider agreed. There is an inconsistency among states, he said, for all professional designations, with some states granting automatic pay raises and others ignoring them completely. Commissioner Nichols was quick to point out that Kentucky recognizes professional designations and pays and promotes accordingly. “And I’m recruiting,” he added.

Credit Reports

Should an insurer be permitted to use a consumer’s credit rating in its underwriting or pricing decisions? It’s a question all state regulators grapple with from both a public policy and an actuarial perspective. Commissioner Wagner said that Nebraska has “drawn a line in the sand” by prohibiting the use of credit reports in the rating of private passenger automobile policies. Nebraska will be holding a hearing to determine whether the use of credit histories is unfairly discriminatory and whether Nebraska has the authority to deny rate changes that are based on individual credit ratings.

Where Will We Be?

It was now time for moderator Bailey to bring his panel back to the original questions. Where will the

insurance industry be in ten years and where should it be? The panelists agreed that regulators must retrain and retool to meet the technology-driven changes that are occurring. They also agreed that insurance will always be with us but, as Commissioner Wagner noted, the “bricks and mortar” are likely to disappear. Wagner also predicted that agents will become full-service financial planners in the not-too-distant future. These

things will be good for consumers, Wagner said, because it allows them to get the best possible products at the lowest prices.

Commissioner Molasky-Arman sounded a cautionary note. As we deal with complex issues associated with globalization and the Internet, she said, consumers must not be lost in the mix. Their needs must remain paramount.



Nebraska has “drawn a line in the sand” by prohibiting the use of credit reports in the rating of private passenger automobile policies.



— Nebraska Insurance Director Wagner

Commissioner Nichols concluded:

Insurance will still be a unique promise to a consumer. A contract will still be there for protection and security. How it’s delivered, sold, regulated and managed will be totally different than what we see today, and it will be driven off of the technological advances that exist in the marketplace.

Over the next decade, state insurance regulation will confront some of its biggest challenges since the 1940s. The bricks and mortar are indeed disappearing and regulators must learn to navigate in a new virtual marketplace. The integration of financial services will only accelerate in the years ahead and global competition undoubtedly will place increased burdens on the regulatory function. In the end, state regulation must muster the flexibility, creativity and intelligence to effectively protect consumers in a rapidly changing environment. It’s the beginning of the first inning of the information age. Batter up. ■



Pete Synnott receives 1999 President's Award

LAS VEGAS — Paul A. “Pete” Synnott, Jr, is the 1999 recipient of the President’s Award, the highest recognition bestowed each year by the Insurance Regulatory Examiners Society.

Outgoing president Gary Meyer of Missouri presented the award to Synnott during the society’s annual Career Development Seminar. The award is given to an individual who has made unique contributions not only to insurance regulation, but to the education of regulators and the overall development and growth of IRES.

Meyer noted that Synnott was not only a longtime regulator with the Virginia Bureau of Insurance and former executive director of the Society of CPCU, but also a major force in developing IRES and its early educational programs.

“Pete Synnott is and always has been one of the brightest most creative minds in the insurance regulatory field and his support of and enthusiasm for IRES has known no bounds,” Meyer said. He noted that the Society “would not have come this far without someone like Pete Synnott when it counted, and we will always – always – hold him dear in our hearts.”



Pete Synnott (left) receives the 1999 President's Award from Gary Meyer

1999 Greer Award goes to Charlie Elgin of Kentucky

LAS VEGAS — Longtime market conduct examiner Charles Elgin, CIE, was named the 1999 recipient of the AI Greer Achievement Award.

The award is given annually

to honor an examiner who not only embodies the dedication, knowledge and tenacity of a professional regulator, but exceeds those standards.

Elgin was cited by the IRES Membership and Benefits Committee as an example of the type of regulator who by his hard work and professional conduct brings credibility and respect to the regulatory profession.



IRES Board member Scott Laird (left) presents the AI Greer Award in Las Vegas to Charlie Elgin

Creel cited for best feature article by publications panel



LAS VEGAS — Former North Carolina regulator William Creel received the 1999 Schrader-Nelson Publications award for the outstanding guest feature article published in *THE REGULATOR*. Wayne Cotter of New York, editor of *THE REGULATOR*, presents the award to Angela Ford of North Carolina who accepted on behalf of Mr. Creel who was unable to attend the Las Vegas meeting.

Pass me that mike!

Everyone was reaching for the microphone and speaking their minds during the Tuesday morning “speak out” general session, in which audience members took on the panel, moderated by Bill Bailey and Art Chartrand. Regulators and industry experts alike had something to say, and no one was shy about saying it!

Panel co-host Bill Bailey (far right) and panel member Joel Ario of the Oregon Insurance Department





[Clockwise from top] Alaska independent examiner Don Koch. . .panelist Shirley Williams of the North Carolina Insurance Department. . .panelist Bob Detlefsen. . . Co-host Art Chartrand (far right) poses the panel's opening questions.

NAIC President Reider sees bright future for those regulators who keep up with changes in regulation

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But he made it clear that regulation, and regulators, will have to change if they expect to maintain their relevance.

As a commissioner, Reider said it's frustrating to hear people say — not just in his own department, but in NAIC meetings — that they're not going to change because they've always done it that way in the past.

"I'll be very honest with you," he said. "The people I work with, I'm amazed at their abilities and their talents. But it's a struggle sometimes to get over the way we've always done it."

Reider's wide-ranging speech covered everything from privacy to commonality to technology to insurance products to the need for better communication between insurers and regulators.

Communication

"There's severability of interest, there are things that would not be appropriate to sit down with a company," Reider said.

"On the other hand, I'd suggest that we're in times today where it is in the interest of the consumers, government, industry and business, for consumer representatives and consumers themselves, to communicate," he added.

"I have more issues come to my table, with people very upset, and they curl whatever hair I have left. And yet you sit down with the other side and then you bring them both together, and [it turns out that] there's not an issue."

Reider recalled the time, during his 31-year career with Aetna, when he'd just taken over claims operations and asked one of his people to pick 100 claims at random and call to see what caused the problem.

"In 80% of those claims, it wasn't a case of the company not paying the right amount of money or doing something incorrect," he said. "It was a breakdown in communication."

Constant change

Reider also recalled the early days of his tenure as Connecticut insurance

commissioner, when Connecticut Mutual and Mass Mutual merged, followed shortly thereafter by Aetna and US HealthCare.

"Very learned people within the department came and said to me, 'Commissioner, this is very unusual. This is not typical. This will go away.'"

"But it's not going to go away," he said. "And I'll tell you today: More is coming. And

it's not just in the state of Connecticut, it's all over the country and it's all over the world.

"I don't think that's bad, but it does put a burden on all of us, to be sure we understand what's happening."

At the same time, an increasingly competitive insurance industry means constant change in insurance products.

"When I was a boy, in the Eisenhower years, there were two products in that small steel town that my father would buy for me — whole life or term life.

"Now I have grandchildren," he said, "and I don't look at just straight life or term life. I'm looking at what investment is there, what this is going to mean when that kid is ready to go to college."

Even the terms used to describe insurance products have changed, he said. You never used to hear terms like "interest-sensitive," and you never used to hear talk of a product's shelf life.

"A product used to last forever," Reider said.



continued on next page

NAIC President says future belongs to those who adapt

continued from page 12

"Today, we have products that last six months, or nine months.

"When we had companies that were only competing among insurance companies, they could wait for us as state regulators to approve a product. They can't do that anymore, because they're competing with banks and investment firms."

Technology

While many see Internet sales of insurance and other technology-related issues as totally new, Reider views them in a broader context.

"We protect consumers with solvency," he said, "and we protect them with tough consumer protection."

When it comes to technology, he said, "Our job is to look at how this new technology is flowing, and how do we stay in front of it, how do we get on top of it."

The World Wide Web is a prime example.

"You can't say we're not going to allow you to sell insurance over the Internet. You wouldn't allow that. The people of this country wouldn't allow it. It's going to happen."

Similarly, whatever complexities may be involved in sharing information electronically — between regulator and companies, and among regulatory agencies — it's not acceptable to say it can't be done.

"We haven't crossed that bridge entirely," Reider said, "but we've moved considerably in getting to a point that one day, in the near future, we'll be able to move rates and forms electronically, and not through the Postal Service."

Companies obviously want to be admitted to all states on the basis of what they've submitted to one state, but Reider said he has reservations about that.

"I don't want a company to come into Connecticut [like that], because our situation might be a little bit different," he said. "We may have a need, some things we want to look at. But on the other hand, we shouldn't make those people jump through all the hoops and fill out different forms — it won't be

accepted, people are not going to accept it.

"I don't have the answers, but I know what we have to do," he added. "And we have to find ways to become more efficient."

Not that there aren't risks inherent in some of the new technologies.

Consumers are correct to worry about the privacy of their personal data, for the new technology does indeed put more information than ever into the hands of insurers and regulators alike.

Those data can be misused. And they can also make it harder to find the data you need to do your job.

"One danger is, you get so much [information] you get muscle-bound," Reider said. "We have to be able to take the information and use it appropriately — understand it, pocket it and work with it."

Keeping up

While regulators may feel they're having a hard time keeping up with change, other nations will increasingly turn to us for advice on regulating insurance as well as we do.

"I usually don't make predictions, but I predict that some of you in this room, in the next two years, will be traveling to a foreign country to help developing nations build a regulatory system," Reider said.

"The South Carolina commissioner and one of his key people are in Russia at the present time for a two-week stay, educating one of the areas in how to build and maintain a system. Now, don't get your tickets ready, but I simply point out to you, that sounds like that's going to happen. I guarantee that."

In this time of change in the insurance industry itself, as well as in the regulatory and technological arenas, one of regulation's biggest challenges is simply to keep up.

"Occasionally we're going to fall behind, we're going to slip, but we shouldn't get discouraged," Reider said. "But if we don't get ourselves in position — or if that happens too often — then the people we protect begin to worry, and we should begin to worry." ■



Board approves changes to IRES curriculum for AIE/CIE designations

By Jann Goodpaster, CIE

Chair, IRES Accreditation & Ethics Committee

One of the goals of the Accreditation and Ethics Committee during this past year was to review the AIE/CIE curriculum and to make sure that it is current and up to date.

Our primary objective was to maintain a strong curriculum but to achieve flexibility for the members seeking professional designations.

With the help of various professional education societies, the Committee members identified several courses that had changed significantly, one that was discontinued, and then chose appropriate alternatives.

The Committee also reviewed the new regulator courses offered by L.O.M.A and the American Institute for Property and Liability Underwriters and found them to be very appropriate for our curriculum.

The new curriculum, shown on the next page, I believe, meets the goals the committee set forth. It will be effective September 1, 2000. If you are currently working on your designation and have taken some of the

classes being discontinued, DON'T PANIC.

The Committee voted to allow those as alternatives as long as they were taken before the September 1, 2000 transition date. New classes on the curriculum will count toward your designation after September 1, 2000, regardless of when they were completed.

If you have questions please contact the IRES administrative offices at 913-768-4700.

REMINDER: The new three-year regulatory work requirement for CIE applicants will now have an effective date of August 1, 2002. All CIE accreditation applicants after that date will have to show that they have worked in insurance regulation for at least three years.



IRES Curriculum Changes

Adopted by IRES Board of Directors, August 1999
EFFECTIVE: 9/1/2000

PROPERTY & CASUALTY EDUCATION PATH

AIE (Must take any 8)

INS 22 Personal Insurance
INS 23 Commercial Insurance
CPCU 4 Commercial Liability Risk Management & Insurance
CPCU 5 Insurance Company Operation
CPCU 6 The Legal Environment of Insurance
CPCU 7 Management
CPCU 9 Economics

*Will be dropped after September 1, 2000
(must complete by 9-1-2000)*

AIC 33 Claims handling
CPCU 8 Accounting
ARP101 Business Research Methods (no longer offered)

*Added September 1, 2000
(regardless of when completed)*

IR 201 Insurance Regulation
AIAF 111 Insurance Accounting
AIC 34,35 or 36 Claims (may only count 1)

CIE (Must take any 4)

FLMI 280 Principles of Life & Health Insurance
FLMI 290 Life & Health Insurance Company Operations
FLMI 320 Marketing Life & Health Insurance
FLMI 340 Information Management in Insurance

*Added September 1, 2000
(regardless of when completed)*

AIRC 410 Regulatory Compliance - Companies, Producers & Operations
AIRC 420 Regulatory Compliance - Insurance and Annuity Product

LIFE & HEALTH EDUCATION PATH

AIE (MUST TAKE 8)

FLMI 280 Principles of Life & Health Insurance
FLMI 290 Life & Health Insurance Company Operations
FLMI 310 Legal Aspects of Life and Health Insurance
FLMI 320 Marketing Life & Health Insurance
FLMI 330 Management of Organizations and Human Resources
FLMI 340 Information Management in Insurance
FLMI 361 Accounting & Financial Reporting in Life and Health
ICA C3 The Claims Environment

*Added September 1, 2000
(regardless of when completed)*

ICA C1 Medical and Dental Aspects of Claims (candidate may choose between either ICA C3 or ICA C1)
AIRC 410 Regulatory Compliance - Companies, Producers & Operations
AIRC 420 Regulatory Compliance - Insurance and Annuity Product

CIE (Must take any 4)

INS 21 Principals of Insurance
CPCU 5 Insurance Company Operation
CPCU 6 The Legal Environment of Insurance

*Will be dropped after September 1, 2000
(must complete by 9-1-2000)*

ARP 101 Business Research Methods (or approved substitute)

*Added September 1, 2000
(regardless of when completed)*

IR 201 Insurance Regulation
AIC 34,35 or 36 Claims (may only count 1)

C.E. News

Updates and other tidbits from the National IRES Continuing Education program. The C.E. program is for persons holding AIE and CIE designations.

DON'T PANIC . . . There is still time to get your NICE compliance reporting form in to the IRES CE office for the compliance period, 9/1/98-9/1/99. The reporting deadline is October 1, 1999. (However, any courses submitted for credit must have been completed by September 1, 1999 to receive credit.)

LOOKING FOR A TRANSCRIPT? Transcripts will not be sent out at this time. Members in good standing who meet the current 15 hour CE requirement by the deadline will receive a transcript in May 2000 for the new compliance period, 9/1/99-9/1/2000.

Members who do not submit sufficient hours by the October 1 deadline for the current compliance period will receive written notice from the IRES CE office that their designation with IRES has been suspended. See page 11 of your NICE manual for details.

All members who picked up their attendance certificate at the CDS in Las Vegas have received the full 15 hours CE credit. Please remember, if you did not pick-up your certificate it is your responsibility to report to the IRES CE Office, on the NICE Compliance Reporting Form, your attendance hours at the CDS, with the maximum being a total of 12 credit hours possible. Any appeals regarding CDS attendance hours may be directed, in writing, to the IRES Accreditation & Ethics Committee in care of the IRES CE office for review.

More questions? Call us
at 913-768-NICE

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IRES Board members, officers elected for 1999-2000 term

LAS VEGAS, NV – The following persons were elected here by the IRES membership to four-year terms on the Board of Directors:

Paul J. Bicica, CIE, Vermont
Gary L. Domer, CIE, unaffiliated
Gary D. Evans, Delaware
Jann Goodpaster, CIE, Oregon
Howard L. Magill, CIE, Tennessee
Stephen M. Martuscello, CIE, New York
Cynthia E. Smith-Campbell, CIE, Missouri
Shirley H. Williams, CIE, N. Carolina

The IRES Board of Directors elected the following officers for the 1999-2000 operating year:

PRESIDENT: Angela K. Ford, CIE, North Carolina
PRESIDENT ELECT: Stephen Martuscello, CIE, New York
VICE PRESIDENT: Jann Goodpaster, CIE, Oregon
PAST PRESIDENT: Gary W. Meyer, CIE, Missouri
SECRETARY: Paul J. Bicica, CIE, Vermont
TREASURER: R. Weldon Hazlewood, CIE, Virginia
AT LARGE: Christel L. Szczesniak, CIE, Colorado

The following persons were appointed to special terms on the IRES Board of Directors:

- Pamela Donnewald, CIE, Illinois, to fill unexpired term of former member Ron Kotowski,
- John Reimer, CIE, Kansas, to 1-year, at large term.
- Richard T. Kelly, CIE, Nevada, to 1-year, at large term

Any IRES member — regulator or private sector — wishing to help out on one of our many IRES programs or committees is urged to do so! Simply contact the Committee chair or officer directly, or contact the IRES office at 913-768-4700 and we'll put you in touch with the right person.

Congratulations in Las Vegas!!

During a special luncheon ceremony, the Las Vegas Career Development Seminar audience officially honored and congratulated those regulators who earned their AIE or CIE during the past year.



The 1999 Class of new CIE designees



The 1999 Class of new AIE designees

REGULATORY ROUNDUP

ARIZONA — Compliance With Health Care Appeals Law

The Arizona Department of Insurance issued a new bulletin to address compliance with Arizona's health care appeals law. The bulletin expresses concern that some insurers are not providing their insureds with the required appeals process. In an attempt to resolve possible confusion regarding applicability of the health care appeals law, the bulletin explains that the law has broad application and is not limited to HMOs. To ensure full compliance, the Department is conducting random audits of health insurers, issuing corrective orders identifying deficiencies and non-compliance, and, in appropriate case, assessing civil fines for non-compliance. Audits were expected to begin in July. For more information, see *AZ Circular Letter 1999-3 (June 11, 1999)*.

GEORGIA — New Consumer Advocate Office Opens

Georgia Governor Roy Barnes has appointed Cathy Steinberg, a former Georgia state senator, as the state's first Insurance Consumer Advocate. The Consumer Advocate's Office opened on July 1, 1999. In addition to the appointed advocate, the office includes a deputy and three staff members who will review rate filings, call for hearings and advocate for insurance consumers in general. The Governor created this new office out of concern over the increase in insurance rates, particularly projected increases in HMO rates of 10% a year.

ILLINOIS — Out-of-State Insurers Prevail Again in Tax Challenge

Some 30 insurance companies have once again prevailed in a lawsuit challenging how Illinois taxed out-of-state companies from 1993-1997. The out-of-state insurers originally prevailed in 1997 when the Ohio Supreme Court ruled that the Illinois 2% privilege tax was unconstitutional. In response to this decision, Illinois levied a retaliatory tax against the out-of-state insurers and applied it retroactively for 1993-1997,

by **Dee Dee Gowan**



collecting more than \$35 million. The out-of-state insurers filed suit disputing the second tax, as well. The Ohio circuit court has recently ruled that the retaliatory tax may not be applied retroactively. Illinois may still appeal this decision.

INDIANA — Consumer Complaint Indices

The Indiana Insurance Department released Consumer Complaint Indices for 1998 for five lines of insurance: automobile, homeowner's, life, annuity and health. The Complaint Indices show the number of consumer complaints against an insurance company and the number of complaints compared to the company's premium volume. The Department encourages consumers to consider the Complaint Index when choosing an insurance company, along with other important factors, such as, costs, customer service, claims handling, financial stability and personal experience with the company. To view the Complaint Indices, visit the Department's website at www.state.in.us/idoi. For more information, see *Indiana Department of Insurance Press Release dated August 9, 1999*.

NEW YORK — New Consumer Initiatives

The New York Department of Insurance issued a new bulletin to emphasize its commitment to consumer protection and to highlight recent initiatives by the Department to help consumers. The Department has created an "Insurance Fraud Resource Center" on its website (www.ins.state.ny.us) to promote consumer awareness of insurance fraud and has automated its complaint processing system to track and manage the resolution of consumer complaints. The Department has also levied fines totaling \$188,000 against 16 health insurers and HMOs for noncompliance with New York's Prompt Pay Law, which requires all undisputed health insurance claims to be paid within 45 days of receipt. The Department has also implemented a marketing plan to encourage consumers to use the Department as a resource for information and as a place

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

continued from preceding page

to resolve complaints against insurers. For more information, see *NY Circular Letter 1999-19 (June 10, 1999)*.

PENNSYLVANIA —

Landmark Ruling for Regulators

In what is being called a landmark case for regulatory law, the Pennsylvania Supreme Court recently affirmed the manner in which the Pennsylvania Insurance Department reviews insurance company restructurings when it ruled that the Department satisfied due process by conducting an administrative hearing prior to approving the reorganization of CIGNA in 1996. *LaFarge Corp. v. Commonwealth of Pennsylvania*, 1999 WL 509827, *5 (Pa. 1999). The Department had conducted public informational hearings prior to approving CIGNA's reorganization. CIGNA policyholders protested the reorganization and claimed that regulators had failed to conduct adversarial trial-type hearings prior to any restructuring approval. The Court ruled that due process did not require an adversarial proceeding and that the Department handled the matter within its statutory and constitutional powers.

SOUTH DAKOTA — State Specific Mental Health Parity Requirements Clarified

The South Dakota Department of Insurance issued a new bulletin addressing the mental health parity requirements in South Dakota. The bulletin explains that South Dakota's mental health parity law does not mirror federal law. Unlike federal law, biologically based mental illnesses must be covered in all comprehensive individual and group insurance plans in South Dakota. Moreover, plans may not be exempted from this requirement upon a showing of adverse premium impact. For more information see *SD Bulletin 99-2 (June 3, 1999)*.

TEXAS — Insurers Get a Tax Break

Texas Governor George W. Bush recently signed a new law giving property/casualty insurers a tax break. The new law eliminated the state's multi-tier tax structure and replaced it with a flat premium tax. Under the old tax scheme, an insurer paid premium taxes ranging from 1.6% to 3.5%. The new law changes the tax to a flat 1.6% and is effective with the tax year beginning January 1, 2000. For more information, see *Texas House Bill 1837*.

VIRGINIA — New Managed Care Ombudsman

The Virginia Bureau of Insurance has created a new position called "Managed Care Ombudsman." The Managed Care Ombudsman is responsible for assisting consumers covered under managed care health plans in understanding and exercising their right to appeal adverse decisions. The Managed Care Ombudsman is also charged with consumer outreach to raise awareness of both the Insurance Bureau and its Ombudsman. Additionally, managed care health plans are now required to include contact information for the Managed Care Ombudsman on complaint forms and procedures sent to insureds. The Ombudsman's office opened July 1, 1999. To contact the Ombudsman, call 1-877-310-6560 or send an e-mail to ombudsman@scc.state.va.us For further information, see *VA Administrative Letter 1999-6 (June 7, 1999)* or visit the State Corporation Commission's website at www.state.va.us/scc.


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@bakerd.com.



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BULLETIN BOARD

✓ **Welcome new IRES members:** Karla M. Barnes, Utah; Bradford Brown, Maine; Sam Dixie, Kentucky; Barbara Fitzgerald, California; Ann W. Godwin, Florida; John M. Holbrook, AIE, Montana; Jean Jett, AIE, Florida; Doris Johnson, Arkansas; Agatha L. Stokes, Virginia; Emery W. Thrift, Florida.

✓ Make sure you read the important announcements inside this issue regarding upcoming changes in the AIE/CIE course curriculum. If you're planning to start working on your designation anytime soon, you might want to cut out page 15 of this issue and keep it somewhere for future reference.

✓ Got a regulatory article you've been dying to write and get published? Send your idea to us and let us take a look!! You can e-mail it to Wayne Cotter, editor, The Regulator at quepasa@sprintmail.com. Or just mail it to the IRES headquarters: 130 N. Cherry, Suite 202, Olathe, Kansas 66061

✓ Our sympathies to the family of William J. Young, AIE, an independent contractor for the Illinois Insurance Department, who passed away recently.



INSIDE THIS ISSUE:
**News & photos from the
1999 CDS in Las Vegas.**