THE REGULATOR™
INSURANCE REGULATORY EXAMINERS SOCIETY

HELP WANTED

Shortage of accountants creates dilemma for state insurance departments, companies

By Scott Hoober
Special to The Regulator

Hiring and retaining top-notch people to keep tabs on insurers has always been a toughie for state insurance departments. And now, at least on the financial side, the task has gotten that much harder.

The problem? A shortage of students choosing accounting as their life's ambition — plus a booming economy with the lowest unemployment rate since the 1960s.

It's all giving some state insurance departments fits when it comes to filling vacancies — and retaining the people they've got.

Then there's the prominent consulting firm that has been able to hire enough former examiners to handle client business but has had a hard time finding an entry-level accountant to work on its own books.

The problem isn't isolated to any one part of the country, and it's affecting Big Five firms, insurers and regulators alike. The head of human resources at Arthur Andersen, the nation's largest accounting firm, told a recent conference that at the firm's 120 targeted schools, accounting majors are down 19% — while overall demand for accountants is up 26%.

"Accounting enrollment's been down for a while," said Dr. Lanny Solomon, director of the Bloch School of Business at the University of Missouri-Kansas City. "Maybe we've reached bottom and it will turn around soon."

Crunch time

Ten years ago, Dr. Solomon said, accounting students couldn't find a job. Now it's the opposite: There's hot demand and not enough applicants.

The crunch is of course more serious for state agencies than for the private sector.

"There is a shortage," says Charlie Nicoloff,

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From the President

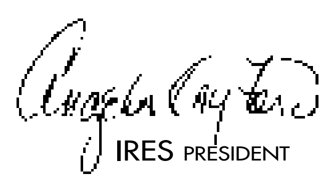
We've finally dug ourselves out of the snow in North Carolina and have made an attempt to return to normal. I'm quite sure that some of my Northern and Midwestern friends are saying, "It was just a little snow" (emphasis on accent, please.)

Our meteorologists only predicted a couple of inches. When the snow on the ground accumulated to some 5+ inches, they naturally revised their predictions. Their new predictions indicated that this snow was going to break a record set back in 1906 (some 17.4 inches). This came as news to quite a few of us who were barricaded in our homes unable to open the door because of 22 inches of snow.

While stuck at home, my mind naturally pondered (among other things) the state of insurance. It dawned on me that events associated with the snow storm bore remarkable similarity to S.900. I'm sure you're wondering what this snowstorm has to do with S.900. It's really quite simple – S.900 (formerly HR 10) has been around for quite awhile (Snow Translation – Conditions are favorable for it to snow.). Now that S.900 has passed, this passage has created a blizzard of activity in the insurance industry (Snow Translation – There's 22 inches of snow on the ground; we don't have sufficient snow equipment. Hence, we're not sure when we will be able to dig out of this.)

If your department is like mine, everyone is busy trying to gauge the effect of S.900 in the insurance arena. We're reviewing all aspects of regulation; we're talking to our counterparts in other states; we're actively participating in insurance meetings, etc. We now recognize (I believe that we suspected this for quite awhile) that S.900 will more than likely affect most (if not all) operations of an insurance department.

When it comes to this type of blizzard, predictions and geographic location really don't matter ….Shovel, please!



IRES PRESIDENT

CPA shortage has regulators scrambling

continued from page 1

acting administrator and deputy commissioner with the Oregon Department of Consumer and Business Services, “although I’m not too sure it’s because of a shortage of accountants or because we just can’t pay them enough.”

Most states use the NAIC rates as a sort of minimum wage, Nicoloff said.

Meanwhile, the competition — the big accounting firms — can offer a 20-30% premium.

The financial standards and examinations division of the Kentucky Department of Insurance, for one, is occasionally able to overcome the state’s dollars-and-cents limitations by hiring people under personal service contracts.

There’s a rigorous process the department has to go through to get approval, but it’s worth it to hire the kind of people needed to get the job done.

West Virginia, which for a time was down to one examiner, got approval to hire independent contractors, although it’s now back up to three in-house people (and, with an increasing workload, soon adding a fourth). Despite low starting pay, the department has generally been able to get new people in the door.

But, says Jeffrey VanGilder, director of the financial conditions division of the West Virginia Department of Insurance, “we are having trouble retaining examiners.“

The profession is rallying to help ease the shortage, too.

Image problem?

One approach, says Bea Sanders, director of academic career development for the American Institute for Certified Public Accountants (AICPA), is to create a broader image of the profession. This reflects reality, Sanders says, since accountants are more than simply bean counters. They’re watchdogs for millions of American investors. The view of a CPA as merely an auditor and provider of tax assistance has hit the circular file.

Sanders says there are a couple of reasons for the current nationwide shortage of accounting students.

“In today’s booming economy, many professions are losing students — not just accounting — because there are so many new career choices and so many new companies. The accounting graduate pool had been holding steady in the early ’90s,” she said, “but in the late ’90s enrollment went down.”

Ironically, the shortage comes just as the need for qualified auditors is rising. Given the freewheeling finances of so many dot.coms, there has never been a greater need for sharp, tough auditors.

AICPA’s Sanders says that’s resulted in tremendous competition for the best and brightest students — those who lead the pack with information technology as well as financial-accounting skills. At some schools, this has spurred some students in traditional accounting programs to pursue other disciplines.

One business professor at the University of California-Berkeley says Silicon Valley has more than 20,000 jobs that are going unfilled. Meanwhile, while something like 55% of all Berkeley business students used to be accounting majors, now it’s only 20% — the rest prefer computer information systems.

Finance, software

“We’re adding finance courses because accountants are having to make more financial decisions for their clients, such as what investments to pursue,” said the professor, who spoke on the condition of anonymity.

“Two to three years ago it was only accounting and

continued on next page

Everyone feeling squeeze of CPA shortage

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basic computer programming, but we made a conscious choice to teach more information systems and software," including Oracle and SAP.

"It's really hot out here," he added. "There is such demand for accounting that our students are getting multiple offers from CPA companies or industry. Industry offers the better option for many of our students because they have stock options, and some stocks are so high that once they join they can't afford to leave."

Beyond the entrepreneurial culture and the stock options, it's also hard for state agencies to compete with the perks offered in the private sector.

Yet state agencies do have one selling point that Big Five firms and Fortune 500 companies don't have: the opportunity to do good.

In the private sector, said West Virginia's VanGilder, "you won't necessarily get the challenges every day that you get in this position. There's a lot of responsibility.

"The pay may not be as good, but the state benefits are wonderful and the daily challenges . . . well, your job is always interesting."

That sales pitch seems to be working. Of the three examiners who've left in recent years, one returned after finding that the daily grind at a nearby Fortune 500 employer was more of a grind than what she'd left behind at the department.

(All three left after completing their CPA with the help of the department's educational assistance program, a benefit that the department might want to rethink.)

> **"It's really hot out here. There is such demand for accounting that our students are getting multiple offers from CPA companies or industry. Industry offers the better option for many of our students because they have stock options, and some stocks are so high that once they join they can't afford to leave."**

With demand for accountants up, auditors who ride herd on the insurance industry may choose to leave public service. But this is marketplace- and salary-driven, says the AICPA, and not necessarily related to the shortage.

One long-term solution is to go after younger people, enticing them with the joys of accountancy before they've solidified their career choices.

Start 'em young

Dr. Solomon says the Texas State Society of CPAs is marketing at the junior high level. And it's already working, he said — if only because some teachers exposed to the program have left education for accounting.

The Kansas City chapter of the Missouri Society of CPAs is now going into 4th and 5th grade classrooms to explain accounting by methods understandable to kids of that age, such as figuring the profit or loss of a dog-walking company.

Dr. Solomon sees the shortage as caused by large public firms not keeping pace with pay compared to other high-tech disciplines, the lack of stock options at CPA firms and the negative stereotype of accountants. Another potential turnoff is the wait to take the CPA exam. In addition, many state insurance departments don't require a CPA.

On the other hand, the accounting profession has recommended higher standards, says the AICPA's Sanders. Most states have gone along with increasing academic training from four years to five (or 150 credit hours). Although standards are merely a contributing factor and not a cause of the shortage, she adds.

At the same time, there's also a move to lower standards.

Many states continue to uphold a requirement for

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CPA shortage

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two years of experience in accounting before becoming a CPA, but the National Conference of CPA Practitioners (1,000 smaller accounting firms) is lobbying to either do away with the two-year requirement or to reduce it to just a year.

The movement hasn't caught on, in part because of what it may do to the skills and image of CPAs and in part because it may not really help bring new people into the profession.

"Accounting firms are having to go to other disciplines to bring students in, such as liberal arts or sciences," said Dr. Solomon, "This raises the question as to whether these new accountants are coming in with entry level training.

"In response, some of the bigger accounting firms have linked with major universities for accelerated training for entry level people in a concept called partnering or fast-track training."

Ernst & Young has partnered with Notre Dame, he said, and Price Waterhouse is partnering with the universities of Illinois, Virginia, Texas and Southern California for this new fast-track training, which combines classroom work and intensive internships with on-the-job training by the firm.

Some educators are skeptical about cramming two or more years of training into 18 months, as fast-track programs do, but it seems to be one solution to bringing in students from other disciplines.

Or we can just wait a while until the pendulum swings back.

"Students will shift back to accounting programs as education changes to meet today's needs and the profession becomes more appealing," says Sanders. "We promote all career paths in public, private, government and education and we have broadened the options to keep up with the times."

Attention Regulators: What innovative approaches is your state using to attract qualified examiners? If you think your state has a story worth sharing with orher regulators, please contact Wayne Cotter, via quepasa@sprintmail.com

C.E. News

What is the deadline for completing courses for this compliance period?
Courses submitted for credit must be **completed** during the current compliance period Sept. 1, 1999 to Sept. 1, 2000. The **reporting** deadline is Oct. 1, 2000.

Where do I find a NICE reporting form?
The reporting form is on page 16 of the NICE manual ,or may be downloaded from the IRES website — www.go-ires.org. Please include a certificate of attendance or comparable proof of your attendance when submitting your report.

When will I receive confirmation that my credits have been received?
Transcripts are sent in May of each year. If you need a report at some other time, please call or write the IRES CE office.

How do I file an extension?
The extension request form is on page 19 of the NICE manual. Please indicate you are requesting a one-year extension for the annual reporting period Sept. 1, 1999 to Sept. 1, 2000. Your written request must be received by the IRES CE office prior to Sept. 1, 2000.

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Anyone choosing to reinstate their designation must submit in writing a letter of appeal complete with your evidence and arguments in support of reinstatement to the IRES Accreditation & Ethics Committee in care of the IRES CE office. Reinstatement will likely include a $60 reinstatement fee, payment of any unpaid CE fees, as well as bringing past CE hours current.

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With passage of new act, it's time regulators get to know their local Federal Reserve Bank

By Scott Hoober
Special to THE REGULATOR

Since Congress tore down the walls between banking and insurance, many state insurance regulators have stopped polishing their résumés and started meeting with people with whom they've never before had to deal.

Gramm-Leach-Bliley, aka S. 900, repeals Glass-Steagall starting this month, ending the 67-year-old restrictions against affiliations between banks, insurers and securities firms.

During the congressional debate, there was a lot of talk about state vs. federal regulation and, for a time, fear for the future of state regulation.

But with the effective date of the legislation imminent, it's become apparent that, while another layer of regulation has been added, it was never an either-or situation. State-by-state regulation of the insurance industry is still alive and well.

But the states will have to begin sharing the regulatory burden with other entities. That in turn has made it important not just to attend seminars to find out what other states are doing, but to get to know those other, federal regulators.

"It's certainly not our intent to replace what the state insurance regulators do. We want to work with them."

— Darryll Hendricks of the Federal Reserve Bank of New York

Fed lite

The primary fear for some time was that the Federal Reserve System, which is already the primary regulator of bank holding companies, would supplant state regulators under the guise of regulating financial holding companies (FHCs). FHCs are a new category of business defined in the act, and the Fed is defined as their "umbrella supervisor."

Is it Gramm or Leach or Bliley? See answer, p. 14

But, says Darryll Hendricks of the Federal Reserve Bank of New York, "There's no plan whatsoever to go into insurance companies and try to replace what's already being done."

It's true, he says, that revisions to Reg Y, the long-standing bank holding company regulation, gives the Fed new regulatory authority over financial holding companies.

But the state insurance departments remain the functional regulators. That is, they're the primary bodies responsible for keeping an eye on insurers — yesterday, today and tomorrow.

Paul Meyer, partner in the New York law firm of Clifford, Chance, Rogers & Wells, said it appears likely that the Federal Reserve's regulation of the new FHCs will be "Fed lite."

Meyer points out that Gramm-Leach-Bliley specifically mandates that courts give equal deference to state regulatory agencies and the Federal Reserve — the first time Congress has established such a doctrine with respect to state agencies.

Although regulation will no doubt evolve over time, he said that many see the Fed deferring to the functional regulator most of the time.

Fed lite or Fed heavy, the Federal Reserve is

Time to get to know your local Federal Reserve Bank

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definitely going to be playing a major role in insurance regulation nationwide.

"Under the legislation" says Hendricks, senior vice president-policy and applications in the New York Fed's banking supervision group, "the financial holding company is a subset of the bank holding company, so anything that is a financial holding company is in some sense also a bank holding company.

"If an insurance company buys a bank, they've got to become a bank holding company. And to underwrite insurance, a bank would also have to be in that subset that's called a financial holding company.

"The bill clearly directs us to take a fresh look at the way we conduct umbrella supervision of holding companies," he said. And, Hendricks emphasized, "to rely to as great an extent as we possibly can on the work that other regulators do for affiliates that are publicly regulated."

The new law says that banks may sell and underwrite insurance, but a company acquired or established by a financial holding company must carry out the actual underwriting, not an operating subsidiary of the bank. The Federal Reserve has been designated as the umbrella supervisor of FHCs, providing general supervisory authority, but state insurance departments will be the chief regulators of those insurance subsidiaries.

One of the early results of the act has been a surge in meetings. Insurers and regulators alike are attending seminars and discussing what it all might mean, further enriching consultants and attorneys.

At the same time, the regulators — the Fed, the Securities and Exchange Commission, the Office of Thrift Supervision, the Office of the Comptroller of the Currency and the states — have been getting together to figure out what the act wants them to do, and then to design regulations to comply.

"It's certainly not our intent to replace what the state insurance regulators do," Hendricks said. "We want to work with them.

"Traditionally, we are interested in looking at consolidated risk management reports at the holding company level, to try to give us a sense across the entire organization of where there may be concentrations of risk, and how they're trying to develop internal approaches to control and manage those risks.

"I think that's an area where we can work with the insurance regulators — and hopefully inform them of things that we've become aware of that may be helpful in what they're trying to do."

Test your knowledge of S.900, the new financial reform bill.

Take the S.900 Quiz, page 10 of this issue.

Market conduct

If the Federal Reserve intends to stay out of the hair of the states' financial regulators, they show even less interest in examining market-conduct issues.

"That's something that's going to continue to be regulated by the state insurance regulators," said the New York Fed's Hendricks.

"Certainly there would be points at which we would become interested in those issues — if they become significant enough that they were going to impact on the reputation of the company, or its financial condition. And the Fed of course has its own regulations for banks, some of which are related to consumer protection and so forth."

continued on next page

Want the Entire Bill?

Need a copy of Gramm-Leach-Bliley? It's available on www.house.gov/banking/s900lang.htm. You can also link to the site via the IRES website, www.go-ires.org.

State regulators will need to get acquainted with Federal Reserve Bank

continued from previous page

With the effective date of the legislation coming up on March 13, the meetings have intensified.

Indeed, if your state hasn't met with its counterparts from the relevant regional Federal Reserve Bank, it's past time. There are 12 of them, plus the Board of Governors in Washington, D.C. Check the chart on the next page to see which Fed covers your state.

One of the specific concerns under the new regulatory scheme has been the possibility that newly merged entities would swap capital, masking problems with the insurance subsidiary, say, by injecting cash from the bank or securities side.

Or, worse yet, that the Fed, with its banking focus, would require such capital transfers to keep the bank holding company healthy.

Sound like a bad idea? Well, Congress agreed, and it specifically outlaws the Fed from doing that, at least not without the approval of the functional regulator.

"On that specific point," said Hendricks, "there is a provision in the act itself that prohibits the umbrella supervisor, us, from requiring upstreaming of capital from a functionally regulated subsidiary.

"If the state insurance regulator objects to that, we can't force it."

Despite all the uncertainty and all the new restrictions, there seems to be a fair amount of interest in creating new FHCs.

IRES CDS: Next Up

- **2000 — New Orleans. July 30-Aug. 1 Hyatt Regency**
- **2001 — Baltimore. Aug. 5-7 Hyatt Regency Inner Harbor**
- **2002 – San Antonio. July 28-30 Hyatt Regency**

NAMIC yes, GM no

Several of the law's provisions knock out some of the FHCs that had been speculated about over the past few months.

For instance, at least 85% of an FHC's revenue must be derived from financial services sources (an FHC with less than 100% of its revenue from financial services is required to divest ownership or control of the remaining 15% within 10 years).

The new holding company must also be well capitalized and well managed, and its subsidiary deposit institutions have had at least a satisfactory rating on their most recent Community Reinvestment Act (CRA) examinations.

General Motors, although it operates several sizable financial services firms, would never meet the 85% standard.

On the other hand, the National Association of Mutual Insurance Companies (NAMIC) has announced plans to create a bank that would allow its members to offer banking services to their customers — a move that not only is permitted, but exactly the kind of innovative thinking that Gramm-Leach-Bliley was expected to stimulate.

There's already a NAMIC Insurance Co. (NAMICO). The association's new entity, Assurance Partners Bank, is specifically aimed at linking banking and insurance products, although at this point it hasn't applied to the Fed to be an FHC.

Hendricks thinks there will be a fair number of applications for FHCs, although at first perhaps not all that many involving insurers.

"You have to think about the different activities that people might want to use this to accommodate," he said.

"For example, many of the largest banks already have substantial securities affiliates, in the form of what we refer to as Section 20s. I am assuming that many of them, if they meet the standards, will choose to become financial holding companies and operate those securities affiliates either at the holding company level or as a financial subsidiary of the bank itself, which is allowed as long as they meet certain size criteria and a few

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Besides the Fed's headquarters in Washington, D.C., there are 12 regional offices, each with a staff that regulates bank holding companies in several adjoining states. Take a look at the map to see which local bank or banks cover your state

Federal Reserve Board of Governors
202-452-3000

Federal Reserve Bank of Boston
617-973-3000

Federal Reserve Bank of New York
212-720-5000

Federal Reserve Bank of Philadelpha
215-574-6000

Federal Reserve Bank of Cleveland
216-579-2000

Federal Reserve Bank of Richmond
804-697-8000

Federal Reserve Bank of Atlanta
404-521-8500

Federal Reserve Bank of Chicago
312-322-5322

Federal Reserve Bank of St. Louis
314-444-8444

Federal Reserve Bank of Minneapolis
612-204-5000

Federal Reserve Bank of Kansas City
816-881-2000

Federal Reserve Bank of Dallas
214-922-6000

Federal Reserve Bank of San Francisco
415-974-2000

The Great American S.900 Quiz

by Wayne Cotter, EDITOR

These 15 multiple choice questions will definitely *not* help you prepare for a "Who Wants To Be a Millionaire" try-out, but they will enhance your knowledge of the new law.

(1) Under Gramm-Bliley-Leach, "functional" regulation of the insurance industry:

(a) Is essentially preserved
(b) Is superseded except for complaint handling and market conduct functions
(c) Will be preserved for at least three more years
(d) Is no longer a relevant concept

(2) What 1933 law was repealed by Gramm-Leach-Bliley?

(a) Glass-Steagall Act
(b) Taft-Hartley Act
(c) Smoot-Hawley Act
(d) The law of large numbers

(3) In order for banking organizations to underwrite insurance in most lines, they must do so through a newly established entity called:

(a) A Bank Holding Company
(b) A Financial Holding Company
(c) A Financial Services Holding Company
(d) Big Brother

(4) The "umbrella supervisor" of a Financial Holding Company is:

(a) The NAIC
(b) The Office of the Comptroller of the Currency
(c) The Federal Reserve Board of Governors
(d) It varies depending on the percentage of holding company assets attributable to depository institutions, securities firms, and insurance.

(5) Which types of companies would be excluded from becoming a Financial Holding Company (FHC)?

(a) A securities firm with 40% of its revenues derived from firms outside the U.S
(b) A bank holding company
(c) A holding company that derives 20% of its revenue from pharmaceutical sales and the remainder from financial services products
(d) A financial advisory company

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(6) The National Association of Registered Agents and Brokers (NARAB):

(a) Would impose uniform licensing and professional qualification requirements, but will not issue federal licenses
(b) Would impose uniform licensing and professional qualification requirements, and will issue federal licenses
(c) Would give agents and brokers a choice between federal and state licensing
(d) Would work toward uniform laws and regulations, but would not impose any licensing or professional qualification requirements

(7) The NARAB is scheduled to begin operations:

(a) If a majority of states enact uniform licensing or reciprocity laws within three years
(b) If a majority of states do not enact uniform licensing or reciprocity laws within three years
(c) In March 2003 regardless of whether states have enacted uniform licensing or reciprocity laws
(d) Whenever the NAIC determines that it is appropriate

(8) With respect to sharing financial information about their customers, financial services firms within an FHC:

(a) May share such information with each other
(b) May share such information with non-affiliated third parties provided they notify their customers of such practices and allow them to "opt-out."
(c) Must send out annual notices to their customers providing information regarding their privacy policies
(d) All of the above

(9) Under Gramm-Bliley-Leach, the 13 "safe harbors" refer to:

(a) 13 situations in which states are permitted to treat insurance sales by banks differently than insurance sales by nonbanks
(b) 13 situations in which banks are permitted to sell insurance without complying with the applicable insurance law
(c) 13 situations in which banks are permitted to underwrite insurance
(d) 13 situations in which regulators must treat insurance sales by banks the same as insurance sales by nonbanks

Quiz continues on next page

S.900 Quiz

continued from previous page

(10) Gramm-Leach-Bliley permits the integration of financial services companies, but does not permit the mixing of financial services companies and "commercial" (i.e., nonfinancial) companies. This statement is:

(a) Essentially true. FHCs are permitted to conduct an extremely limited amount of "commercial", nonfinancial activities
(b) False. FHC's are permitted to participate in a vast array of "commercial" endeavors
(c) True. All "commercial" activities and investments are prohibited under Gramm-Leach-Bliley
(d) False. Gramm-Leach-Bliley eliminates the distinction between financial services companies and nonfinancial services companies.

(11) Prior to Gramm-Leach-Bliley, "commercial" (i.e., nonfinancial) companies had been permitted to own a unitary thrift (i.e., a single savings and loan or savings bank). Under Gramm-Leach-Bliley:

(a) Commercial firms are no longer permitted to establish new unitary thrifts
(b) Existing unitary thrifts still can be owned by commercial firms
(c) Existing unitary thrifts cannot be sold to nonfinancial firms
(d) All of the above

(12) The Federal Reserve Board of Governors cannot require an insurance company that controls a bank as a subsidiary to make a capital contribution to the bank if the state insurance regulator has notified the Board that such a transaction would have a material adverse effect on the insurer. This statement is:

(a) False, the Federal Reserve can require any insurer to contribute capital to a banking subsidiary with or without the consent of the insurance regulator
(b) True, however the Federal Reserve could order the insurer to divest the bank in such circumstances
(c) True, but only if the bank's capital falls below a statutorily mandated level
(d) True, but the amount of the contribution is capped at 5% of the insurer's surplus to policyholders

(13) National banks can *sell* insurance anywhere in the United States provided they

(a) Have been in business for at least five years and meet statutory capitalization standards
(b) Do so through a subsidiary
(c) Have at least one office in a town with a population "that exceeds 5,000"
(d) Agree never to market through the World Wrestling Foundation

(14) Under Gramm-Leach-Bliley, the role of nondomestic states in demutualizations is limited. This statement is:

(a) False, Gramm-Leach-Bliley, does not restrict a nondomestic state's right to intervene in a demutualization plan.

(b) True, under Gramm-Leach-Bliley states other than the state of domicile cannot prevent, significantly interfere with, or issue a determination on a demutualization plan.

(c) False, a nondomestic state now has the same standing as a domestic state to "approve or disapprove" a demutualization plan.

(d) True, nondomestic states are prevented from issuing any public statements regarding the demutualization plan for at least 30 days following the announcement of the plan.

(15) States are permitted under Gramm-Leach-Bliley to:

(a) Require continuing education requirements for agents that sell insurance within banks that exceed those for agents that sell insurance in insurance agencies.

(b) Require agents within banks to inform their customers that the Federal Deposit Insurance Corporation does not provide protection for such policies.

(c) Provide an additional "cooling off" period for customers purchasing insurance within banks that exceeds the cooling off period for insurance agency customers.

(d) All of the above

Answers — see p. 14

If you got this many wrong....	....then you:
1-2	need to get out more (unless your name is Gramm, Leach or Bliley)
3-4	have a good overall understanding of S.900
5-7	have a fair understanding of new bill—bone up a bit
7-10	probably missed last month's special S.900 issue of *The Regulator*
more than 10	may want to consider another profession

BONUS QUESTION

What does the S in S.900 stand for?

(a) Senate Bill
(b) Statute
(c) Senate
(d) Standard Bill

The author would like to thank Dennis Toivonen, senior vice president of Wachovia Bank, N.A., for his assistance in preparing the quiz.

State insurance regulators and the federal reserve bank

continued from page 8

other criteria.

"That would relieve some of the requirements of current Section 20 limitations, in terms of qualifying revenue and things like that."

But that's speculation. In the early going, interest has not been huge, except for isolated instances, such as Charles Schwab's proposal to purchase U.S. Trust.

"It will be quite a while before people understand all the ramifications of the legislation," Hendricks said. "It's very complicated, with many provisions. The way it's implemented will have an effect."

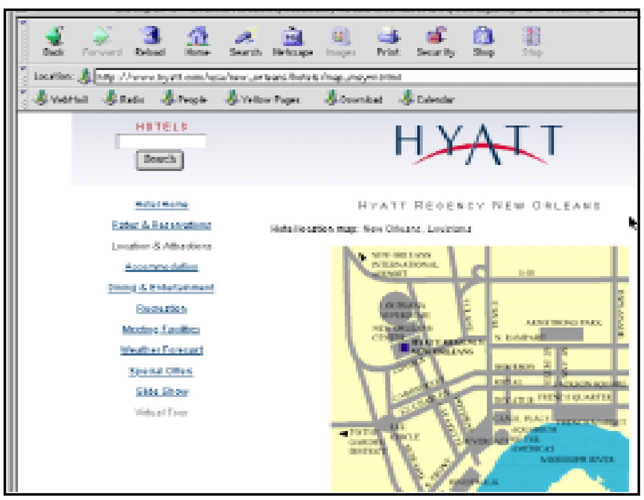
Besides, he said, some aspects of the act aren't required to be fully implemented for up to 18 months.

"And then it takes a while for people to figure out what works and doesn't work, in terms of combinations of firms," Hendricks added. "And that may change over time."

Then again, by some estimates, 70% of the provisions of the old Glass-Steagall Act had withered away even before Gramm-Leach-Bliley. In which case it could be argued that there won't be overwhelming demand for new combinations of banks, insurers and securities firms.

The good news is that, far from watching from the sidelines, state regulators will have a front row seat for the exciting new world of financial holding companies.

Don't be left out in the New Orleans heat. Call hotel now!!



The New Orleans Hyatt Regency has a good web site for those wanting to start now to plan their trip to the IRES Career Development Seminar in August. The site is at: http://www.hyatt.com/usa/neworleans

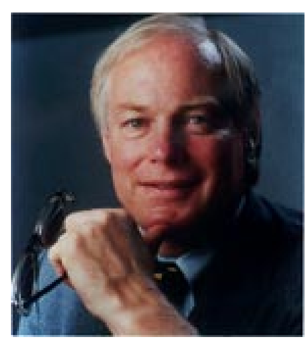
Answers to S.900 Quiz

(1) (a) Section 104(a)
(2) (a) Section 101(a)
(3) (b) Section 103(a)
(4) (c) Section 111
(5) (c) Section 103(a) (new Section 4(n)2 of Bank Holding Company Act of 1956 (12 U.S.C. 1843))
(6) (a) Section 323
(7) (b) Section 321(a)
(8) (d) Sections 501, 502, 503
(9) (a) Section 104(d)(2)(B)
(10) (a) Section 103
(11) (d) Section 401
(12) (b) Section 112(a)
(13) (b) Section 121
(14) (b) Section 306
(15) (b) Section 104(d)(2)(B)(x)

Bonus:
(c)

P. 6 Photo Question

That's Sen. Gramm's photo on p. 6. Congressman Leach's photo is shown at right.



Market conduct school opens April 7

The 7th annual special market conduct school for industry

The 7th Annual IRES Foundation Market Regulation School is set for April 2-4, 2000 in San Diego. The site of this year's two-day school and regulator/industry networking event will be at the incredible Loews Hotel on Coronado Island. Our previous and very popular west coast site has been the Del Coronado Hotel. However, the *Del* is undergoing extensive renovation for the next five years. If you enjoyed the Del, you will love the Loews.

NAIC President and Kentucky Commissioner George Nichols will deliver a keynote address as will Texas Commissioner Jose Montemayor. Also planning to provide an exciting keynote will be the Hon. Jackie Speier of the California Legislature. Senator Speier has been an activist and outspoken commentator on the insurance industry. Special guest humorist Rex Havens will provide some provocative and very funny perspectives at the Tuesday outdoor luncheon by the Harbor.

This year's theme of "Market Conduct Regulation — *Focus on the Future*" could not be more appropriate as we head into year 2000. Along with the program fundamentals of market conduct regulation by each state, special sessions will focus on banking, privacy and confidentiality, and electronic commerce. Third party bad faith, the *after-effect* of the after market parts litigation and the real meaning of The Financial Modernization Act of 1999 will be explored by leading experts. These are all issues that pose challenges for insurers, regulators, agents and consumers alike.

We expect an unprecedented turnout to arrive early for the networking golf event and to stay through Wednesday. Tuesday night will feature the third annual networking beach party sponsored by California-based Sonnenschien, Nath & Rosenthal. This special event will be right on the ocean with music, refreshments and sand in your toes. You will be sorry if you leave early. As an extra reason to stay through Tuesday night, the IRES Foundation will be awarding one fortunate attendee a brand new state-of-the-art laptop computer. Everyone has an equal chance to win but you must be present Tuesday at the school's close to win. The laptop is just one way of thanking the attendees and marking the end of this century's emphasis on communication. We expect some other very interesting and nice gifts to be awarded as well. Make your travel plans and hotel reservation now.

The IRES Foundation schools have been a prime opportunity for the Foundation to raise funds for insurance regulator education programs. Accordingly, many fine companies have found the school to be an excellent vehicle for their charitable and educational donations. If your company is interested in sponsoring this school in some way, just call the IRES office. We make donating easy! Sponsors are generously recognized for their support of the IRES Foundation and its educational mission.

A few logistical notes for those attending. A rental car is the best way to travel. San Diego Airport is very close to the city and to Coronado Island. Driving is very easy. The Loews sits off by itself as a resort so you cannot just walk downtown. But once you are there, with all the shops and restaurants and entertainment, there is no real reason to leave.

Premier Ride Limousine Service offers exceptional Town Car Service from the airport for about $30.00. Just call 800-556-7433 to arrange a ride. Taxi service is another option but slightly more expensive. Register now and make your room reservation with the Loews before March 1 by calling 619-424-4000. Availability may be limited. Mention the IRES Foundation to receive the lowest room rate of $225.00 a night. All the rooms are superior and offer luxury accommodations.

To register call 913-768-4700

Check out our web site at www.ires-Foundation.org

News from NAIC

By Tim Mullen
Senior Regulatory Services Manager
National Association of Insurance Commissioners

The Year 2000 charges of the Market Conduct and Consumer Affairs (D) Committee and the Market Conduct Examination Oversight (D) Task Force were recently finalized at the Commissioners Conference in early February. Because 2000 should prove to be a busy year, I thought I would take this opportunity provide a brief overview of the charges and invite everyone's participation in the activities of the NAIC.

Activities of the Market Conduct and Consumer Affairs (D) Committee

Agent licensing reform will continue to be a major priority for the D Committee. With the adoption of the Producer Licensing Model Act by the NAIC Executive Committee in late January, the Agent Licensing Working Group will begin focusing on revising the Managing General Agents Model Act and the Third Party Administrator Statute. In addition, the Agent Licensing Working Group is proposing a new charge to focus on uniformity of limited lines licensing.

> **"The Market Conduct Working Group will continue discussing the limited scope examination to be used as an alternative and/or as a compliment to a traditional market conduct examination."**

The Consumer Complaints White Paper Working Group will finalize a white paper regarding the handling of consumer complaints by insurance departments and will begin to explore the feasibility of developing and implementing a comprehensive complaint analyst training program for all state insurance departments.

The Credit Insurance Working Group will be busy with the following items: 1) developing a credit property model act, 2) encouraging states via education and bulletins to revise prima facie rates and take other steps available under the NAIC credit insurance model acts and regulations and state law to bring credit insurance rates in line with benchmark loss ratios and to correct other problem areas of credit insurance, 3) coordinating with the Blanks Task Force to revise the credit insurance experience exhibit to better capture information on credit property and new coverages and 4) coordinating with NAIC legal staff to clarify if debt cancellation agreements are subject to state regulation.

The Home Service Working Group will finalize the Home Service Disclosure Model Act which is being developed to ensure necessary disclosures are provided to the purchasers of products distributed through the Home Service system.

While the NAIC Consumer Complaint Database is currently a confidential, regulator only database, the D Committee will discuss the confidentiality of the database and make a formal recommendation regarding what, if any, information from the database should be released to the public.

The D Committee will continue to monitor the effectiveness of compliance programs, particularly the program of the Insurance Marketplace Standards Association (IMSA).

Finally, the D Committee will continue to monitor the underwriting and market practices of insurers and producers and hold at least one annual public hearing on one or more issues of importance.

NAIC news

continued from previous page

Activities of the Market Conduct Examination Oversight (D) Task Force

The D Task Force will continue to discuss the feasibility and implementation of a comprehensive *NAIC Market Conduct Examiners Handbook* education program for both regulators and industry. In addition, the D Task Force will review and update the *NAIC Market Conduct Record Retention Model Regulation* to address the electronic retention of company records.

The Market Conduct Examination Monitoring and Handbook Working Group will continue discussing the limited scope examination to be used by regulators as an alternative and/or as a compliment to a traditional market conduct examination. In addition, this working group will begin revising the multi-state examination chapter and begin developing a new chapter for the examination of credit insurance companies. Finally, this working group will continue developing procedures and guidelines for automated examination techniques for incorporation into the *NAIC Market Conduct Examiners Handbook*.

The Health Plan Examination Working Group will begin working on examination guidelines for disability income product lines and Medicare Supplement programs.

The Life and Annuity Plan Examination Handbook Working Group will continue developing examination guidelines for viatical settlement providers.

For additional information on how to participate in any of the activities of the D Committee or D Task Force, you may contact the NAIC Market Affairs Staff: Tim Mullen: 816-783-8260, Tmullen@naic.org; Shelly Goodman: 816-783-8261, Sgoodman@naic.org; Donna Garrett: 816-783-8262, Dgarret@naic.org.

Welcome, new IRES Members

Chauvin Alleman, Arizona
Sandra Christensen, Utah
Larry P. Culbertson, Oregon
William A. Dow, III, Florida
Barbara L. Ems, Nebraska
Leah M. Gneiting, Hawaii
J. Reuben Hamlin, Colorado
Angela P. Hatchell, N. Carolina
Raymond M. House, Virginia
Betsy Jerome, Utah
Thomas W. Jones, Multi-state
Dennis Kuckartz, Oregon
Owen M. McGuill, III, Virginia
Karen K. Miura, Hawaii
Rae R. Oda, Hawaii
Joseph K. Ott, Missouri
Violetta R. Pinkerton, Colorado
Dolores A. Renfrow, N. Carolina
Joyce M. Riggi, Oregon
Dan Roewe, Missouri
Stephanie I. Smith, Virginia
Glenda Talbutt, Idaho
Bryan N. Theis, Oregon
David A. Thiel, Nebraska
Alan I. Watanabe, Hawaii
Neil Winoker, Virginia
Judith A. Zaricor, Texas

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**

Please return completed *form* and *nomination letter* by no later than April 30, 2000 to: IRES (Al Greer Achievement Award), 130 N. Cherry, Suite 202, Olathe, KS 66061

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 fewer than 50 words or more than 100 words**
- **(4) Send completed form and nomination letter to IRES no later than April 30, 2000.**

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

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.

IRES 2000 Career Development Seminar

JULY 30-AUG. 1, 2000 NEW ORLEANS

HYATT REGENCY NEW ORLEANS

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 Year 2000 IRES Career Development Seminar. My check payable to** IRES **is enclosed.**

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

Seminar Fees

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

Check box that applies

- ☐ IRES Member (regulator) $225
- ☐ Industry Sustaining Member ... $375
- ☐ Non-Member Regulator $325
- ☐ Retired IRES Member $90
- ☐ Industry, Non-Sustaining Member $650
- ☐ Spouse/guest meal fee $70

Spouse/Guest name

If registering after July 1, add $40.00. No registration is guaranteed until payment is received by IRES.

Hotel Rooms: You must book your hotel room directly with the Hyatt Regency. The room rate for IRES attendees is $120 per night for single-double rooms. Please call group reservations at 800-233-1234 or 504-561-1234. The IRES convention rate is available until July 9, 2000 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 CDS hotel'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 1, 2000. 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, 2000.

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

No attendance certificates will be handed out until 3 pm on final day of conference. There will be no exceptions made! Please make your travel plans accordingly. Only partial C.E. credit available for those who leave early.

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

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HELP WANTED

The CPA shortage. See Page 1

BULLETIN BOARD

√ Society member Bobby S. Clark passed away Feb. 10, 2000 in Atlanta, Georgia. Bobby was an examiner for 6 years with South Carolina, 27 years for Georgia and 5 years for Delaware.

√ Craig M. Arnold, A.S.A., M.A.A.A. — Managed Care Actuarial Consultant. Specialize in the actuarial portion of Market Conduct and Financial Exams. Multi-state member of IRES. With extensive managed care experience. Will provide turn-key, flexible support to your exam team. Call 404-351-3236, e-mail craig@craig.arnold.com, or see web site www.craigarnold.com.

√ The Florida Department of Insurance – Property & Casualty Market Conduct Section is seeking applications from firms or individuals with at least an AIE designation to perform market conduct exams between March 1, 2000 to Jan. 1, 2001. May require extended travel. Salary rates dependent upon experience and designations achieved. Contact: Tom Brinkley at fax 850-922-5680 or at brinkleyt@doi.state.fl.us.

√ The Florida Department of Insurance – Life and Health Market Conduct Section is seeking applications from firms or individuals with at least an AIE designation to perform market conduct exams as an independent contractor between March 1, 2000 to Jan. 1, 2001. May require extended travel. Salary rates dependent upon experience and designations achieved. Contact Jack McDermott at 850-413-5083 (voice) or 850-488-7061 (Fax) or at mcdermottj@doi.state.fl.us

√ The Oregon Chapter of IRES recently held elections. New officers are Cindy Jones, CPCU, Chairperson; Gayle Woods, AIE, Vice Chairperson; and Kathy Barrie, Secretary. The Oregon chapter holds a monthly meeting to provide continuing education benefits for the entire division. If any state chair would like information on holding regular meetings and seminars, contact Cindy Jones at 503-947-7219.

√ Norman A. Cheney — Market Conduct Examiner with 11 years experience as independent contract examiner, 7 with the Alaska Division of Insurance as market analyst/market surveillance, 2 years Western States Filing, manager for insurer and one year as rates and forms actuary for state insurance department. Seek position as independent contract examiner for state insurance department, compliance consultant for insurance company or will consider staff position. Full or part time opportunities considered. New AIE, 7 FLMI courses. Please contact at natrad49@yahoo.com. Address: 417 Memorial Lane, Greensboro, NC 27407.

√ The Ohio Department of Insurance is taking applications for Insurance Compliance Examiner 2, in the Market Conduct Division. Send applications to: Please forward applications to: Jon C. Creal, Human Resources Administrator, Ohio Department of Insurance, 2100 Stella Court, Columbus, Ohio, 43215-1067. 614-644-2681.

√ HuffThomas, a regulatory consulting firm providing comprehensive examination services, is seeking experienced examiners. Candidates' background should include a Bachelor's degree, an AIE, CIE, AFE or CFE and 2-5 years experience in the examination of insurance companies. FLMI, FLMI candidate or CPA is a plus. Salary commensurate with experience. Contract and employee positions available. Competitive salary, incentive and benefit package. Travel is required. Relocation is not required. Please submit your resume with salary history and requirements to: HuffThomas, attention: Human Resources Director, 4700 Belleview, Suite 205, Kansas City, MO 64112