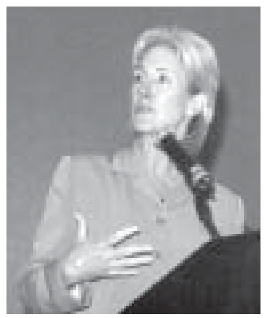
THE REGULATOR™
INSURANCE REGULATORY EXAMINERS SOCIETY

NAIC's Sebelius says state regulation is alive and well

by Scott Hoober
Special to *The Regulator*

If you think all the flux in state-by-state regulation has come about because of Gramm-Leach-Bliley (GLB), Kathleen Sebelius believes you're all wet.



In the first place, no matter what you may have been reading in the national press, Congress didn't act because of any flaws in our nation's system for regulating insurance. On top of that, just about all the changes proposed over the past several years were in motion before Congress stepped in.

"When people talk about preemption of the state system and the feds moving into the structure because it's broken," said the Kansas insurance commissioner, "I'm here to tell you I don't think it's broken at all."

Added Commissioner Sebelius, who's this year's president of the National Association of Insurance Commissioners: "I think the state system has served consumers and insurers very well over the past 130

continued on page 4

Why are these people smiling?

The 2001 CDS
Baltimore!
Stories, photos inside

Jann Goodpaster of Oregon is new IRES president

BALTIMORE — Jann Goodpaster of the Oregon Insurance Department was installed here July 31 as the 2001-2002 President of the Insurance Regulatory Examiners Society at the 13th annual IRES Career Development Seminar.

Goodpaster

Paul J. Bicica of the Vermont Department of Banking, Insurance and Securities was chosen president-elect.

Ms. Goodpaster joined the Oregon Insurance Division market conduct program in 1992. In 1995 she was promoted to Supervising Examiner and in 1998 assumed the title of Market Conduct Chief Examiner. Under her direction,

continued on page 7

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The Regulator™

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From the President

Overwhelming

The word "overwhelming" comes to mind when I pause to think about our CDS in Baltimore.

Overwhelming were the beautiful location right on Baltimore's Inner Harbor, the attendance (so far our largest), the sessions and lastly the support and kind words that I received from all of you.

When our founders started IRES, they knew market regulation was coming of age. Well, market regulation has matured. Take a look at the NAIC list of meetings and you can see how much market regulation has changed in the last few years. IRES needs to respond and grow with those changes.

During the next year, I plan to establish the framework to maintain pace with the changing environment. Executive team members, through their committees, will be studying IRES designations to ensure they meet the needs of our members. Committees will be studying whether we should offer more specialized, job-based designations, including a technology option. We'll look at the role technology plays in our organization and determine how we can best use the Web to communicate with our members.

In order to reach these goals, we will need input from all our members. I am asking that each state have *at least one* state chapter meeting. At the meeting, I want you to elect or re-elect your chapter chairperson. For the agenda, discuss the questions I posed earlier. You could also discuss how to attract and retain members, how to increase the number of IRES volunteers, what you want to IRES become, or anything else you deem important. Finally, send me a report with your thoughts and conclusions.

My hope is that these meetings will mark the beginning of regular IRES state chapter meetings. Oregon currently holds a three-hour meeting each month during which we offer continuing ed. Our state chapter chairperson, Cindy Jones, will be glad to provide any of you with our curriculum and a copy of our state officer's duties.

contined on facing page

In this issue

by Wayne Cotter, Editor

The Baltimore CDS was the best ever. It seems I say the same thing every year and every year I mean it. These sessions just keep getting better and better. My goal for this issue was to capture some of that Baltimore magic in the pages of *The Regulator*. I wanted to help bring back a few memories for those who participated and provide everyone else with a taste of what they missed.

For this special CDS issue, I asked Publications Committee members to provide IRES readers with their takes on some of Baltimore's best sessions. I also requested "Up Close and Personal" interviews with people who helped to make Baltimore memorable. Many thanks to **Paul Bicica**, **Pam Donnewald**, **Kathleen McQueen**, **Gerry Milsky**, **Kashyap Saraiya** and **Frank Seidel** for their contributions to this special edit. Their articles begin on page 7.

In addition, if you missed NAIC President Kathleen Sebelius's rousing defense of state regulation, see Scott Hoober's page-one article. Lastly, make sure you check out the IRES election results (congratulations, Jann!), lots of photos, and our last and final attempt to explain the coveted Hoober Award.

Baltimore provided a great setting for a great seminar. Even the Orioles cooperated by playing an unscheduled make-up game on Monday night. (**Note:** The rumor that Dave Chartrand was the streaker who strutted his stuff across the outfield that night is completely unfounded.)

Enjoy the issue and begin thinking about San Antonio.

Baltimore!

Bicica receives IRES President's Award

BALTIMORE — Paul Bicica of the Vermont Department of Insurance is the 2001 recipient of the prestigious President's Award bestowed by the Insurance Regulatory Examiners Society.

In making the presentation, IRES President Stephen Martuscello noted that Bicica had played a major role in recent years in not only managing the IRES organization but also in organizing top-quality educational programs for regulators at the annual CDS.

Paul Bicica

Bicica started with IRES as a member of the Consumer Services and Complaint Handling Section, and later took over as its chairperson. Subsequently he became a member of the Executive Committe where he has served as the chairperson of various standing committees. He also has written articles for the The Regulator.

During this past year, Martuscello said, Bicica was the Education Committe Chairperson and had the responsibility of putting together the 2001 CDS. "That was hard enough," Martuscello noted, " but then two of Paul's CDS Chairpersons were unable to fulfill their duties and Paul, without hesitation, agreed to take over their jobs. He even recruited his wife to work with the IRES staff."

Martuscello added that Bicica, "has worked hard for IRES, and the President's Award recognizes his contributions to our organization."

President's column

In closing, I could fill *The Regulator* with a list of thank yous, but will have to limit myself to just a few. To Paul Bicica and the education committee and sections chair for the great CDS. To David Chartrand and his staff for their continued outstanding service and most of all to Steve Martuscello, our past president. IRES would not be the organization it is today without Steve's contributions.

Until next time.

NAIC President Sebelius addresses 2001 luncheon

continued from page 1

years, and the enhancements we're making to the current system will make sure we're in place for a good century or more to come."

Sebelius was keynote speaker at this year's Career Development Seminar at the Hyatt Regency Baltimore.

130 years

"State insurance regulation has worked very well for 130 years," Sebelius said, "and I think it stands up very well by comparison to the other regulatory systems.

"We have not had a crash like the banks suffered, we haven't seen anything like the savings and loan crisis, and periodic insolvencies are not a sign of instability, but often a sign that in a competitive world, there are going to be some companies that aren't going to survive."

The key is that no matter what happens, consumers shouldn't suffer — whether or not, as Commissioner Sebelius put it, "everybody who decides to start an insurance company makes money."

The states have done a good job of making sure consumers get promises delivered, that companies sell what they say they're selling and that discrimination and predatory pricing don't occur, she said.

"But there's no question that some of what we do can be better, and that's really what's underway right now," she added.

One of the big changes generated by GLB is the need to work more closely, not only with other states, as regulators have always done, but with federal agencies.

"Part of what Congress did in 1999," said Sebelius, "was to re-emphasize functional regulation, to re-assert that state regulation was appropriate for the insurance industry, but also to re-assert that the federal regulators will continue to supervise the bank markets and the securities markets, and set up a new framework so that all those financial services can operate under a holding company structure.

"While that's interesting language to write into the law, it does set up a number of challenges for state regulators."

It's not just a matter of new working relationships, the NAIC president said, but of formal information exchanges and other methodologies.

Already underway

Many changes in the regulatory scheme were underway before GLB, although the federal legislation certainly accelerated the pace of change.

Sebelius listed the major areas where change is occurring today:

Solvency. When a holding company includes both a bank and an insurance company, she said, "setting appropriate solvency standards for both of those operations — making sure that there is some protection so if the bank portion of the business begins to get into trouble that the insurance assets are not drained in order to make up that liquid asset, figuring out how you respond to complaints: who goes in, how we work with market conduct oversight, who responds to consumers — are all real challenges in this new collaborative world," Sebelius said.

"We're working closely with the Federal Reserve, the OCC [Office of the Comptroller of the Currency], with the Office of Thrift Supervision and the FDIC to not only negotiate confidentiality agreements so we can share information easily and across those federal-state lines, but also to begin the protocols — how we conduct joint market conduct exams, how we're going to set appropriate solvency standards, who sets them, and which set of financial regulators is going to be responsible for monitoring the solvency."

Agent licensing. With the technology platform and the legal framework in place, Sebelius said, reform of diverse agent-licensing laws is ahead of the Congressional mandate.

"I'm not familiar with all the state statutes, but I know in Kansas we had a relatively limited target for pulling an agent's license, and it all had to do with insurance transactions," she said. "That no longer is the language in the model law. It deals broadly with financial services areas — and I think that's appropriate as we move into this new kind of mixed market area.

"There's no reason at all if we set appropriate standards, that we shouldn't be able to let insurers and agents make use of the technology and license agents fairly simultaneously across the country."

Privacy. A new, improved, uniform privacy policy was put in place in eight months, but the new federal legislation left gaps that are yet to be paved over.

"The goal was to have the regulation similar across the country," Sebelius said, "but we recognize that frankly Congress, in its construct of privacy, did not appropriately deal with the very important issue of health privacy."

GLB would have allowed banks and insurance companies in the same holding company to exchange personally identifiable health information without notifying consumers or giving them the right to do anything about it.

"If you think about that for a minute — personally sensitive health information may be the most important and valuable information that most human beings have. And to have that brokered in an open market really was not acceptable."

NAIC's draft of the privacy proposal mirrored what the feds had done for banks and insurance companies — yet set a higher standard for health information.

After all, Sebelius said, "Banks don't have a lot of health information. Securities firms don't have a lot of health information. But life insurance companies, and disability insurance companies and auto insurance companies, who pay PIP claims, and workers comp companies and certainly health insurance companies have a lot of personally sensitive, individual health information that needs to be protected.

"And consumers need to know that that's protected."

The commissioner said she favors opt-in, in which insurers, beyond using personal information to conduct fraud investigations, underwrite policies and pay claims, "can't do anything else with that information unless you ask the consumer first. Period."

Speed to market. Companies have a legitimate interest in speeding up approval of new products, but also in knowing how long it's going to take so they can plan national rollouts.

A pilot in about 10 states is looking at that, but a parallel effort to improve state-based systems is just as important, she said, since it would give the same benefits to products that are never going to be national.

Using SERFF and other technology, Sebelius added, it should be possible for states to publish checklists and work toward 30-day turnarounds without abdicating regulatory authority.

Overhaul of market regulation. Sebelius said issues include how we make sure every state has effective, well-trained market conduct examiners looking at the same kinds of issues — and that they collaborate more on market conduct exams.

"As companies merge and acquire and take on bigger areas of market practice," she said, "we need to work with one another to take simultaneous looks at those companies, which can be effective both on the solvency side and on the market conduct side."

Baltimore!

"State insurance regulation has worked very well for 130 years and I think it stands up very well by comparison to the other regulatory systems."

— Commissioner Sebelius

21st century regulation

Commissioner Sebelius said that most of these initiatives are beyond the talking stage and are beginning to be implemented, at least in a few states.

"It's been a busy couple of years," she said. "Gramm-Leach-Bliley helped to accelerate some of those efforts, but I think the framework of the 21st century regulatory system is something that has been under discussion and has been in the works for a long time."

Looking out over the hundreds of upturned faces in the packed ballroom in Baltimore, Sebelius gave a plug for IRES's role in the process.

"When we look at shifting the regulatory oversight from sort of the front-end barriers into more of a market examination — which I think most of us feel is the appropriate way to go — it makes this kind of organization and your collaboration with one another and your continued training and expertise even more important than it's ever been."

Congratulations, new IRES designees!!

The 2001 Class of AIE's

Baltimore!

AIE CIE The Signs of Excellence

The 2001 Class of CIE's

IRES elects new officers and board members

continued from page 1

the market conduct examination unit is responsible for performing examinations on all lines of insurance.

Prior to joining the division, Ms. Goodpaster worked in the property-casualty industry in underwriting, claims and supervision for 12 years. She is a CIE and a CPCU.

She has served on the IRES board since 1996. During her tenure with IRES she has chaired the Meeting and Elections, Accreditation and Ethics, and Membership and Benefits committees. She is a 1976 graduate of the University of Washington.

Bicica...new president-elect

In addition to Goodpaster and Bicica, the others elected to the IRES seven-member Executive Committee are: Ed Mailen, Kansas, vice president; R. Weldon Hazlewood, Virginia, treasurer; Bruce Ramge, Nebraska, secretary; Stephen Martuscello, New York, past president; and, Kirk Yeager, Colorado, at-large.

Also during the Society's annual meeting, the following regulators were elected to new four-year terms on the IRES Board of Directors: Kirk Yeager, Colorado; Doug Freeman, Missouri; Eugene Reed, Delaware; Lee McLellan, District of Columbia; Michael Hessler, Illinois; Polly Chan, California.

In addition, Stephen King, unaffiliated examiner, was appointed to fill a one-year, at-large position on the Board.

Outgoing IRES prez receives a crystal gavel from incoming chief Jann Goodpaster

Combating Internet Fraud

"Resources to Combat Internet Fraud," was presented at the recent IRES Career Development Seminar in Baltimore. The NAIC's Robert Ober was the featured speaker.

Baltimore!

Spotlight on Sessions

Fraud on the Internet is certainly a front-burner topic and as a member of New York's Insurance Frauds Bureau, I was particularly interested to see where insurance fraud fit into the mix of Internet scams. Robert Ober, Anti-Fraud Coordinator for the NAIC, took the podium and spent an hour and a half leading his audience through a maze of possibilities for fraud on the Internet.

I learned that insurance fraud represents a minor portion of Internet fraud, especially when compared with investment fraud and identity theft. Moreover, while estimates of the amount of on-line insurance fraud vary, it can be said with some certainty that it is currently only a fraction of traditional insurance claim fraud. Yet that trend is likely to change as purchasing insurance products on the Internet becomes more user-friendly and sales accelerate.

Mr. Ober cited the major challenges facing the insurance industry and insurance fraud investigators in this uncharted territory that presents seemingly endless opportunities for fraudulent activities.

It's a common notion among those involved in the investigation of insurance fraud that if there's a way to cheat an insurance company, some "entrepreneur" will come along to take advantage of it. As if to demonstrate the point, Mr. Ober brought our attention to a recent case in California. An ordinary citizen offered his $9,000 Yamaha racing motorcycle for sale on the Internet. Among the responses he received was an e-mail offer to "steal" the bike – for a kickback of course – allowing the seller to file a theft claim. The seller contacted the California Insurance Department and an undercover operation was arranged. As a result, the enterprising e-mailer was arrested by an undercover investigator while attempting to "steal" the motorcycle. Happy ending – or just the beginning? — *Kathleen McQueen*

Up Close and Personal with . . . *Weldon Hazlewood*

Weldon Hazlewood supervises Life & Health Market Conduct in the Virginia Bureau of Insurance. Mr. Hazelwood, an IRES Board member, was one of four panelists who participated in the Patients' Bill or Rights session at the recent IRES Career Development Seminar in Baltimore.

Q: *Okay, let's get the most important question out of the way first: Is it WENDELL or WELDON?*

A: It's WELDON, even though people have been making that mistake for years. Paul Bicica's not the only one who can't get my name right, but he sure seems to be going for the record of how many times one person can get it wrong.

Baltimore!

Up Close & Personal

Q: *You indicated during the panel discussion that Virginia does not have a specific "Patients' Bill of Rights." Could you describe the parts of the federal proposals that are already in effect in Virginia?*

A: Virginia statutes include the major parts of the federal "Patients' Bill of Rights," such as: Point of Service Option, Emergency Room Care, Access to Specialists, OB/GYN Care, Pediatric Care, Continuity of Care, Access to Prescription Drugs, Clinical Trials, Breast Cancer Treatment, Prompt Payment of Claims, Utilization Review, Internal Appeal, and External Review. We also have statutes dealing with the relationships between carriers and providers (such as anti-"gag clauses" and prompt pay). These statutes are already in force and are, in most instances, being complied with by carriers in Virginia. In other words, our citizens already have most of these "rights."

Q: *The presentations made by you and those from other states showed very different perspectives. What did YOU learn during the course of the presentations?*

A: The first thing I learned was that the federal "Patients' Bill of Rights" really does not contain many "rights" that are not already being provided for by most states. Sure there are some differences, but the intent is already there, or in process, and is being regulated. The right to sue appears to be the BIG difference.

Q: *While the CDS was going on, so was Congress. What do you think of the most recent House and Senate versions of the Patients' Bill of Rights?*

A: It seems like states' laws are working, so the provisions that allow states to continue with their Patients Bill of Rights statutes appear to me to be the best. I like the provision in the Senate version that allows states to retain their internal and external appeals. Virginia's independent external review statutes appear to be working fine without federal statutes. The closer to home that any problem is resolved or eliminated, the better it is for everyone.

Q: *It appears that the House version would put an end to Independent External Review programs currently in use in Virginia and other states. Do you think putting all responsibility at the federal level is a good idea? If so, why, and if not, why not?*

A: No. Virginia's external appeals statutes provide an excellent process for external appeals for our citizens. Let's not have our federal government involved.

Q: *Okay, last question: Who's the best* ***current*** *NASCAR driver, and why?*

A: MarkJeffRickyBobbyDale is the best current NASCAR driver. Why, because he knows more about the engineering of the car and what's necessary to get it and him ahead of the other 42 cars. By the way, you owe me $5.00 for this NASCAR tip.

—*Gerry Milsky, J.D., CIE, ACS, FLMI*

Up Close and Personal . . . with Ron Sallow

Ronald Sallow is the Associate Commissioner of the Maryland Insurance Administration. Ron participated in the "Fraud Update" program at the recent IRES Career Development Seminar in Baltimore. He became head of the Insurance Administration's Fraud Division in 1995, after more than 25 years in law enforcement and the investigation of insurance fraud and other white collar crime. He holds the designation of Certified Fraud Examiner.

Baltimore!

Up Close & Personal

Q: *Have you seen any big increases in any types of fraud in Maryland?*

A: We haven't seen a big increase in any particular type of fraud. We meet with insurers and make them aware that they should be reporting to us. Once we meet with a number of health insurers, for example, then we might get an increase in referrals for health insurance fraud. Probably the most frequently committed fraud in Maryland is workers' compensation and auto PIP.

Q: *What legislation would you like to see passed in your state that would have the most significant impact on insurance fraud?*

A: Basically, the laws we have on the books are pretty good. They afford us the ability to deal with insurance-related crimes. Insurance fraud is a felony in Maryland.

Q: *Do you require your insurance companies to establish Special Investigations Units and do you monitor them for compliance?*

A: No, we don't require it, although many companies have SIUs. All of them have a formal method of investigating fraud. We don't have a compliance unit for review as yet. We are working toward that.

Q*: What did you want to be when you grew up and where are you now in terms of that goal?*

A: In my late teens and early 20s, I wasn't sure what I wanted to be. Then when I was 21, after getting out of the service, I joined the Baltimore Police Department and I was there for eight years. From there I went on to the State's Attorney's Office where I investigated insurance fraud and other while collar crime for ten years. After that I was with the National Insurance Crime Bureau for about five years. At that point, I was asked to establish the first Special Investigations Unit for the Maryland Auto Insurance Fund (MAIF), Maryland's insurer of last resort. After 5 years at MAIF, I was hired by a private insurance company to develop an SIU program for them. I worked in private industry for a couple of years and now here I am. This job has been a great challenge. My goal is to reduce insurance fraud so that Maryland residents will not have to pay more than they should for insurance products.

— *Kathleen McQueen*

Laurenzano receives Publications Award

Laurenzano

BALTIMORE — The 2001 IRES Schrader-Nelson Publications Award has gone to Vincent Laurenzano, an insurance finance consultant for Stroock & Stroock & Lavan in New York. Mr. Laurenzano penned an article on custodial accounts, which the Publications Committee chose as the most outstanding feature article of the year in The Regulator. The article appeared in the publication's May issue.

2001 C
Develo

BALTIMORE — Who says insur
can't be entertaining and fun? Not

As you can see from these photo
sons in attendance at the 13th annua
Seminar not only learned a lot, but
it. And more than a few laughs. It w
attend the IRES annual meeting, wh
programs in two days. That's 500 p
programs, 90 speakers and two doz

And a whole lot of smiles.

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os, the more than 500 per-
al IRES Career Development
they had a good time doing
was the largest crowd to ever
hich featured 40 educational
rofessionals, 35 states, 40
zen PowerPoint presentations.

Regulators learn about examination software during a series of special demonstrations by technology staff from the NAIC

Attendees mix and mingle between CDS programs in Baltimore

Light and stage technicians prepare the stage for a "mock trial" presented by the IRES Producer Licensing Section.

Sue Ezalarab, Wisconsin, chair of the IRES Enforcement-Compliance Section, confers with panelists prior to one of her Section's breakout sessions.

More mingling, mixing and networking

The rights of consumers v. rights of financial institutions

"Banking on your Records" held Monday afternoon at the Baltimore Career Development Seminar, featured a discussion on maintaining privacy rights in a global environment. The panel featured attorney Thomas Vartanian, ACLI's Robbie Meyer, John Fielding of the NAIC, and David Reddick, National Association of Mutual Insurance Companies.

Baltimore!

Spotlight on Sessions

"Banking on your Records" offered IRES members a thought-provoking panel discussion. The session focused on whether the individual's right to privacy supersedes a company's right to provide consumer information they collect to a third party. I was at first very surprised by the unique approach of attorney Thomas Vartanian regarding the issue of privacy. He maintains that rather than privacy protection, we should be talking about data protection.

Privacy, Vartanian says, is essentially the right to be left alone, but if you abdicate some of that privacy by, say, applying for a credit card, do you still retain the right to privacy? Protecting data may at first blush seem a more difficult concept to grasp than protecting privacy, especially for those of us in the business of regulating insurance, but the more you think about it, the more sense it makes.

Insurance may be a different story because the lines of ownership of data provided to an insurer during the course of applying for coverage or submitting a claim remain murky at best. It should be noted that Vartanian was mostly discussing instances of *voluntarily* providing data in exchange for some goods or services, perhaps a credit card or line of credit. An insurance transaction, however, involves the submission of underwriting and claims data that one could argue is not necessarily provided on a voluntary basis.

Vartanian's position adds clarity to the privacy debate as data protection is a much more tangible concept than privacy. Privacy can have multiple, subjective definitions. I could have, for example, no problem with telemarketers calling me during the evening hours, while others may find it one of the most egregious forms of privacy invasion.

In conclusion, I thought all the panelists were excellent, very prepared and capable of supporting their position.

—Paul Bicica, CIE, FLMI

Quote of the Month

"Privacy is such a large and subjective concept. It's very difficult for a business to address the emotional aspects of privacy. What they can do is address the issues involved in data protection, namely what data are they collecting and to whom are they giving it out."

— Tom Vartanian on the difference between "privacy" and "data protection."

Baltimore!™

The 2001 Commissioner Roundtable

BALTIMORE — The 13th annual IRES Career Development Seminar opened with the traditional Commissioners' Roundtable and a full house of regulators and industry members. The packed room at the Hyatt Regency on Baltimore's inner harbor area was kept entertained by moderator Bill Bailey's questions and the replies from Insurance Commissioners Kathleen Sebelius, George Dale, Bill Kirven and Scott Lakin.

Moderator Bailey

> *"They blame me for everything in Mississippi. They even had a hurricane and they named it George."*
>
> — Mississippi Commissioner George Dale
>
> *"The governor of Missouri has already appointed a consumer advocate. His name is Scott Lakin."*
>
> — Missouri Insurance Director Scott Lakin

Sebelius of Kansas

Dale of Mississippi

Lakin of Missouri

Kirven of Colorado

Up Close and Personal with . . . Kirk Yeager

IRES Board member Kirk Yeager was a panelist on Baltimore's "Hot Topics/Cold Facts panel," discussing the State Farm multi-state market conduct exam. Kirk is the Chief Market Conduct Examiner for Colorado, the lead state. Since this was Kirk's first multi-state exam, I wanted to convey his thoughts to other market conduct examiners who might participate in or lead a multi-state exam.

Q: *Kirk, what is the single most challenging part of being the chief examiner of the lead state in a multi-state market conduct exam?*

A: The most challenging part of being the lead state is coordinating efforts with multiple exam teams under the direction of multiple states. It is a monumental task to make certain that everyone is on the same page at the examination level, for uniformity and consistency in exam methodology, and at the executive level, to assure that the commissioners of each of the participating states are in agreement with the goals and objectives of the examination.

Up Close & Personal

Q: *What one piece of advice would you have for a market conduct examiner that participates in a multi-state exam?*

A: Make certain you understand your role and your state's role in the examination process.

Q: *What was your opinion of this year's CDS and which breakout session was your favorite and why?*

A: I thought that the CDS was one of the best ever. I think that my favorite session was the "Dueling Attorneys." We were very fortunate to have two presenters of this caliber volunteer their time for our benefit.

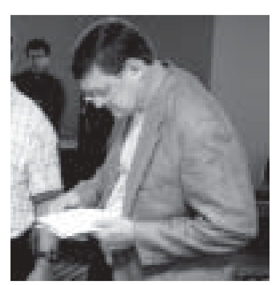
Yeager

Q: *What was your favorite "extracurricular" activity (*i.e., *non-breakout session) of this year's CDS?*

A: Other than the wild cab ride through Baltimore at 2 am after finding that I had no reservation at the hotel and that the airline had misplaced my luggage, what can I say?!! While the appreciation dinner was great, I think that my favorite is always the welcome reception. There are so many friends and acquaintances going way back (I won't tell you how far!) who I see at the reception each year that it becomes like a huge family reunion.

—Pam Donnewald, CIE, CPCU

The IRES Career Development Seminar in Baltimore was so packed full of top-flight sessions, that attendees spent a lot of time checking their programs and figuring out how to get from one place to another.



Long-term Care Policies that Partner with Medicaid

James G. Palma, Jr., Connecticut Office of Policy Management, and Merline Smith, New York Insurance Department, provided an in-depth analysis of long-term care policies that partner with Medicaid to provide an alternative to Medicaid spend-down requirements. The session was held on Tuesday morning at the CDS last month.

Traditionally, a person was required to spend-down nearly all of his or her assets in order to be eligible for long-term care benefits through Medicaid. The requirement can be viewed as a penalty for the frugal elements of society, and a reward for the spendthrifty. In addition, many individuals fear that if they purchase long-term care policies, they may still be required to spend-down their assets should their nursing home stay exceed three years. (Most long-term care policies provide a 36-month maximum for nursing home care.)

Now, however, several states are offering an alternative to the Medicaid asset spend-down dilemma. These alternatives, through a partnership with Medicaid, allow a person to retain control of his or her assets if the person agrees to bear some of the up-front costs of his or her long-term care needs by purchasing a limited-benefit long-term care policy.

Each participating state prescribes the minimum level of benefits that must be made available under the limited-benefit long-term care policy. Smith explained the New York requirements which include 36 months of nursing home coverage and 72 months for home care, minimum daily benefits and inflation protection, minimum elimination period, care management consultation and independent assessment review.

Palma said the purpose of these partnerships is to reduce reliance on Medicaid while ensuring that the long-term care policy contains the essential ingredients of a good plan. Maryland, Iowa, Illinois and Washington have now joined the original partnership states of Connecticut, New York, Indiana and California. While the Robert Wood Johnson Foundation provided funds for the partnership programs at their inception, these programs now receive funding from the states.

Palma and Smith offered some other interesting tidbits:

- Medicare provides no coverage for long-term care.
- There is a 40% chance that an individual will need long-term care.
- In Connecticut, the average cost of a year's stay in a nursing home is $81,000.
- A long-term care policy generally costs between 5 and 7% of a person's disposable income.

Spotlight on Sessions

For more information on the Connecticut partnership or the New York Partnership log on to www.Ctpartnership.org or www.nyspltc.org respectively.

— *Kashyap Saraiya, AIE, CPCU*

Standing room only. . . was a familiar scene at the Baltimore CDS. The record crowd of 540 persons left some of the breakout sessions spilling out into hallways.

Up Close and Personal with . . . Tom Vartanian

Thomas P. Vartanian is a partner in the law firm of Fried Frank Harris Shriver & Jacobsen. Mr. Vartanian works out of the firm's Washington, DC office and is chairman of its Electronic Commerce and Technology Transactions group. He is a nationally known writer, lecturer and radio and television commentator on electronic commerce, financial services and privacy issues. He was one of the featured speakers at the IRES privacy session, "Banking on your Records" presented at the recent IRES Career Development Seminar in Baltimore.

Baltimore!

Up Close & Personal

Q: *You say privacy isn't really the issue, it's data protection. Please explain.*

A: Privacy is such a large and subjective concept — it's very difficult for a business to address the emotional aspects of privacy. What they can do is address the issues involved in data protection, namely what data are they collecting and to whom are they giving it out.

Q: *Since only 1% of consumers are returning their privacy notices to financial services companies, are consumers really that concerned with privacy?*

A: Consumers are extremely interested in privacy issues, but they are also conditioned to receiving a lot of information from financial services companies that they throw away.

Q: *What's your opinion of the privacy notices sent to consumers by financial services firms to meet the requirements of S. 900.*

A: The Holy Grail of consumer protection is disclosure that allows the consumer to make his or her decision on how they want their data used. The hard issue is how you deliver a disclosure that works for all consumers in all situations. And in the final analysis, even if the disclosure is extremely consumer friendly, you can't force the consumer to read it.

Q:*You say in your presentation that the essential question is "Who owns the data?" In your opinion, who does own the data — the consumer or the business that gathered the data from that consumer?*

A: I think the question of who owns the data is probably a function of the relationship of the business and the consumer, the disclosure made to the consumer and agreements made between them. However, without separate agreements there is no general legal answer to the question of who owns the data about a consumer.

Q: *Why hasn't S. 900 generated more mergers between banks and insurance companies?*

A: I think that banks have figured out that the insurance business is tough and that insurers have figured out that the banking business is tough. From a bank's perspective, they are not looking to assume more risk (and risk that they may not necessarily understand), they are looking for businesses that generate fee income.

Q: *You're an ex-New Yorker now living in the Washington, D.C. area, what do you miss most about New York City?*

A: The diversity and richness of New York's culture — everything from neighborhood bakeries to the theatre. *—Wayne Cotter, CIE*

Hartley of Oklahoma receives 2001 Al Greer Award

Oklahoma examiner John Hartley (center) was honored in Baltimore as the recipient of the IRES Al Greer Award for his 25 years of exemplary regulatory work. With him are IRES Board members Jann Goodpaster and Scott Laird.

C.E. News

The deadline to submit your CE credits for the current compliance period is Oct. 1, 2001.

A missed deadline or failure to comply with the NICE program will result in the suspension of your designation. In other words, your designation will no longer be recognized by IRES as being in good standing.

To reinstate your designation, current policy would require you to bring your IRES annual membership dues current; pay a $60 reinstatement fee; pay up to 3 years of unpaid CE fees; as well as earn and report up to 3 years of past due CE credit hours. It is well worth your time and dollars to keep your CE credits current.

Attention CDS attendees – if you did NOT pick up your attendance certificate at the CDS in Baltimore, you are required to report your CE hours to the IRES CE Office. The maximum credit for attending the CDS, if you did not pick up your certificate, is 12 CE hours. *For those of you who picked up your CDS attendance certificate, you have been granted 15 CE hours automatically and do not need to file a compliance report.*

Please note: The CE credit information available on line is current as of May 15, 2001. If your NICE report has been sent to the IRES CE office after that date, it will not appear online in your summary. Online CE updates are on a periodic basis only.

N · I · C · E

The Hoober Award

Get it?

At the CDS in Baltimore, the IRES Publications Committee presented a new award. Not everybody "got it," so we'll try again.

The award was named for the recipient, and only he was entitled to receive it, and it was a surprise. The "Hoober Award" (a large engraved mug suitable for consuming adult beverages) was presented to Scott Hoober for his article in the November 2000 issue of *The Regulator*, "Is Speed-to-Market Racing Too Fast for Consumers." Publications Committee members selected that article as Scott's best from the previous year.

The "Hoober Award" was conceived as a humorous, one-time tribute to Scott, a person who has worked extremely hard to enhance the public face of IRES. We not only wanted to present an award to Scott, we wanted to name it for him as well.

However, the award was presented only partly in jest. As a member of the IRES staff, Scott is ineligible for the annual Schrader-Nelson Award, presented each year to the author of the best article published in *The Regulator*. But Scott writes numerous articles for *The Regulator*, and is one of the people responsible for the improved quality of the publication in recent years. His contributions deserve special recognition, as do his never-ending efforts to improve the IRES Web site.

So, for those of you who were there and didn't "get it" . . .we apologize. To Scott, our thanks for a job well done — you deserve our recognition and gratitude.

—Gerry Milsky, J.D., CIE, ACS, FLMI

Federal Reserve as an "Umbrella Supervisor"

Monday afternoon's Federal Reserve session focused on the Fed's post-GLBA responsibilities. Providing answers were two representatives from the Federal Reserve Bank of San Francisco.

What is the role of the Federal Reserve under Gramm-Leach-Bliley, how does the Federal Reserve interact with state insurance regulators, and how does the Federal reserve conduct its exams?

These were the questions on the minds of a room full of regulators at the Monday afternoon session at the CDS. Two representatives from the Large Institution Supervision of the Federal Reserve Bank of San Francisco, Robert C. Johnson and Lee J. Kapos, provided the answers.

In holding company systems, there is supervision by functional regulators and holding company regulators. Under Gramm-Leach-Bliley, banks and insurance companies can now own each other and become a Financial Holding Company (FHC). Companies seeking to become an FHC, must be adequately capitalized as defined by the regulators, maintain a satisfactory consumer rating and be well managed. Insurance companies can be financial holding companies if they own a bank.

In Financial Holding Company systems, there is supervision by functional regulators and holding company regulators. Management of the overall organization in a holding company system impacts the individual entity, and management of an individual entity can affect the whole. Therefore, there must be cooperation among all regulators involved in the holding company system.

The primary regulator of a bank, depending on the corporate structure of the institution, can be the Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), or state bank regulators. The functional regulators for securities companies are the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC). The functional regulators of insurance companies are state insurance departments.

—Frank D. Seidel, FLMI, CFP, CIE, CFE

Up Close and Personal with . . .
Robert Johnson and Lee Kapos

Robert C. Johnson and Lee J. Kapos work for the Federal Reserve Bank of San Francisco, Large Institution Supervision. They provided IRES members with insights on the Federal Reserve's role as "umbrella regulator" of firms operating within a Financial Holding Company.

Q: *In your discussion you mentioned audit and examination. How do you perceive the difference?*

A (Kopos): This is the way one of my banking professors explained it:

> Audit counts the number of beans and examination evaluates the quality of the beans.

Q: *Since insurance is quite different from banking, what is your staff doing to become familiar with insurance?*

A (Kopos): We are taking insurance courses to learn the business. I am taking insurance courses myself now.

Q: *Mr. Johnson, you rely in part on internal audit functions of financial institutions. Who performs those internal audit functions?*

A: Financial institutions have their own internal audit departments, or they may outsource internal audits. We limit outsourcing to the firm performing the certified audit to only a small portion of the internal audit work.

Q: *Examination reports of most state insurance departments are public documents. Are examination reports of the Federal Reserve or other federal agencies also public documents?*

A (Johnson): This is a major issue in resolving an information sharing process with state regulators. Reports of all federal agencies are confidential, are not public documents and will not be made public.

— Frank D. Seidel, FLMI, CFP, CIE, CFE

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Baltimore!

Stories and photos from the 2001 annual meeting

BULLETIN BOARD

√ Big thanks to Stacy Bicica, Velma McCullough, Phyllis Beeken and Rita Mailen for their volunteer work at last month's CDS in Baltimore. They donated many hours of their time at the registration desk and we couldn't have done it without them.

Volunteer Velma with Joy Moore of the IRES staff in Baltimore

√ Please make plans with your department to budget for those who want to attend next year's CDS in San Antonio. As everyone knows by now, the IRES CDS has grown so popular that our convention hotel routinely sells out every year — and sells out early. The CDS is in late July, but if you don't book a room before the end of May you may not get one. The San Antonio "Riverwalk" area is an extremely popular travel destination so we expect to fill up early in 2002!

Welcome, new IRES members!

Carrie Banahan, KY
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William D. Clark, Jr., KY
Craig Dixon, CA
Treva W. Donnell, KY
Richard Gordon, CA
Rick Holbrook, CA
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