



Business not as usual

After the disaster, along come business interruption claims to vex both merchants and regulators

by Scott Hooper
Special to *The Regulator*

When homeowners insure their houses or business owners buy commercial coverage, they think they know what they're getting — the right to cash compensation in the event a fire, flood or other disaster damages their property.

Ask the typical homeowner about additional living expense coverage (ALE) or a business owner about business interruption, and you'll likely get a blank look.

But when a catastrophe hits, indemnification for day-to-day expenses becomes a big deal. And when your own home or business isn't damaged, but civil authorities have closed the street that runs past it, the coverage becomes even more critical. Nevertheless, many insureds are surprised to learn that they're covered for such losses. Most people are "pleasantly surprised" when they learn of the coverage, says Rob Metzler of Metzler Bros. Insurance, a Kansas City-based brokerage that operates in 26 states.

Even regulators acknowledge that these ancillary coverages are sometimes overlooked.

continued on page 4

Mold outbreak

by Nick Mallouf, CPA, CISA

MOLD? Isn't that something you find on stale bread and shower walls? Yes, but it can also be an insidious infestation found in drywall, ceiling tiles, flooring and air ducts and be hazardous to your health. And yes, mold is really an insurance issue and it's spreading like fungus! Witness:

Oct. 3, 2000 — A California jury awards a homeowner \$18.5 million in a mold property damage claim, charging Allstate with bad faith claim practices.

June 1, 2001 — A Texas jury awards a homeowner \$32 million in a mold property damage claim, charging Farmer's with bad faith claim practices.

June 4, 2001 — The California Senate sends to the governor "The Toxic Mold Protection Act," requiring the state Department of Health Services to establish standards for mold exposure limits.

Sept. 19, 2001 — State Farm, the largest writer of homeowners insurance confirms it will no longer write new property insurance business

continued on page 8



JANUARY 2002

President's Message	2
Al Greer: In Memoriam	7
Hot issues under the radar screen	11
Uniform Licensing	12
Running your IRES state chapter	14-15
Regulatory Roundup	16
Register for San Antonio CDS	19

The Regulator™

Wayne Cotter, Editor
quepasa@sprintmail.com

Kathleen McQueen, Associate Editor

IRES PUBLICATIONS COMMITTEE

Kirk R. Yeager CIE, Colorado, CHAIR

Pam Donnewald, CIE, Illinois, VICE CHAIR

Wayne Cotter, CIE, New York • Paul Bicica, CIE, Vermont

• Kathleen McQueen, New York

Christel Szczesniak, CIE, Colorado

• Kashyap Saraiya, AIE, New York • Frank Seidel, CIE, Pennsylvania

IRES Officers & Board of Directors

Executive Committee

President Jann Goodpaster, CIE, OR 503-246-3715
President-elect .. Paul J. Bicica, CIE, VT 802-828-4884
Vice President ... Ed Mailen, CIE, KS 785-296-3100
Secretary Bruce Ramge, CIE, NE 402-471-4607
Treasurer R. Weldon Hazlewood, CIE, VA .. 804-371-9150
Past President ... Stephen Martuscello, CIE, NY 518-474-9838
At Large Kirk Yeager, CIE, CO 303-894-7749

Board of Directors

Paul J. Bicica, CIE, Vermont
Polly Chan, CIE, California
Gary L. Domer, CIE, unaffiliated
Pamela Donnewald, CIE, Illinois
Dudley B. Ewen, AIE, Maryland
Angela K. Ford, CIE, North Carolina
Douglas A. Freeman, CIE, Missouri
Joseph Fritsch, CIE, New York
Jann Goodpaster, CIE, Oregon
R. Weldon Hazlewood, CIE, Virginia
Michael W. Hessler, CIE, Illinois
Shirley H. Jones, CIE, North Carolina
Stephen E. King, CIE, unaffiliated

Scott Laird, AIE, Texas
Howard L. Magill, CIE, Tennessee
Ed Mailen, CIE, Kansas
Stephen M. Martuscello, CIE, New York
Lee V. McLellan, AIE, District of Columbia
Gerald A. Milsky, CIE, Virginia
Bruce R. Ramge, CIE, Nebraska
Eugene T. Reed, Jr., Delaware
John H. Reimer, CIE, Kansas
Cynthia E. Smith-Campbell, CIE, Missouri
Christel L. Szczesniak, CIE, Colorado
Nancy S. Thomas, CIE, Delaware
Tommy B. Thompson, CIE, Oklahoma
Kirk R. Yeager, CIE, Colorado

COMMITTEE CHAIRS

Executive Jann Goodpaster, CIE, OR, chair
Accreditation & Ethics Ed Mailen, CIE, KS, chair
Meetings & Elections Paul Bicica, CIE, VT, chair
Publications Kirk Yeager, CIE, CO, chair
Education Stephen Martuscello, CIE, NY, chair
Membership Bruce Ramge, CIE, NE, chair
Finance R. Weldon Hazlewood, CIE, VA, chair

LEGAL COUNSEL: Craft-Fridkin-Rhyne, Kansas City

IRES Section Chairs

MARKET CONDUCT

Kirk Yeager, CIE, Colorado

FINANCIAL

Donald Carbone, CIE, New York

CONSUMER SERVICES & COMPLAINT HANDLING

Paul Bicica, CIE, Vermont

PRODUCER LICENSING & CONTINUING ED

LeRoy F. Brungardt, CIE, Kansas

RATES & FORMS: PROPERTY-CASUALTY

Barbara Fitzgerald, AIE, California

RATES & FORMS: LIFE-HEALTH

John H. Reimer, CIE, Kansas

ENFORCEMENT & COMPLIANCE

Susan Ezalarab, CIE, Wisconsin

Year 2002 CDS Chair

Doug Freeman, CIE, Missouri

THE REGULATOR is published every other month by the

 INSURANCE REGULATORY
EXAMINERS SOCIETY

130 N. Cherry, Suite 202 Olathe, KS 66061
913-768-4700 FAX 913-768-4900
IRES Continuing Education Line: 913-768-NICE

David V. Chartrand, executive secretary
Susan Morrison, office manager
Joy Moore, continuing ed coordinator

www.go-ires.org

Opinions expressed in this publication are the authors' and do not necessarily represent the opinions of the authors' employers or IRES.

©2002, All Rights Reserved,
by the Insurance Regulatory
Examiners Society

e-mail us at
ireshq@swbell.net

From the President

Strong State Chapters: A Worthy Goal

In Baltimore, I assigned every state the goal of forming a state chapter, electing a chair and having at least one meeting. The initial response was fantastic. Several states promised to meet

the goal and I recently heard from Colorado that its first meeting had been held and Christel Szczesniak elected as the state chair.



Congratulations to Christel and the Colorado IRES members.

I firmly believe the formation and development of state chapters to be one of IRES' highest priorities. Strong state chapters promote membership and provide educational opportunities for their divisions. State chapters also provide a structured opportunity for members to voice their opinions regarding the direction of IRES.

Bruce Ramge, this year's membership chair and Karen Dyke, subchair on state chapters, along with the state chapters committee members, have established several goals. They include:

- identifying state chairs on the IRES website so members will know who to contact,
- preparing a kit for state chairs that includes a list of duties and ideas for organizing meetings and educational opportunities, and
- finding an efficient means of communication amongst state chapters and between state chapters and the IRES board and officers.

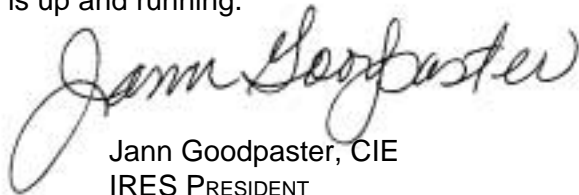
The committee is making great progress and I look forward to their results.

Oregon has had a long tradition of monthly meetings. Ours are held in the afternoon of the

third Friday of each month and we offer three hours of continuing education. We draw our speakers from our own internal resources as well as from the insurance industry.

For example, following each quarterly NAIC meeting, our Insurance Administrator, Joel Ario, presents an NAIC update to IRES members. This provides the dual benefit of keeping members informed about current issues and provides valuable interaction between our administrator and IRES members. Two specific factors contribute to the success of the Oregon IRES chapter: strong support from our Administrator and, for the last two years, a motivated and committed chair, Cindy Jones. I encourage anyone establishing a chapter to contact Cindy for guidance.

The formation of state chapters is one way for the IRES membership to truly make IRES their organization. As the calendar turns to 2002, I hope to hear from more of you that your chapter is up and running.



Jann Goodpaster, CIE
IRES PRESIDENT

Many of you may have received your 2002 IRES dues notices. Dues for most members has increased — but with a twist. As of Jan. 1, 2002, IRES will no longer bill members a separate “continuing education fee.” Our longtime \$20 CE fee is now included in the general dues structure for everyone. Last year, for example, an AIE member paid \$65 dues plus a separate \$20 CE fee, or \$85. That same member’s total dues for Year 2002 is now a straightforward \$90 — just a \$5 overall increase.

Given the rising costs of running a nationwide society and the increasingly tight budgets of most state insurance departments, we hope you will agree these modest dues changes are fair and reasonable. I and your IRES Board of Directors have pledged to dedicate ourselves to providing the best possible educational professional development resources at the lowest possible cost to help regulators everywhere perform their jobs with skill and pride.

— JLG

C.E. News

Happenings for you . . . in 2002

Feb. 15 — Deadline for IRES membership dues. Continuing education fees are now included in your dues. AIEs/CIEs will no longer be billed for separate CE fees. *(If you did not receive an invoice, please notify the IRES office.)*

April 7-9 — IRES Foundation’s National Insurance School on Market Regulation in San Diego. Regulators may attend to receive a maximum of 12 CE credits.

May 15 — CE transcripts to be mailed to your preferred address on file with IRES. (Check the IRES website at www.go-ires.org to check your credits online.)

July 28- July 30 — IRES CDS in San Antonio, TX. *(Automatic 15 credits if you pick up your attendance certificate, otherwise, you must report your hours to the IRES CE office by submitting a NICE compliance reporting form. A maximum of 12 CE credits is available if you leave before the seminar concludes.)*

Sept. 1 — The current compliance period is Sept. 1, 2001 to Sept. 1, 2002. The annual requirement is 15 CE credits. All courses must be completed by Sept. 1. *(NOTE: All qualifying CE hours must be at least 50% or more directly related to insurance principles.)* Anyone unable to complete the CE hours by the Sept. 1 deadline may file a one-year extension. The extension request form must be in the IRES CE office by Sept. 1.

Oct. 1 — The CE reporting deadline. Compliance reports received within 30 days of the Oct. 1 deadline will be assessed a \$30.00 late fee as long as the courses submitted were completed during the current compliance period.

A missed deadline or failure to comply with the NICE program will result in the suspension of your designation. To reinstate, current policy requires you to bring your IRES annual dues current; pay a reinstatement fee and earn and report up to 3 years of past due CE credit hours.

N · I · C · E

Business not as usual after major disaster

continued from page 1

“I know what it’s supposed to cover,” says Gary Meyer of the Missouri Department of Insurance, but he admits he’s not up on the details. “If I need to know more, I can always read the contract.”

Carroll Fisher, Commissioner in Oklahoma, agrees that the coverage isn’t something that most people think about — though it does have higher visibility in his state since the big 1999 Oklahoma City tornado.

“I think it’s more of a surprise coverage than a known coverage,” he added. “All of a sudden you say, ‘Oh, I didn’t realize I had that.’”

Yet the idea behind both business interruption and ALE is a logical one. If your business or home is damaged, you need more than the cash it takes to rebuild. You also need to find temporary quarters or move furnishings to another location.

The same needs exist if the building and its contents are intact, but civil authorities have ordered occupants to leave until they can fix the gas leak or catch the escaped convicts.

What it covers

It’s often said that business interruption insures a business’s profits, but as Metzler says, “it really insures your income and expense statement.”

Typically, such coverage continues for up to 12 months, though insurers will check periodically to make sure their customers are making an honest effort to recover from their loss.

Bill Bailey of the Insurance Information Institute explained: “You can’t just sit around and say ‘I think I’ll go to Florida and collect on my business interruption policy.’ You’ve got to try to restore your business, and you have to demonstrate that you couldn’t get the material, you couldn’t get the workmen or whatever.”

On top of that, business owners are entitled to extra expenses to clean up or repair damage, or to move to a new location. Rent is covered, utility payments are covered, but unfortunately, employees generally are not. While the salaries of key people often are included under business interruption, most workers will have to fall back on unemployment compensation.

ALE is similar. Like its commercial kin, it kicks in whenever the policyholder has suffered a direct physical loss.

Typically, a homeowner will use ALE to rent a motel room, eat in restaurants and, if needed, replace clothes, toiletries and prescriptions. (As the name implies, though, it’s *additional* living expenses — that is, expenses beyond what the homeowner might have spent anyway to, say, buy groceries and eat a few restaurant meals a week.)

Renters’ policies also often contain a form of ALE.

Though a certain amount of business interruption or ALE is routinely attached to commercial or homeowners policies, there can be tremendous variations, especially in commercial policies. Larger concerns, in particular, will often ask for additional, specialized coverage to handle their specific needs.

Metzler says the typical business owners policy is aimed at smaller companies, generally below \$2-3 million in either sales or real and personal property. Beyond that, businesses can buy pretty much whatever they wish, as long as they’re willing to pay for it — since Sept. 11, however, some coverages may not be available at any price.

Business interruption has come into sharp focus since the attack on the World Trade Center destroyed more office space than exists in many major cities. It also blocked access to scores of other offices, shops and apartment buildings in lower Manhattan.

One survey found as many as an eighth of retail businesses in the area had no commercial insurance at all. Surprisingly, most of those who did have insurance had chosen to skip business interruption.

“Admittedly, business interruption isn’t the easiest concept for business owners to understand,” Metzler said, “but I think it’s an absolutely critical piece of risk exposure. I’ve always emphasized it to all of my commercial clients.”

Yet with the high cost of doing business in Manhattan, business owners may be forgiven for wanting to shave their expenses. Before Sept. 11, who would have conceived of such a catastrophic event?

Sept. 11

The terrorist attack changed the lives of everyone, and stretched business interruption further than it’s ever been stretched before:

- Short-term benefits for action by civil authorities typically last only two or three weeks. But following Sept. 11, civil authorities will be keeping some streets closed for months, if not years.

Business not as usual after major disaster

- Long-term benefits kick in only if there's been actual physical damage, yet most of the damage in lower Manhattan consisted of dust and debris.

- Many retail establishments in the area relied for business on office workers from the World Trade Center and surrounding buildings, but only about a tenth of those who worked nearby before the disaster have returned to date. And many of them are wary of going out for lunch in the neighborhood, much less shopping for shoes, kitchen appliances or consumer electronics.

- Then there's anthrax, and the fear of other chemical, bacterial or radiological attacks, whether by enemies foreign or domestic.

The only one of those four that's easy to resolve is the third one. Trying to sell sandwiches or shoes out of a retail space on a street past which few potential customers drive or walk is tough luck, not the responsibility of the store owner's commercial insurer.

As Ted Kelly, president and COO of Liberty Mutual, has said, "We don't insure your business in an economic downturn for losses you sustained because of the economy."

But some reductions in business are part of business interruption.

In the aftermath of the attack on the World Trade Center, for example, the area as far as several blocks away from Ground Zero has been declared a crime scene. Access is blocked by barricades and police and National Guard troops.

"If you're inside this zone, but you can't show direct physical damage," Bailey said, "is your claim limited to the three weeks under the civil action coverage? After all, it's civil authority declaring no access to your business or your home because it's a crime scene."

"The problem is that the policy is very clear, and I think you'll find that you could have bought a lot more coverage if you'd wanted to."

Perhaps the situation will be resolved for business owners in New York the way it was for home and business owners in Oklahoma City in 1999 following a devastating tornado, or in Florida in 1992, following Hurricane Andrew.

"The industry here in Oklahoma made some extensions because of the magnitude of the tornado," said Fisher," extending the ALE coverage beyond the policy-designated limit."

Even if everyone wanted to rebuild, they couldn't have, at least not at once.

"Supplies of everything from sheetrock to lumber were restricted because you had 50,000 claims," the commissioner recalled. "Sometimes the circumstances are such that you just can't accommodate as expedient a recovery as you would like, and it's not anything to do with the policyholder not fulfilling their obligation to rebuild."

In south Florida, devastation in the fall of '92 was so complete that many people wondered whether they should rebuild at all — especially in the months immediately after the storm had passed, when there were few service stations, dry cleaners or other services available. Plus, as in Oklahoma, those who did try to rebuild at once had a hard time finding contractors and materials.

"The companies said, 'Whoa! If we push

everybody, we'll end up paying outlandish prices for materials and labor,'" recalled Bailey, who spent more than a year in south Florida on behalf of I.I.I. "So they extended ALE to as long as 24 months."

Insurers may end up doing the same thing for those who used to live and work near Ground Zero. But for the most part, civil-authority coverage is designed to cover only the short term — generally two weeks for homeowners, starting immediately, and three weeks for commercial property following a 72-hour waiting period.

Contingencies

Even without a once-in-a-lifetime storm or terrorist attack, there are always exceptions. For instance, what if you're fine but one or more of your major suppliers or customers is the one facing the crisis? Say you build brake linings and sell them to the local GM plant, and

continued on next page



Admittedly, business interruption isn't the easiest concept for business owners to understand.



— Insurance broker Rob Metzler

Learning about 'business interruption' after a crisis

continued from previous page

their demand suddenly drops. Or you're GM, and the roof of the brake-lining plant peels off in a storm.

Such upstream and downstream problems are covered under contingent business income coverage, an optional component of business interruption. Needless to say, though, not every contingency is covered.

As a rule, coverage kicks in after the same kind of covered peril as the rest of business interruption coverage. That is, a strike at General Motors wouldn't count, while a fire or a major storm would. And coverage for disasters at suppliers' locations is by some accounts more common (and more affordable) than coverage for downstream problems with customers.

One good example of this sort of contingent coverage was the fire several years ago in a Taiwanese fab, *i.e.*, a plant that fabricates computer chips. If the plant had simply decided to exit the business, the computer and consumer-electronics manufacturers that were its customers would have been out of luck. But a fire is a covered peril, so the temporary inability to get supplies of chips would have been covered too.

Yet when reduced supply led to increased prices, insurance didn't cover that additional cost.

What about anthrax?

Since business interruption coverage routinely excludes claims related to pollution or contamination, don't count on it, even if the scare turns out to be legitimate. (I.I.I.'s chief economist, Robert Hartwig, points out that by the same token, if an employee gives his flu to coworkers, damping productivity, the business owner had better not be calling his agent about filing a business-interruption claim.)

Sometimes even exceptions have exceptions, for one kind of pollution is indeed being covered in lower Manhattan: the blanket of ash, some of it a foot thick, that got blown into offices and stores after the twin towers fell.

I.I.I. estimates that about two-thirds of the insurance companies writing property damage in that section of Manhattan decided that the ash constituted direct physical damage.

"If you opened the door to your store and the ash got in and got all over your stock, as well as your cash register and your carpet and everything else, they decided that constituted direct physical damage and took you out of the two- or three-week civil-authority coverage and put you into the standard business-interruption coverage," said Bailey.

That coverage includes such expenses as the cost of cleaning up the ash and, if the business decides to relocate, the cost of moving to a new location.

But, says Bailey, "If you relocate and then reopen your business, you shut off the business-interruption coverage. Even if you're back at a lesser volume than you used to have, your business interruption is shut off."

In one widely publicized case, a retail store lost its business interruption because it cleaned up the ash and opened its doors. Surrounding businesses may still have been closed and there may

have been little pedestrian traffic. But if the dust and ash was the physical damage, and once they were gone, then the business was no longer interrupted.

Few insureds, however, seem to be complaining to state insurance departments. Gregory Serio, New York's Superintendent reports that the number of complaints his office has fielded since Sept. 11 is "miniscule" in comparison to the 20,000 WTC-related claims submitted to insurers.

Fighting it out

If business interruption's complexity leaves you shaking your head, it makes trial lawyers rub their hands in anticipation.

For the most part, property claims are relatively clear-cut, yet they can result in years of litigation. There are still unresolved cases from the World Trade Center bombing in 1993.



The typical insurance policies that we have had for decades are simply insufficient to cover a lot of the loss that these insured businesses are experiencing.



Business interruption

continued from previous page

As a spokesman for Travelers Insurance delicately put it to a reporter from the Hartford Courant, business interruption claims lead to “more discussion” with customers than other kinds of claims.

Given all this complexity, uncertainty and ambiguity, it’s not hard to imagine that insurers and their customers will be in court for many years to come. By some estimates, business interruption payouts from Sept. 11 may cost the industry \$25 billion — that’s *billion*, with a B.

The sheer magnitude of the Sept. 11 attack makes litigation inevitable. Yet it’s more than the dollars involved — we’ve simply never seen anything remotely like this before.

The trouble is, what if it happens again? Terrorists could be planning another attack at this moment, and despite all of the authorities’ best efforts, they could be successful. Does that mean that business owners should be looking to buy still more business interruption coverage than ever before?

“I was just careless,” said Samuel Castro, who had liability insurance in case a customer had an accident in his lower Manhattan hat store — but who, to save money, didn’t have coverage for damage to his inventory, or for lost sales due to a catastrophe. “Sometimes you don’t think about the worst cases.”

The bad news is that, with premiums shooting upwards in the aftermath of Sept. 11, there’s plenty of incentive to keep on ignoring the worst-case scenario and buying only the insurance you can afford at that moment.

Commissioner Fisher is one of many who believe that’s a mistake. “I think that it becomes the responsibility of the agent, to take the time to explain what’s available to the consumer,” he said. “One of the biggest faults we have — and I was an agent for 35 years — is that we sell property-casualty business on price.”

Then again, perhaps current commercial policies aren’t appropriate in the post-Sept. 11 world anyway.

“The typical insurance policies that we have had for decades are simply insufficient to cover a lot of the loss that these insured businesses are experiencing, says New York’s Gregory Serio. ■

Al Greer: 1911 - 2001

Former examiner, a founding father of IRES

Al Greer, longtime insurance examiner and IRES “founding father,” passed away in Dallas on Nov. 9 after a long illness. He was 90.



Al was one of the original group of state insurance examiners who had the vision to establish the Insurance Regulatory Examiners Society in the late 1980s. He went on to serve on its Board of Directors and was later elected treasurer.

“Al was always willing to give a hand when we needed help,” said Tom Reents, former IRES president and another of the Society’s founding directors.

Most of all, however, Greer helped fashion the mission of IRES, namely, to raise insurance regulation to a highly respected profession marked by technical proficiency and ethical behavior.

In 1998, the IRES Board of Directors established an annual award in his name. The Al Greer Achievement Award is given annually to an insurance regulator who “not only embodies the dedication, knowledge and tenacity of a professional regulator, but exceeds those standards.”

Albert Lee Greer was born April 4, 1911 in Dallas. In addition to his involvement with IRES, he was a member of the Society of Financial Examiners and was active with state and local CPA societies. He worked many years with the Boy Scouts and with the Junior Achievement organization. He is survived by his wife of 63 years, Ruth Greer, a son, Thomas Andrew Greer; daughter Anne Greer Lasky and six grandchildren and four great-grandchildren.

State regulators coping with mold outbreak

continued from page 1

in Texas. It joins Farmers, Progressive, and Allstate.

Sept. 26, 2001 — Jury selection begins in a \$12 billion Manhattan civil suit brought by over 150 families for alleged mold contamination.

Nov. 29, 2001 — Texas Insurance Commissioner informs insurers they must maintain *basic* mold coverage in homeowners policies.

These are the latest salvos in the growing battle between insurers and homeowners over mold damage to homes and businesses. Regulators and legislators are finding themselves caught in the middle. Caught between homeowners, businesses and employees—who have often incurred devastating mold damage—and insurers whose policies were not designed to cover tens of thousands of dollars per occurrence for mold damage and remediation claims. Complicating the regulatory and legislative domain is the absence of standards and conflicting scientific evidence.

This article will deal with the questions surrounding mold and the paucity of answers presently available.

Hard Science vs. Hysteria

Although molds have been on the planet longer than humans, there is no definitive body of knowledge or consistent scientific studies documenting the negative effect of mold on humans and their health. No federal, state, or local databases track mold infestations and their impact.

How much exposure to mold is excessive? What symptoms are likely to surface from exposure to harmful molds? What should standard cleanup (remediation) procedures be? Reasonable questions—but good answers are elusive and often contradictory.

For example, the Center for Disease Control (CDC) declared a number of years ago a possible link between mold, tobacco smoke and pulmonary hemorrhage. Their conclusion was based on the results of a 1994-95 Cleveland hospital study of babies with bleeding lungs. However, in 2000, a review panel determined there was insufficient data to firmly establish a link between the mold and pulmonary hemorrhage. The CDC website now only lists mold as an allergen.

Physicians also hold wildly differing opinions. An article at HKLaw.com notes that some doctors say the reaction to mold is only an allergic one. They believe the symptoms will disappear once the individual leaves the mold environment. Others insist the symptoms are likely to continue long after the mold has been removed. And according to an article in Mealey's Litigation Report, there is currently no biological marker to indicate whether a person has ingested, inhaled, or absorbed mycotoxins from various mold spores.

This conflicting "science" has significant implications for insurers. Even if they take corrective or preventive action to help a homeowner, how will they prove it was the "right" or "sufficient" action? Without solid scientific data and remediation standards, how do they defend against "bad faith" rulings by the courts.

Remediation – "Mold is Gold"

The mold frenzy has spawned an industry of mold remediators. These include individuals who claim to be able to identify and test for mold infestation and/or those who clean up mold (frequently the same organization will do both).

Many are rushing into the business. Membership in the Indoor Air Quality Association (IAQ) has reportedly more than doubled over the past year. The IAQ offers three- and four-day classes in mold remediation. Companies ranging from asbestos abatement to lawn sprinkler services are seeking entry into the business.

In Texas, the Department of Health regulates asbestos remediators. However, there is *no* federal or state regulation of mold remediators. Anyone can hang out a shingle or establish a website claiming to be a mold specialist. This is major concern for insurers responsible for funding remediation. It also has implications for the E&O coverage of remediators.

The Legal Scene

Insurance carriers are not the only ones treating mold as "The Next Asbestos." Plaintiff attorneys are too. And, as usual, they are perceived by the insurance industry as fanning the fires.

One of California's busiest mold lawyers is Alexander Robertson IV. Robertson notes in a recent New York Times article that mold cases are really a hybrid—part construction defect that allows water damage that causes mold and part personal injury from the mold itself. That's one reason why it's so hard for concerned individuals to get their arms around this issue.

continued on next page

Nick Mallouf, CPA, CISA is a Principal at MRC Consulting Group, Inc., a firm specializing in market conduct examinations, company compliance, due diligence for bank in insurance, and litigation support.

States coping with outbreak of mold claims

For this reason, it is not unusual for third parties, such as builders, contractors, property managers, architects and others to be targeted by trial attorneys.

It is the combination of personal injury claims and construction losses that have homeowners' insurers trembling.

What's a Regulator to Do?

In spite of the recent hype and hysteria, mold claims are far from new. They have been around for years – just not at the levels we see today.

Most standard homeowners policies do not cover mold, *per se*. They do, however, cover cleanup from water damage, such as that caused by a broken pipe, which can be the source of mold. Mold caused by high humidity and leaks is a maintenance issue and not normally covered.

If insurers are compelled to pay for mold losses, the cost of homeowners coverage will rise. To prevent this, insurers are seeking to exclude mold damage completely, cover it through an endorsement, or clarify policy language.

Until now, Texas has been Ground Zero in the battle over mold. The frequency of claims has increased over 200% in the past year, while severity has grown by nearly 50%.

Texas Insurance Commissioner Montemayor's recent proposal highlights the essence of the controversy over mold. Texas insurers are threatening rate increases of up to 60% unless they can exclude mold coverage

altogether or offer the coverage for an additional premium through endorsements. Montemayor's proposal is attempting to maintain mold protection for Texas policyholders by capping basic coverage for mold at \$5,000. Policyholders could buy additional coverage up to 100% of policy limits.

Commercial carriers are also affected by mold. General liability, personal umbrella, commercial umbrella, commercial multi-peril, commercial package, and commercial fire are all lines that are subject to such claims.

The mold issue is already affecting Texas real estate sales. Several carriers have opted not to cover homes with water

damage claims in the past three to five years. So far, other carriers have been unwilling to pick up the slack.

Next Asbestos?

Is mold the next asbestos? If we listen to the mold remediators, plaintiff attorneys, and the media, you would think so. However, until science can nail down the relationship between mold and injury, as it did for asbestos, we won't know. As for getting more data about handling mold issues, the NAI, NAMIC, AIA and Property Loss Research Bureau have all held seminars on mold in recent months. The insurance industry is moving forward; studies have been initiated; case law is being established. Stand by. ■



It is the combination of personal injury claims and construction losses that have homeowners' insurers trembling.



They Do Things Bigger In Texas

Some statistics show why Texas currently leads all states in mold claims.

The state's top home insurer had 1,188 mold claims over \$15,000 during the first six months of 2001 — more than five times the number of claims for the same period last year.

Texas' share of nationwide mold claims through June 2001: 70%

Data below are through June:

	2001	2000	Change
Average mold loss per policy	\$250	\$152	64%
Total number of mold claims	9,135	2,605	250%
No. claims/1,000 policyholders	10.9	3.2	241%
Avg. loss and ALAE/claim	\$18,400	\$12,400	48%

State Initiatives on Mold

California

SB732 — The Toxic Mold Protection Act of 2001 Along with a name that could scare children at night, this is the most sweeping legislation in the works among all states. It: a) mandates disclosure rules for mold and water damage in rental property; and b) calls for the development of: 1) permissible exposure limits to mold; 2) standards for identification and remediation of mold; 3) standards for assessment of molds in indoor environments. At press time, the bill awaited the Governor's signature.

Texas

Commissioner Montemayor announced a plan that would maintain current coverages but allow endorsements and manual changes that would set a \$5,000 minimum for basic mold coverage.

Connecticut

SB1265 — Provides funding for improving indoor air quality of schools. Not yet acted upon by the House.

Maryland

SB283 — Establishes a task force on indoor air quality. Signed by the Governor.

Nevada

SB584 — Authorizes the issuance of bonds for toxic mold remediation and prevention. Enacted in June.

New Jersey

SR77 — Resolution "Urges" the state to develop strategies to combat a certain strain of mold and to investigate the health effects and effective cleanup methods of mold.



Quote of the Month

. . . [The Medicare HMO] program . . . is at a critical juncture in history. The current payment environment is untenable and threatens the viability of existing plans.

— Peter Haytaian
Vice President, Oxford Health Plans



Under the Radar Screen

by Wayne Cotter

EDITOR, THE REGULATOR

If you've been having difficulty keeping up with news unrelated to the war on terrorism, you're not alone. Even a story as huge as the bankruptcy of this nation's seventh-largest corporation, Enron, has received short shrift by the U.S. news media.

Now, more than ever, it's easy for key regulatory issues to slip under a regulator's radar screen. With this in mind, we present a brief summary of some important issues that might have escaped your attention over the past months. If you have others, please e-mail them to quepasa@sprintmail.com. And remember — keep your eye on the ball.

HMO Medicare Dropouts:

More Medicare HMOs will be dropping out of the system come January 1, while the costs to those enrollees who remain will rise substantially. Just about every senior citizen enrollee now pays some out-of-pocket costs for Medicare HMO coverage, and many are returning to the Medicare supplement plans they abandoned just a few years ago. (See July 2001 *Regulator*.)

Cybercrime Treaty: The U.S. recently signed on to the Council of Europe's international cybercrime agreement. You probably never heard of the Council of Europe, but its wide-ranging document permits international law enforcement agencies to gain access to a wealth of personalized computer data from U.S. companies and insurers. The agreement generates numerous questions regarding privacy, liability and business costs associated with compliance. For example, to what extent will insurers be expected to share information with international law enforcement agencies under this agreement, and what are the privacy implications for U.S. residents? The full agreement is online at <http://conventions.coe.int>.

HIPAA Delay Bill: The House and Senate passed legislation that will delay for one year the implementation of common standards of electronic transactions and code sets (TCS) for providers and health insurance plans mandated under the Health Insurance Portability and Accountability Act (HIPAA). Insurers and providers viewed the original

October 22, 2002 implementation date as unrealistic. Legislative sponsors stressed the bill would *not* impact the implementation date for privacy standards (April 2003 for large plans and April 2004 for small plans). See the July 2001 issue of *The Regulator* for more information on HIPAA privacy standards.

Insurance Costs Rise for Drug Companies: Drug companies have seen their insurance costs rise by as much as 800% since September 11, which means higher health insurance premiums for consumers. To help stem their liability risk, drug firms have been seeking federal protection from injury claims and related defense costs that result from anti-terrorism vaccines produced under federal contracts.

Hurricane Team Issues 2002 Forecast: Colorado State University Professor of Atmospheric Science William M. Gray and his research team released their annual hurricane forecast in December. The team predicts with an 86% probability that a class three, four or five hurricane will strike the U.S. coastline in 2002. The average probability of such a strike has been 52% over the previous century. For more information and the team's prior forecasts, see <http://tropical.atmos.colostate.edu/forecasts>.

Diminished Value Alive & Well: On November 28, Georgia's Supreme Court ruled that diminished value is alive and well in Georgia (*State Farm v. Mabry (SOIA0982)*). The court effectively divided physical damage loss into two distinct components — the value of repairing the actual damage to the vehicle and the diminished value of that automobile once those repairs are completed. The concept of diminished value is based on the notion that, all things being equal, a car's value is lessened once it is involved in an accident, *even if such repairs return the vehicle to its pre-loss condition in terms of appearance and function*. On December 7, Georgia's Insurance Commissioner John Oxendine directed insurers to begin adjusting claims in accordance with the Supreme Court decision. Don't be surprised if similar lawsuits begin to crop up in other states. ■

Uniform Licensing Inches Closer

by Maryellen Waggoner

Deputy Commissioner, Colorado Division of Insurance

The NAIC adopted by unanimous vote the final amendments to the NAIC Producer Licensing Model Act (PLMA) on October 4, 2000. The changes ensure compliance with the reciprocity mandates of the Gramm-Leach-Bliley Act (GLBA) and effectively prevent the formation of the National Association of Registered Agents and Brokers (NARAB).

Gramm-Leach-Bliley authorized NARAB to commence operations in the event states could not reach agreement on uniform licensing standards or reciprocity within three years. Under GLBA, the responsibility for state nonresident licensing would have shifted to NARAB had states failed to reach agreement.

The PLMA establishes the framework for establishing uniformity among the states in Producer Licensing, which Congressional sponsors considered a critical component of GLBA.

The PLMA or its reciprocity provisions has been adopted in 38 jurisdictions, with six more expected to sign on in 2002. In addition, 29 states have submitted Reciprocity Checklists adopted by the NARAB Working Group for review by the NAIC Legal Division. Once the review is complete, the NAIC will prepare opinions for the NARAB Working Group to consider in its evaluation of state compliance with GLBA reciprocity.

The Next Step

So, while the initial challenge of the GLBA mandates has apparently been met, the next step looms before us: adopting uniform standards. Like many states, Colorado has chosen to adopt the new language where necessary to come into compliance with the provisions of the model. The change for producers has actually been fairly invisible in those states that previously adopted the predecessor to the PLMA, the Single Producer Model Act.

One significant change for states adopting the PLMA is the adoption of a new major line of authority – personal lines. This will permit a person to be licensed to sell only the property and casualty personal lines. Companies and agencies that have producers who deal exclusively in personal lines will benefit from this change. (Personal lines producers will be permitted to sell commercial lines in limited

circumstances, *i.e.*, when such lines are related to a customer's personal lines purchase.)

The PLMA will introduce other changes as well. A new limited lines credit license will be available for producers who are solely involved with credit insurance. In Colorado, no new licenses will be issued for health maintenance organizations, nonprofits and crop hail lines of authority, which were previously issued as limited lines insurance licenses.

However, existing licensees holding these limited lines of authority will be allowed to continue to maintain their licenses. This is not the case for many other states in dealing with the reciprocity for limited lines authorities under GLBA. The Uniform Producer Licensing Initiative Working Group (UPLIWG) is working on standardizing limited lines to assist states in dealing with these new authorities for nonresidents.

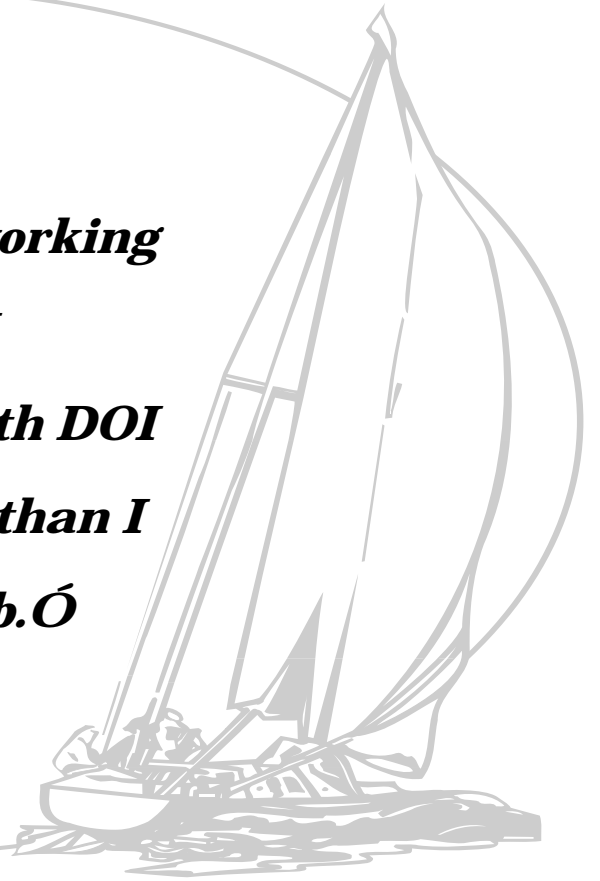
For many states, implementation of the model will require changes in licensing processes. For example, a new examination must be developed and administered to candidates to qualify for the new personal lines authority. In addition, the proposed new law will permit nonresident surplus lines brokers to be licensed in many states for the first time.

Under the new requirements, reciprocal fees are eliminated, testing requirements for applicants with certain professional designations are waived, and temporary licenses can be extended to 180 days. The PLMA holds insurers to a higher level of accountability over their agency force than under prior models in that companies must notify regulators when a producer is terminated for cause and must also report criminal prosecution of any producer. Producers are also held to a higher level of accountability, *i.e.*, they may be subject to penalties for failure to report any criminal prosecution in any jurisdiction or by any other state agency. Producers are also required to report to regulators any revocation, suspension and/or fine by any other jurisdiction or agency.

The development and subsequent adoption of the PLMA, while critically important, is just the first step in achieving uniformity in producer licensing among the states. The next steps will assure that a high standard is maintained for resident licensing regarding producer qualifications, prelicensing education, and continuing education. It is only when all 50 states are assured that resident licensees are meeting a high standard that uniformity and reciprocity will be fully embraced and consumer protection assured. ■

The school is a must for any insurance company person working on Market Conduct Exams. I established more contacts with DOI exam staff in one conference than I did in several years on the job. Ó

— Leslie Sumner, Farmers Insurance Group, Los Angeles



More states than ever before!!

IRES Foundation's 9th Annual

THE National Insurance School *on* **Market Regulation**

- Attack on America: The Insurance Industry Response
- The real story behind Automated Claims Management for Automobiles
- Attend the *Big Forum* on the status of NIPR and SERFF
- Privacy, Health Care, Suitability and much more . . .



www.ires-foundation.org
913-768-4700

April 7-9, 2002
At the Sheraton Hotel and Marina on San Diego Bay

Establishing Dynamic State Chapters

One of the goals of IRES when it was established in 1987 was to promote professionalism and integrity among insurance department staffers. IRES has been successful in reaching that goal in several ways:

- by establishing recognized professional designations (the AIE and CIE);
- by establishing a code of professional ethics;
- by requiring continuing professional development;
- by providing educational opportunities through events such as the CDS; and
- by keeping members apprised of current news and issues through *The Regulator*.

Important to all of these activities is the IRES state chairperson and the individual IRES state chapters.

Currently, the extent of state chapter activity varies from state to state. Some state chapters conduct frequent meetings and provide numerous educational opportunities for their members. Other state chapters are, for all practical purposes, dormant.

IRES President, Jann Goodpaster, is committed to enhancing the roles played by the individual chapters and their state chairs in the coming year and has encouraged a state chapter committee to help stimulate individual chapter activity. In addition, she is encouraging all state chairs to conduct at least one chapter meeting before the next CDS in San Antonio in 2002.

If your chapter is well-established and active, some ideas for discussion at your next meeting are:

- Topics for educational seminars for members;
- How to help members complete their continuing education requirements;
- How to encourage eligible regulators in your agency to join IRES;
- How to encourage state departments to fund participation at the annual Career Development Seminars; and
- How to encourage and assist current IRES members to obtain their AIE/CIE designations.

If your state chapter is not active, some ideas for discussion at your initial meeting are:

- Determining how to run the chapter;
- Researching “best practices” used by other more active chapters;
- Electing state chapter officers and determining officer duties; and
- Making available educational opportunities for your members.

In this and future issues, *The Regulator* will include a section focusing on state chapter activities. Not only will this section be a forum for sharing ideas for chapter meetings and educational topics and speakers, but will also allow members to see upcoming opportunities for attending meetings and events in other states.



For example, a regulator from Illinois may be able to take advantage of educational/meeting opportunities in Nebraska.

To submit chapter news and events to *The Regulator*, e-mail the information to *The Regulator* editor, Wayne Cotter, at wcotter@ins.state.ny.us by the first of each month. Also include highlights of any past meeting.

As with any organization, the quality of activities and events is only as good as the members who volunteer. If you would like to become more involved in your state IRES chapter, contact your state chairperson. Chairpersons from each state are listed on page 15.

If your state currently doesn't have a chair and you would like to become involved, please feel free to contact IRES headquarters.

With the help of individual states and their chairs, we can provide more educational and professional opportunities to regulators and enhance the reputations of both the IRES organization and individual state insurance departments.

IRES State Chairs

Note: Please contact Karen Dyke, Nebraska, with any corrections to this state chair list.

AK	Robert W. Sims
AL	Jack Brown
AR	Reba Evans
AZ	Deloris Williamson
CA	Polly Chan
CO	Christel Szczesniak
CT	Peter Conover
DC	Betty Bates
DE	Gene Reed
FL	pending
GA	Paul Clark
IA	Gary Urich
IL	Rick Hidlebaugh
IN	Dennis Maurer
KS	Martin Hazen
KY	Jackson Skipper
LA	Max Moseley
MA	Lilla Frederick
MD	Dudley Ewen
ME	Michelle van Haagen
MO	Jackie Kuschel
NC	Shirley Jones
ND	Laurie Wolf
NE	Karen Dyke
NH	Donald Belanger
NV	Richard Kelly
NY	Joseph Fritsch
OH	Maryellen Baker
OR	Russ Kennel
PA	Dennis Shoop
RI	G. Rollin Bartlett
SC	Elizabeth Slice
SD	Sherry Deaver
TN	Coit Holbrook
TX	Scott Laird
UT	Joe Taylor
VA	Weldon Hazlewood
VT	Frederick Barrett
WA	Leslie Krier
WI	Jo LeDuc
WV	Jane Strother

Send us your IRES state chapter news!

CHAPTER NEWS

The Nebraska IRES Chapter held its first chapter meeting in December. A financial examiner from Delaware, who was on a company examination in Nebraska, joined the meeting. The chapter decided to hold bimonthly continuing education meetings and to include sustaining members in the local organization. After the business portion of the meeting, Bruce Ramge, Chief of Market Regulation, spoke on "The State of Insurance in the Marketplace."

The California IRES chapter advises that its members are mainly located in Los Angeles and San Francisco. Their key mode of communication is through e-mail. The California delegates have shared IRES Career Development Seminar summary reports with other chapter members — and regulators from others states.

The Oregon chapter in November elected Russ Kennel, AIE, state chair. Doug Beck, AIE was elected vice chair and Ruth Johnson, secretary.

The Colorado chapter has announced it will hold a continuing education meeting on the second Wednesday of each month. Chapter officers are Christel Szczesniak, President, Tom Abel, Vice President, Dayle Axman, Treasurer and Vi Pinkerton, Secretary. Other Division employees who are members include Susie Birmingham, Linda Bruns, Chad Collier, Steve St. Cyr, and Jeff Olson and John Postolowski and Kirk Yeager. Contract examiner employees who list Colorado as their affiliated state include James Axman, Kathleen Bergan, K.C. Lang, Sarah Malloy, Sandra Rich, Yvonne Sainsbury, and Lucy Whittle.

During November, the Illinois IRES chapter conducted a workshop on various topics. In addition to market conduct staff, regulators from producer licensing and regulation, consumer services, and policy compliance attended. Topics included the Gramm-Leach Bliley Act, Speed to Market and other NAIC activities, Market Conduct Examiner's Handbook, and the Department's consumer initiatives. IRES members that participated in all sessions earned four C.E. credits. The Illinois state chair also received seven new applications for IRES membership as a result of the workshop.

REGULATORY ROUNDUP

By
**Stroock & Stroock
& Lavan LLP**

NEW YORK – Insurance Department issues Circular Letter regarding property belonging to persons associated with terrorism

On October 16, 2001, the New York Insurance Department issued Circular Letter No. 31 (2001) regarding prohibited transactions with persons who permit or support terrorism. The Circular Letter was issued in connection with Executive Order No. 13224 issued by President Bush in response to the terrorist attacks committed in New York, Pennsylvania and at the Pentagon. The purpose of the Circular Letter is to remind insurers and other licensees that they should be aware of their obligations under the Executive Order and to review their records for any information that may be relevant to the Executive Order. The Executive Order provides that any persons or entities in the United States in possession or control of property belonging to specified persons or entities that permit, threaten to commit or support terrorism must block such property. The Executive Order prohibits any transactions by United States persons with respect to such property, including the making or receiving of any contribution of funds, goods or services to or for the benefit of the persons and organizations listed in the Annex to the Executive Order. Any insurer or other licensee that identifies any blocked property or property interests should report this information to the appropriate federal authorities and also to the New York Insurance Department. Entities that violate the Executive Order may be subject to penalties. To view the Circular Letter, visit www.ins.state.ny.us. See also New Jersey Bulletin 1-17, which is a similar notice issued by the New Jersey Department of Banking and Insurance (www.state.nj.us).

The New York-based Stroock & Stroock & Lavan LLP Insurance Regulatory/Corporate Practice Group includes Donald D. Gabay, Martin Minkowitz, William D. Latza, and Vincent Laurenzano, an insurance finance consultant. They gratefully acknowledge the assistance of Todd Zornik, an associate with the Group. This column is intended for informational purposes only and does not constitute legal advice.

NEW JERSEY – Department of Banking and Insurance issues Bulletin regarding the filing of life insurance claims arising out of the events of September 11, 2001

The New Jersey Department of Banking and Insurance issued Bulletin 1-15 regarding the filing of life insurance claims arising out of the Sept. 11, 2001 terrorist attacks. The Bulletin encourages all life insurers and reinsurers to accept a fully executed affidavit from any victim's next of kin ("Affiant"), in lieu of a death certificate, where a death certificate is not available. The Bulletin provides a sample affidavit in this regard, which consists of a statement by the Affiant that the insured was employed in the World Trade Center or the Pentagon, or that such person was in or near these buildings at the time of the terrorist attacks. The sample affidavit also applies to insureds who were crew members or passengers on any of the airline flights involved in the terrorist attacks, as well as to police officers, firefighters, emergency medical service providers or rescue volunteers at any of the affected sites. An Affiant must certify that he or she is currently unable to obtain a death certificate for the insured from the Chief Medical Examiner or other appropriate authority. To view the Bulletin, visit www.state.nj.us. See also New York Circular Letter No. 28 (2001), which is a similar notice issued by the New York Insurance Department www.ins.state.ny.us

NEW YORK – Insurer files complaint seeking a declaration of its coverage obligations in connection with the World Trade Center terrorist events

On October 22, 2001, SR International Business Insurance Co. Ltd. (Swiss Re) filed a complaint against various parties, including certain World Trade Center lessees, seeking a declaration from the United States District Court for the Southern District of New York regarding the rights and obligations of the parties

under insurance coverage relevant to the September 11, 2001 terrorist attack. Swiss Re is one of several insurers participating in an insurance program for the World Trade Center, under which Swiss Re agreed to underwrite approximately 22% of the coverage provided to certain World Trade Center lessees.

Swiss Re is seeking a declaration of the terms and obligations governing its insurance coverage (the wording of the policy had not been finalized as of September 11). Of particular significance is whether the lessees' underwriting submission's broad definition of "occurrence" will govern Swiss Re's coverage obligations. "Occurrence" is defined in the underwriting submission to refer to "all losses or damages that are attributable directly or indirectly to one cause or to one series of similar causes. All such losses will be added together and the total amount of such losses will be treated as one occurrence irrespective of the period of time or area over which such losses occur." The applicability of this definition is critical to resolving the question of whether the two crashes into World Trade Center Buildings 1 and 2 constituted one or two occurrences subject to one or two \$3.5 billion policy limits. In addition, because several entities may be entitled to the insurance proceeds on the World Trade Center, Swiss Re is seeking a declaration from the court apportioning payments among the interested parties. *See Complaint for Declaratory Relief of SR Int'l Business Ins. Co. Ltd.*, filed in the U.S. District Court, Southern District of New York, on October 22, 2001 (Docket No. 01 CV 9291).

MASSACHUSETTS – House Committee on Insurance gives favorable report on commercial lines deregulation bill

On November 1, 2001, the Massachusetts House Committee on Insurance favorably reported out House Bill 4703, which would change how certain commercial insurance contracts are regulated. House Bill 4703 would remove insurance contracts issued to large commercial policyholders from various policy form and rate filing provisions and prior approval requirements. Under the proposed legislation, "large commercial policyholder" means any business entity with aggregate property and casualty insurance

premiums of at least \$28,000, excluding workers' compensation. A large commercial policyholder must elect to be treated as such and must understand that such an election will cause its insurance policy to be subject to reduced regulatory oversight. A large commercial policyholder must also certify that it meets two of seven enumerated criteria, such as, that it has a net worth of at least \$10 million and has net revenue or sales of at least \$5 million. Policies issued to a large commercial policyholder must include a disclosure notice stating that the policy applied for is not subject to all of the insurance laws applicable to other commercial lines products and that the policy may differ significantly from a policy that is subject to such provisions of the insurance law. As of November 1, 2001, House Bill 4703 had been referred to the Committee on House Ways and Means. To view House Bill 4703, visit www.state.ma.us.

NORTH CAROLINA – Legislature enacts viatical settlements legislation based upon the new NAIC Viatical Settlements Model Act

On Oct. 12, 2001, North Carolina Gov. Michael F. Easley signed into law House Bill 359, which amends the State's existing law governing viatical settlements. A viatical settlement involves the sale of a life insurance policy by the policy's owner to a viatical settlement provider for a reduced percentage of the policy face amount. Traditionally, viatical settlements have been limited to the sale of policies insuring the lives of catastrophically or terminally ill persons. Recently, however, the owners of policies insuring the lives of healthy persons have also begun selling their policies to viatical settlement providers. In December 2000, the NAIC adopted a revised Viatical Settlement Model Act ("New NAIC Model") to address this recent trend. The New NAIC Model includes an expanded definition of "viator" that refers broadly to any life insurance policyholder, rather than strictly to the owner of a policy insuring the life of a person with a terminal or chronic illness or condition. To view House Bill 359, visit www.ncga.state.nc.us. ■

Ten Reasons Why You Should Join IRES

Every now and then you need to do something special for yourself. Joining IRES and working towards an IRES professional designation will allow you to show others your commitment to high achievement.

Xylography won't be taught in the curriculum for any of the IRES designations. If you were looking forward to learning this craft all we can say is "Sorry!"

Continuing Education is one of the key philosophies at IRES. We feel it's an essential part of remaining effective and knowledgeable in today's ever-changing environment. IRES offers an annual continuing education seminar that allows regulators to discuss topics of importance, and generates an atmosphere where industry professionals can interact with regulators to share each others' opinions and expertise.

Every other month, IRES members receive a copy of *The Regulator*, the official IRES newsletter that contains articles of interest and up-to-date information relating to insurance regulation.

Link to useful web-sites through IRES's Web Site at www.go-ires.org. It's full of useful information, and links to other organizations. An IRES membership application is available right on the web. It's just waiting for you to print, fill-out and sign.

Letters like AIE and CIE behind your name may open doors for advancement within your division or organization. AIE™ (Accredited Insurance Examiner) represents an individual who has been extensively trained in various fields of insurance regulation, such as property/casualty, life or health.

Preliminary certification requires completion of at least eight professional development courses in the selected curriculum. CIE™ (Certified Insurance Examiner) is presented to an insurance regulatory professional who has attained the AIE in one field and then cross-trains in the other field by taking four additional courses.



Each division within your Department can benefit from joining IRES. IRES is not designed just for examiners, but has much to offer for individuals that work with market conduct, financial examination, producer licensing, complaint handling, form and rate review, legal oversight and administration. Even industry professionals join IRES as sustaining members to stay on top of what's happening in the regulatory arena.

No use of questionable marketing practices. IRES You want to be an IRES member **does not use** You need to be an IRES member **subliminal** Joining IRES will make your life complete **messages.**

Chapters of IRES at the state level allow for additional opportunities to become active and involved with the organization.

Every IRES member is a great person to work with or be around. IRES provides opportunities to interact with fellow regulators and industry sustaining members from across the country. Just talk to one and find out more about IRES.

IRES 2002 Career Development Seminar

JULY 28-30, 2002
HYATT REGENCY SAN ANTONIO

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 2002 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) \$275
- Industry Sustaining Member ... \$450
- Non-Member Regulator \$400
- Retired IRES Member \$100
- Industry, Non-Sustaining Member \$700
- Spouse/guest meal fee \$70

Spouse/Guest name _____

Hotel Rooms: You must book your hotel room directly with the San Antonio Hyatt. The room rate for IRES attendees is \$149 per night for single-double rooms. Please call group reservations at 800-233-1234 or 210-222-1234. The IRES convention rate is available until July 8, 2002 and on a space-available basis thereafter. Our room block often is sold out by early June, so guests are advised to call early to book rooms.

CANCELLATIONS AND REFUNDS

Your registration fee minus a \$25 cancellation fee, can be refunded if we receive written notice before June 30, 2002. 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 Sept. 1, 2002.

If registering after June 30, add \$40.00. No registration is guaranteed until payment is received by IRES.

A \$25 cancellation fee will be assessed if canceling for any reason.

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 hotel's facilities comply with all ADA requirements.

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

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



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

REGULATOR™



Published by the
Insurance Regulatory Examiners Society
130 N. Cherry, Suite 202, Olathe, Kansas 66061

e-mail: ireshq@swbell.net
www.go-ires.org



In this issue:

- Business Interruption Coverage Vexing Merchants & Regulators
- Mold Creeping Into Insurers' Bottom Line



BULLETIN BOARD

√ We are sad to report that longtime IRES member John Dudowicz, a Mississippi regulator, passed away Sept. 1. Also, see article on p. 7 of this issue about former IRES Board member Al Greer who passed away Nov. 9.

√ We can't stress enough the importance of not waiting too long to book a room in San Antonio if you plan to attend this year's CDS. Our room blocks generally sell out early in June!!

√ Want to run for the IRES Board of Directors? Directors serve for four-year terms and must attend the annual board meetings held each summer during the Career Development Seminar. If you're interested, contact the IRES office and request an IRES Board Nomination Form. Anyone wishing to run must send a completed, signed copy of the Nomination Form to the IRES office. The form must be received no later than Feb. 20, 2002.

Welcome, new IRES members!

Joseph K. Ott, Missouri

Joel S. Thomsen, Maine

In next month's REGULATOR:

Why Diminished Value Coverage Refuses to Die
Regulators & Law Enforcement Combine Forces