THE REGULATOR™
INSURANCE REGULATORY EXAMINERS SOCIETY

Companies facing more scrutiny from regulators about 'janitor's life' plans

by Scott Hoober
Special to *The Regulator*

"You don't buy life insurance for the people who die," says one TV spot. "You buy it for the ones who live."

It's an effective commercial, evoking images of spouse, kids, even dogs and cats and goldfish, living on as before, as if you hadn't gone to that great cubicle in the sky. Who among us isn't prudent enough to buy at least a little coverage to protect our loved ones? Without our income, they could indeed be hurting.

But who'd have thought that our employer might also benefit financially from our death?

With COLI — corporate-owned life insurance, also known as "janitor's insurance" or, even more pejoratively, as "peasant's insurance" — that's exactly what's been going on all across the nation. A recent spate of news reports has thrown a little light on, and brought more than a little outrage toward, this perfectly legal practice.

Is it logical?

The idea that it may be legal but it sure smells funny is behind the recent flap over COLI.

When employers can buy life coverage on workers — not for the employee's benefit, not for the employee's family, but with the corporation itself as beneficiary, and in many cases, without the worker's knowledge or consent — it just seems wrong.

These are policies for which the corporation has, as least by traditional rules, no discernable insurable interest; they're not so-called key-man policies, sometimes known as "executive COLI," in which valuable executives' lives are insured.

"It [janitor's life] got started that way, and it still has a good

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Learning the tricky language of losses

by Warren E. Buffet

Bad terminology is the enemy of good thinking.

When companies or investment professionals use terms such as "EBITDA" and "pro forma," they want you to unthinkingly accept concepts that are dangerously flawed. (In golf, my score is frequently below par on a *pro forma* basis: I have firm plans to "restructure" my putting stroke and therefore only count the swings I take before reaching the green.)

In insurance reporting, "loss development" is a widely used term and one that is seriously misleading.

First, a definition: Loss reserves at an insurer are not funds tucked away for a rainy day, but rather a liability account. If properly calculated, the liability states the

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From the President

Quite a Year

Well folks, it's been quite a year. When I started this journey to become IRES president several years ago, no one could have prepared me for the ride. My IRES experience has given me so many challenging opportunities, while enhancing my leadership and personal skills.

Things didn't start out easily. Shortly after my term began, we all faced the tragedy of September 11.

While we quickly learned that no IRES members were killed or missing as a result of the attack, our very foundations were shaken. An uncertain economy and a changing regulatory landscape both impacted IRES and some of the decisions we faced as an organization in the past year.

At the beginning of my term, I handed an aggressive task list to my executive committee members. In fact, when I handed out their assignments, I half expected they would bolt. Fortunately, they stayed the course and I am pleased to report that our accomplishments have been numerous.

I am especially proud of the state chapters that have been activated across the country. In addition, we made several enhancements to the accreditation format, improved the Web site, and *The Regulator* keeps getting better and better. I owe it all plus a great deal of thanks to Steve, Paul, Ed, Bruce and Kirk. I salute you for your dedication and willingness to serve our organization.

The 2002 CDS promises to be the best one ever and all that is due to CDS chair, Doug Freeman. Doug has put incredible energy into the San Antonio CDS and has done it with style and panache. Thank you Doug for everything, I know it will be a CDS we'll long remember.

My last column would not be complete without mentioning the IRES staff. David, Susan, Joy and the rest of *Chartrand and Associates* are the wheels that make the IRES machine turn.

In San Antonio, I will pass the gavel to Paul Bicica of Vermont. Paul and I have worked together

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IRES State Chapter News

COLORADO — The Colorado IRES Chapter continues to provide continuing education classes for its members and interested DOI staff. A class on enforcement was presented in April by **Erin Toll**, Director of Consumer Affairs Compliance, on enforcement. **Susan Gambrill** gave a class in May on HIPAA and Cover Colorado. Sixteen Division staff attended each class. **Christel Szczesniak**, special assistant to the Commissioner, was scheduled to give a presentation at our next meeting. It will be an in-depth review of all current activity on passed, pending, postponed and defeated insurance-related bills in the legislature.
— submitted by Vi Pinkerton

MISSOURI — The Missouri IRES Chapter held its first educational workshop in May. This workshop was coordinated with the market conduct division of the Department. Thirty-seven IRES members attended a two-day workshop that was held on May 16 and 17 in Jefferson City, Missouri. The workshop was also open to all personnel within the Missouri Department of Insurance. Co-workers from the Consumer Affairs Section and Statistics Section attended the training sessions. The 'First Annual Market Conduct Examiners and IRES Members Forum' included discussions on third-party vendors, prompt pay, automating exam techniques, market conduct surveillance, 2002 legislative update and market conduct reform. Training sessions included anti-fraud, report writing and using the Department's web site.
— submitted by Jackie Kuschel

OREGON — Faithful IRES members along with other DOI employees gather on the third Friday of each month for an afternoon of continuing education. Attendees listened as **David M. Kahn** of the U.S. Department of Labor reviewed outreach programs and discussed ways federal and state regulators can help each other. NAIC update presentations help members keep abreast of such issues as credit scoring, agent licensing, market conduct, and solvency issues. Administrator **Joel Ario** updated attendees on "The Future of Market Regulation." Other presentations included new ERISA rules from Blue Cross, Health Care charge auditing from CorVel Corporation, an overview of the surplus lines marketplace, and kidnap and ransom protection. Presentations from each section of the division have been added to facilitate better communication within the Insurance Division. In February, the Division unveiled the new market analysis program, a multi-faceted process designed to evaluate company behavior. In May, Rates and Forms summarized recent experience with SERFF and CARFRA.
— submitted by Russ Kennel

VIRGINIA — The Virginia IRES members met in May and voted to organize a Virginia chapter. The VA IRES chapter's purpose is to provide training and educational sessions for its 45 members, especially those who need CE to maintain their designations. In addition, the chapter's meetings will provide training for new examiners from all areas of market regulation, training/education on new statutes, and education information regarding the NAIC and industry news. The chapter will begin with quarterly meetings that will include pre-planned training and educational sessions approved for CE credit. Future plans may include other states participating in the sessions. **Weldon Hazlewood** was elected to be the chairperson of the chapter.
— submitted by Weldon Hazlewood

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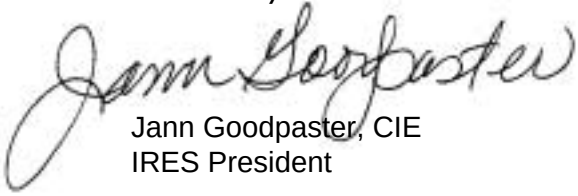
on IRES matters for several years and I can honestly say that no IRES member has a higher level of commitment than Paul Bicica. It will be an honor to hand over the reins to him later this month. I hope all of you will give Paul the same support and help you've given me.

Lastly, a thanks to all IRES members. No one really does anything alone or in a vacuum. My term as IRES President was shaped by your input, comments, support, and hard work throughout my term as President. It has been an honor and a privilege to serve you as President of IRES.

Thanks and see y'all in San Antonio.



Jann Goodpaster, CIE
IRES President

Loss reserves? Watch your language

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amount that an insurer will have to pay for *all* losses (including associated costs) that have occurred prior to the reporting date but have not yet been paid.

When calculating the reserve, the insurer will have been notified of many of the losses it is destined to pay, but others will not yet have been reported to it. These losses are called IBNR, for incurred but not reported. Indeed, in some cases (involving, say, product liability or embezzlement) the insured itself will not yet be aware that a loss has occurred.

It's clearly difficult for an insurer to put a figure on the ultimate cost of all such reported and unreported events. But the ability to do so with reasonable accuracy is vital. Otherwise the insurer's managers won't know what its actual loss costs are and how these compare to the premiums being charged.

GEICO got into huge trouble in the early 1970s because for several years it severely underreserved, and therefore believed its product (insurance protection) was costing considerably less than was truly the case. Consequently, the company sailed blissfully along, underpricing its product and selling more and more policies at ever-larger losses.

When it becomes evident that reserves at past reporting dates understated the liability that truly existed at the time, companies speak of "loss development." In the year discovered, these shortfalls penalize reported earnings because the "catch-up" costs from prior years must be added to current-year costs when results are calculated.

This is what happened at General Re in 2001: a staggering $800 million of loss costs that actually occurred in earlier years, but that were not then recorded, were belatedly recognized last year and charged against current earnings.

The mistake was an honest one, I can assure you of that. Nevertheless, for several years, this underreserving caused us to believe that our costs were much lower than they truly were, an error that contributed to woefully inadequate pricing. Additionally, the overstated profit figures led us to pay substantial incentive compensation that we should not have and to incur income taxes far earlier than was necessary.

"A more forthright label for the phenomenon at issue would be "loss costs we failed to recognize when they occurred" (or maybe just "oops")."

We recommend scrapping the term "loss development" and its equally ugly twin, "reserve strengthening." (Can you imagine an insurer, upon finding its reserves excessive, describing the reduction that follows as "reserve weakening"?) "Loss development" suggests to investors that some natural, uncontrollable event has occurred in the current year, and "reserve strengthening" implies that adequate amounts have been further buttressed.

The truth, however, is that management made an error in estimation that in turn produced an error in the earnings previously reported. The losses didn't "develop" — they were there all along. What developed was management's understanding of the losses (or, in the instances of chicanery, management's willingness to finally fess up).

A more forthright label for the phenomenon at issue would be "loss costs we failed to recognize when they occurred" (or maybe just "oops").

Underreserving, it should be noted, is a common and serious problem throughout the property/casualty insurance industry. At Berkshire we told you of our own problems with underestimation in 1984 and 1986.

Loss reserves? Watch your language

Generally, however, our reserving has been conservative.

Major underreserving is common in cases of companies struggling for survival. In effect, insurance accounting is a self-graded exam, in that the insurer gives some figures to its auditing firm and generally doesn't get an argument. (What the *auditor* gets, however, is a letter from management that is designed to take his firm off the hook if the numbers later look silly.)

A company experiencing financial difficulties of a kind that, if truly faced, could put it out of business seldom proves to be a tough grader. Who, after all, wants to prepare his own execution papers?

Even when companies have the best of intentions, it's not easy to reserve properly. I've told the story in the past about the fellow traveling abroad whose sister called to tell him that their dad had died.

The brother replied that it was impossible for him to get home for the funeral; he volunteered, however, to shoulder its cost. Upon returning, the brother received a bill from the mortuary for $4,500, which he promptly paid. A month later, and a month after that also, he paid $10 pursuant to an add-on invoice. When a third $10 invoice came, he called his sister for an explanation. "Oh," she replied, "I forgot to tell you. We buried dad in a rented suit."

There are a lot of "rented suits" buried in the past operations of insurance companies. Sometimes the problems they signify lie dormant for decades, as was the case with asbestos liability, before virulently manifesting themselves. Difficult as the job may be, it's management's responsibility to adequately account for all possibilities. Conservatism is essential.

Difficult as the job may be, it's management's responsibility to adequately account for all possibilities. Conservatism is essential.

When a claims manager walks into the CEO's office and says "Guess what just happened," his boss, if a veteran, does not expect to hear it's good news. Surprises in the insurance world have been far from symmetrical in their effect on earnings.

Because of this one-sided experience, it is folly to suggest, as some are doing, that all property/casualty insurance reserves be discounted, an approach reflecting the fact that they will be paid in the future and that therefore their present value is less than the stated liability for them.

Discounting might be acceptable *if* reserves could be precisely established. They can't, however, because a myriad of forces — judicial broadening of policy language and medical inflation, to name just two chronic problems — are constantly working to make reserves inadequate. Discounting would exacerbate this already-serious situation and, additionally, would provide a new tool for the companies that are inclined to fudge.

I'd say that the effects from telling a profit-challenged insurance CEO to lower reserves through discounting would be comparable to those that would ensue if a father told his 16-year-old son to have a normal sex life.

Neither party needs that kind of push. ■

Mr. Buffet is CEO of Berkshire Hathaway. This article is excerpted from Mr. Buffet's 2001 Letter to Berkshire Shareholders and is reprinted with permission.

State regulators want a second look at 'janitor's life' insurance purchase by big corporations

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purpose," said Merwin Stewart, Utah's commissioner of insurance. "Some of the things that have been done with it I question, but the idea itself is a good idea.

"It looks like it went astray and went beyond what it was originally intended for."

When the flap over COLI broke, first in the courts and later in the press, large corporations and life insurance trade associations insisted the proceeds were being used to fund employee or retiree benefits. But when pressed, most now admit that they're really interested in COLI as an investment, complete with tax-free interest income.

"We have seen absolutely no evidence — in any case — none," of policies being used to fund retiree benefits, says Mike Myers, a Houston attorney who has sued employers over the practice.

"This is just an income source, pure and simple."

Ann Frohman, general counsel for the Nebraska Department of Insurance, feels that whatever their purpose, COLIs look wrong.

"I do think there's something patently offensive about them."

Lest you believe the hype about COLI being a way of funding employee benefits, take a look at the life policies that Olin Corp. bought for its run-of-the-mill employees.

When Olin spun off Arch Chemicals in 1998, those employees were no longer on Olin's payroll — but the company kept the life policies, along with the tax benefits and, ultimately, the death benefits.

Joseph M. Belth, editor of the Insurance Forum, says that Dow Chemical's COLI was anticipated to allow them a $14-billion interest deduction, though Congress later closed a loophole and reduced the amount of the tax windfall. Even with loopholes closed, Belth says some estimates put the aggregate tax loss at $6 billion.

There's another reason COLIs smell bad.

Since the purchaser of a life insurance policy doesn't get back the principal amount of the policy until the insured dies, there have long been restrictions on who can buy policies for whom. Hollywood has regularly used life insurance policies as plot devices in murder mysteries, planting in most Americans' minds the impression that life insurance isn't something to treat lightly.

In the early days of the viatical movement, a similar taint attached to policies sold to third parties by people with chronic or terminal illnesses.

As Belth has noted in several articles in his monthly newsletter, the very idea of secondary markets for life policies has a serious cloud over its head. The core issue is the question of insurable interest — usually defined as involving a relationship by blood or marriage to the insured, or, in the words of some statutes, a "substantial economic interest in the continued life, health or bodily safety of the person insured."

"To prevent wagering and speculation in human lives," Belth said, "states have enacted laws prohibiting the issuance of life insurance policies in the absence of insurable interest."

Should it be legal?

Corporate-owned life products go way beyond morality, though.

When the modern COLI was created in the '80s, it was clearly designed to be a highly leveraged tax shelter. It took Congress until 1996 to ban their primary tax advantages, which put a number of the plans out of business — and sent innovators back to the drawing board to redesign plans that would still create a tax break for the corporation.

So far, when COLIs have been taken to tax court, judges have pretty unanimously agreed that they're shams.

"Thus far a federal tax court decision, which has been affirmed on appeal, and two federal district court decisions have favored the government," Belth wrote in a recent issue of the Insurance Forum. "In the decisions to date, the courts ruled that the COLI plans were shams, and that the corporations using the plans should not enjoy the claimed tax benefits."

Regulators re-examining COLI purchases

Belth has termed the plans "sophisticated assaults on the United States Treasury."

In a 1999 decision, for instance, a federal tax court judge found that Winn-Dixie Stores' COLI "lacked economic substance and business purpose other than tax reduction."

Stewart agrees there's a fairness issue here.

"Why should these corporations have the ability to get that kind of a tax exemption when other segments of the economy don't?" he asked.

"Where it's for the purpose of providing employee benefits and to facilitate genuine benefits, that makes sense. But to use it for other purposes, that's where it can go astray."

But the tax questions weren't the only obstacles. There were also all those state laws limiting insurable interest, plus the question of whether and how employees must give their OK when their lives are insured.

Belth, who tracks insurance issues with a jaundiced eye, believes that life insurance lobbyists went around state by state and got the insurable-interest laws changed without anyone noticing.

> **"I've been around regulators long enough to know that in many cases they haven't got the foggiest idea what's going on."**
>
> **— Joe Belth**

"Not that I study every law that's proposed, but I didn't have any idea what they were doing," he said. "I knew nothing about these amendments until I started digging into tax-related COLIs."

He doubts the legislators who voted for the amendments knew what they were voting for — or that insurance regulators were asked to OK the bills.

"This goes on all the time," Belth said. "When some group in the industry wants a particular law and they've got the political clout, nobody knows what they're doing. I've been around regulators long enough to know that in many cases they haven't got the foggiest idea what's going on."

Commissioner Stewart says there wasn't any industry lobbying when Utah's legislature looked at limiting COLI.

They didn't come in and fight our bill," he said. "Of course, we're a smaller state."

The definition of insurable interest, whether or not it's new, varies from state to state, as does the notion of consent.

Belth feels no employer has any right to insure its nonmanagerial employees — "It is nonsense to say that an employer has an insurable interest in rank-and-file employees," he said — although current laws in many states, whether or not they're new over the past decade or two, do allow it.

Fixing what's broken

This seems to be a case where there's more to regulating than simply deciding what's legally permissible.

Whether it's COLI, which meets the strict definition of state law, or credit scoring, say, which has a statistical base behind it, insurance products also must meet a smell test if they're to be accepted in the marketplace.

"You may have data and actuarial analysis, but you always need to have a conscience with that," said Nebraska's Frohman. "We'll have correlations everywhere, but at some point there has to be a policy decision made: Is that correlation one that we should be instituting?"

Stewart agrees that all the publicity certainly makes COLI look wrong, yet the practice still has its value. If the funds were indeed used for employee benefits, and perhaps if employees had the right to know they were being insured, and even to deny their employer the right to insure them, executive COLI — and even janitor's insurance — would have a legitimate role.

His opinion matters, since the Utah commissioner chairs NAIC's Life Insurance and Annuities Committee, which discussed COLI at the recent Philadelphia meeting.

There the committee decided to have a working group, headed by North Dakota's Jim Poolman, look into COLI and report back at the fall meeting with recommendations.

Commissioner Poolman's working group will take

continued on next page

Regulators re-examining COLI purchases

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a look at how various states currently regulate COLI and if it sees a need will recommend a fix. Stewart feels California has a good set of laws in place.

"The one point here that would probably fix a lot of the problems," says Stewart, "is in California's statutes. It requires a trust.

"Most of these benefit plans come under a trust anyway. ERISA requires that they be in a trust for employee benefits, but not in a corporation where you were just covering your employees."

The California statute reads: "The trustee of a trust established by an employer to provide life, retirement or similar benefits to employees and retired employees . . . has an insurable interest in the lives of the employees for whom those benefits are to be provided. An insurable interest shall exist at the time the life insurance becomes effective, but need not exist at the time the loss occurs."

Also required is written consent of the insured.

"That narrows it down so that you can't go out and just insure a whole bunch of folks, without their knowledge," Stewart said, "and when they die you have provided a tax-protected income to the corporation."

Often, Stewart says, what benefits the corporation's interests may not be in the interest of the employee: Without limitations, "When the employee dies, the corporation gets a chunk of money, and it can be diverted to the benefit of the officers. If you're not careful, that can happen.

"And with greed out there, there will be a few that will go that direction."

Frohman likes the idea of split-dollar life policies, with employer and employee alike sharing both costs and benefits. There might not be a way to enshrine the idea in statute, but it sure would be a good way for a corporation facing bad publicity to retain COLI but deflect employee ire.

Federal role?

Another way to appease employees who feel they've been taken advantage of would be to open up the process. After all, it's logical to think that if they aren't telling employees what's going on, they must be ashamed of it. The solution involves asking permission of the insured, not in a negative way (notification, no reply required) but in a positive, thanks-but-no-thanks manner.

"Notification would go a long way, that would keep it on the up-and-up," said Stewart. "But the further requirements of California would not be onerous, would not change the original intent at all, it would just keep it within reasonable bounds."

At the time COLI hit the front page ot *The Wall Street Journal*, there was talk of federal legislation. That talk has faded, and a good thing too.

"It doesn't need to be regulated there," Stewart says.

"This is state regulation, and we'll probably have it all taken care of [once NAIC offers up a model law]. We'll get it on track, and we won't have to be reading about it in the newspapers any more."

None of the employees who have filed lawsuits have actually been harmed. Though the temptation might be there for a corporation to hire a hit man and simultaneously reduce its payroll and gain a windfall via COLI payouts, no one's saying anything remotely like that has happened. (Although it would make a great movie, if we could get Fred MacMurray and Barbara Stanwyck to star.)

Even the press coverage has declined. Perhaps the COLI flap will turn out to be a tempest in a teapot. Especially if, presumably via a new model law, NAIC facilitates a rapid solution to the latest form of corporate excess.

"To me it looks like one of the more simple issues that we've had," said Stewart.

"We can put in a thing or two [in state law] and then it will run like it should. It will serve the purpose for which it was intended, and it won't interfere with doing it the right way.

"I think it will get fixed. It will be right back on track where it was supposed to be, with a few guidelines to keep it from being abused." ■

Welcome, new members!

Andrea Baytop, VA
Lenita Blasingame, AR
Joseph F. Clark, MN
Dick Cook, KS
Cheryl L. Davis, OH
Adrienne-jo F. Evans, RI
Jo-Anne G. Fameree, CO
Michael C. Gilles, CO
Sandra Glaze, UT
Gary R. Holliday, AIE, OR
Mark A. Hooker, AIE, WV
Terri McClain, CA
Don McKinley, CA
Joyclyn M. Morton, VA
Dennis C. Poehler, VA
Timothy J. Reagan, AZ
Nestor J. Romero, NM
Margaret C. Spencer, AIE, Multi-State
Cristi Sumlin Owen, AL
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And remember: THE REGULATOR newsletter is free to all IRES members.

Quote of the Month

. . . [ERISA] shall supersede any and all State laws insofar as they may now or hereafter relate to any employee benefit plan . . . . (29 U.S.C. §1001(a)).

. . . [N]othing in this subchapter shall be construed to exempt or relieve any person from any law of any State which regulates insurance, banking, or securities. (29 U.S.C. §1144(b)(2)(A))

"The 'unhelpful' drafting of these antiphonal clauses . . . occupies a substantial share of this Court's time . . . ."

— **U.S. Supreme Court Justice David Souter**, from his majority opinion in *Rush Prudential HMO v. Moran et al.,* commenting on seemingly contradictory provisions of the 1974 ERISA statute. The decision, delivered June 20, 2002, affirms a state's right to establish an independent medical review mechanism through which certain denials of benefits by HMOs may be reversed. Rush HMO had argued that ERISA superseded Illinois' authority to impose such an independent external review process.

Uniformity for the sake of uniformity?

by Gerald A. Milsky, J.D., CIE, ACS, FLMI
Deputy Commissioner
Bureau of Insurance, Virginia Corporation Commission

We've all accepted (or been forced to accept) the Gramm-Leach-Bliley Act (GLBA) premise that reciprocity among the states with regard to licensing insurance producers, be they resident or nonresident, is the will of Congress. We've all understood that failure by the vast majority of states to accomplish this (did anyone seriously believe that the insurance industry would settle for only 29 states?) would result in a tremendous decrease in the authority of states to regulate the activities of insurance producers.

So, with a little prodding, the NAIC, and eventually most of the states, adopted the Producer Licensing Model Act (PLMA) in some form. This was, conceptually, a good idea, and long overdue. The purpose of the PLMA, though, has been lost in the mists of time. The idea was *reciprocity* among the states with regard to licensing of insurance producers.

The idea was that if an insurance producer satisfied the licensing requirements in his or her home state, the authority granted by the home state would be recognized by all other states and the producer would be granted equivalent authority in those states without having to satisfy each state's specific requirements. The idea was easing the burden on *producers* from having to jump through 52 sets of hoops to be licensed in every jurisdiction. A laudable goal, and one that could be accomplished through adoption of the basics of the PLMA in each jurisdiction. States exceeded the 29 state initial goal far in advance of the November 12, 2002 deadline established by GLBA.

But then the decision-making was removed from those who knew the essentials of producer licensing and politics, primarily NAIC internal politics, took over. Personal agendas of states, commissioners, and staffers assigned to these projects seemed to become the controlling interest, and suddenly we weren't simply looking for "reciprocity," but were instead twisting concepts to conform to some ideal called "uniformity." Uniformity of laws, processes, forms, rules, and everything else.

Why? Apparently, the conclusion was reached that this was what was needed to prevent further federal intervention in the producer licensing process. What was the basis for this conclusion? What evidence supported it? Apparently, it was determined that this would make the states (and the NAIC) look good, regardless of whether it really accomplished a viable purpose. But let's go back and examine what is going on and whether it really benefits those that Congress was trying to help in adopting the licensing provisions in GLBA.

For purposes of this article, we presume that reciprocity is a good thing, and that, eventually, all states will adopt enough of PLMA so that the process for obtaining a license as an insurance producer will be simplified. Once a producer has demonstrated in his home state that he has satisfied whatever prelicensing requirements that state may impose upon prospective producers, and once the producer is issued a license in his home state to sell, solicit, and negotiate one or more lines of insurance, that license should be given full faith and credit by all other states. Instead of providing assistance to producers, the NAIC now seeks to make insurers, prelicensing course providers, and continuing education course providers happy as well. Surely, this is uniformity for the sake of uniformity. Some of the current goals being touted by the NAIC and those who run its subcommittees and working groups are:

- Establishing exactly the same criteria for license eligibility among the states;
- Establishing exactly the same prelicensing requirements among the states;
- Establishing uniform license renewal dates in all states;
- Establishing uniform appointment and appointment renewal processes among the states;

EDITOR'S NOTE: The opinions expressed in this article are the author's own, and should in no manner be construed to reflect the views of the Insurance Regulatory Examiners Society, the Virginia State Corporation Commission, its Bureau of Insurance, or the Virginia Commissioner of Insurance.

Uniformity for the sake of uniformity?

- Establishing uniform continuing education requirements among the states;
- Establishing uniform continuing education course approval standards among the states, and a central clearinghouse approach for course approvals;
- Establishing a uniform license application, and ultimately, a centralized automated system that will permit licensing and payment of fees in multiple states by the filing of a single license application; and
- Establishing a centralized database that will allow states to confirm home state licensing, appointment, CE compliance, and ultimately, access to fingerprint and criminal history, in a paperless environment.

Are all of the above goals unrealistic? No. In fact, some of them, as discussed below, are both realistic *and* beneficial. Some, however, are unnecessary and designed to make things easier for insurers and private companies in the education business, but not for producers. That is decidedly *not* what GLBA was intended to do, nor are these the entities that GLBA was designed to assist.

These parties have been added as beneficiaries of the NAIC's continuing efforts to placate the world. States are told consistently that failure to move toward what a few in power deem "uniformity" will result in federal regulation, NARAB, or whatever.

> **"There is no logical basis at this time to reach the conclusion that if states do not adopt uniform standards for continuing education, Congress will take over."**

While no one can predict the future, there is no logical basis at this time to reach the conclusion that if states do not, for example, adopt uniform standards for continuing education course approval, hours, reporting, etc., Congress will take over. Yet that is precisely what state regulators are being told.

Let us look at the above NAIC goals in more detail, keeping in mind the most basic premise of reciprocity — if all states reciprocally recognize each others' licensing requirements, then no producer need worry about satisfying the requirements of any state other than his own, thereby rendering all other concerns moot.

Establishing the same criteria for license eligibility

Why? A producer is required to satisfy only the initial licensing requirements for his home state. Once he has done so, he will be eligible, under true reciprocity, for licensing in all other states. What purpose is served by seeking to get all states to adopt the same licensing eligibility criteria? Who does it help?

It doesn't help the producer, as discussed above. Since licensing is typically not handled by the insurer (it is the individual's responsibility to obtain a license), it doesn't help the insurer. It certainly doesn't benefit the states, most of which will have to adopt laws that serve no viable purpose. There is nothing pleasant about approaching one's legislature with a proposal for a law change that cannot be justified with anything more than "everybody else is doing it."

Establishing identical prelicensing requirements

Again, the question is "why?" Under true reciprocity, a producer is only obligated to satisfy the prelicensing requirements of his home state, and is completely unaffected by the requirements that another state imposes upon its residents.

What purpose, then, is served by attempting to make all states' prelicensing requirements uniform? Certainly, there is no benefit for the producer. Where there is a prelicensing education requirement, uniformity will make it easier for prelicensing course providers to standardize their offerings, and it will be easier for insurers to administer. But that was *not* the purpose of GLBA, and these are transparent attempts to "fix" a problem that simply does not exist. In that there is no national impact, why should each state not be permitted to

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Uniformity for the sake of uniformity?

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retain control over how its *own residents* are prepared to demonstrate the requisite entry-level knowledge to justify issuance of a license?

For those in the business of providing prelicensing education, the differences among states can be addressed as a cost of doing business. Further, since most prelicensing education courses are developed locally, the national impact is practically nonexistent.

Establishing uniform license renewal dates

This suggestion *is* justified. Even though the author's state is unique in issuing a perpetual license that is not subject to renewal as long as the licensee continues to maintain at least one active appointment, there is a clear benefit to the producer who is licensed in numerous states when renewals are completed through a centralized process at one time.

Of course, under reciprocity, maintenance of the license in the home state continues to be a requirement for maintenance of the nonresident license, and therefore logic dictates that renewal in the home state comes first, and renewal in other states should follow. In reality then, we should be talking about two standard renewal dates; first a home state renewal date, and subsequently a nonresident renewal date.

There is no question that this can become an automated and centralized process. Success is dependent upon all states properly utilizing the Producer Database, and the database itself being properly maintained to ensure reliability.

Establishing uniform appointment and appointment renewal processes

This, too, is a reasonable goal. With regard to the appointment process itself, we already had a head start with the implementation of the Producer Information Network. If and when it is adopted by all states, insurers will be able to appoint an agent in multiple states with one automated transaction, and states will be able to electronically process the transaction.

The problem has arisen in the arbitrary manner in which those overseeing NAIC efforts have attempted to impose unnecessary limitations in the "manual" process. The Midwest Zone developed a uniform standardized appointment form for those insurers either unready or unwilling to utilize PIN.

The Midwest Zone should be commended for taking the lead on this and other similar efforts over the years. However, when the process devolves to "do it the Midwest Zone way or no way" there is a breakdown.

During the design phase, the PIN system was created to capture all data elements that the various states required for the appointment process. Where a data element was not needed by a particular state, that state simply did not collect that data element from the PIN system. This was working fine. When the Uniform Appointment Form was being considered, however, instead of doing the same thing, states were told they had to accept fewer data elements than were being provided through PIN.

When questioned, those in charge simply informed the inquiring state that, in effect, the Midwest Zone had decided what data elements were needed and what were not.

A number of states suggested, in good faith, that the form be amended to capture all of the same data elements that were being captured in the PIN system. While the initial work for the appointing insurer (or vendor) would be slightly greater, it would still only have to be done once, and each state would then be able to capture the information it needed to process the appointment.

The goal of allowing an insurer to appoint a producer in multiple states through one transaction would be satisfied, and states would be able to save a great deal of time and effort by not having to change their own systems. Unfortunately, these requests were ignored, and even though the form is being adopted, a number of states have already indicated privately that they will not implement it. The "appearance" of uniformity, then, is satisfied, but in fact it is form without substance.

Gerry Milsky has worked for over 20 years at the Virginia Bureau of Insurance. A charter member of IRES, Gerry is a past President of the organization (1996-97) and winner of the IRES President's Award (1995). He currently serves as Secretary of the IRES Past Presidents Council.

Uniformity for the sake of uniformity?

With regard to appointment renewals, there is much to be gained by insurers if the appointments in multiple states can be renewed in one automated transaction. While this will require some law changes in some states, as well as substantial automated system revisions in numerous states, the cost benefit appears to be worthwhile.

Establishing uniform CE requirements

Under true reciprocity, no producer is required to take any courses or satisfy other educational requirements other than those in his home state. Why, then, is uniformity an issue at all? In what manner does permitting a state to impose *upon its own residents* the number of required hours, course types, license type applicability, or the like that each state's lawmakers deem to be appropriate have any impact or indicate a need for uniformity? Who is inconvenienced? Continuing education compliance is the sole responsibility of the licensee, and therefore there is no basis for complaint by the insurance companies.

> **"Successful implementation could obviate the need for certifications and clearances, a huge benefit for all parties. However, without universal cooperation, states are placed in a position of having to determine whether data in the other state systems are accurate, complete and timely."**

Discrepancies among the states with regard to number or type of required continuing education hours have absolutely no impact upon nonresidents, other than in some states where nonresidents are required to furnish proof of home state compliance. Not a tremendous burden, especially in light of all of the other burdens that are being lifted from the licensee with regard to licensing, appointment and renewals.

Establishing uniform course approval standards

For the same reasons stated above, this proposal for uniformity has *no* impact upon the licensee, nor does it benefit the insurer, other than in its capacity as a course provider. The only entities to benefit from this proposal are the national course providers that do not want to meet differing course standards from state to state.

Where in GLBA was it ever suggested that this was a problem that needed to be addressed? Why is it inappropriate for each state to determine course standards *for its own resident producers*? The answer is, quite simply, that there is no justification for imposing such uniformity standards.

Voluntary agreements, such as that already in place in the Midwest Zone, can continue, and any state that chooses to accept the standards of another state is certainly free to do so. And the more states that agree to do so, the fewer distinct course filings will be required of each national course provider. But to *mandate* that each state accept the determination of another state with different course standards is unacceptable and unnecessary.

Establishing a uniform license application

Absolutely. This benefits the producer and the states. Great strides have already been made toward adopting a uniform license application form. As stated earlier, success depends on all states maintaining the Producer Database.

However, somewhere along the line, those in charge departed from reality by agreeing that the uniform application forms would be revised twice per year. For the same reason that the annual statement blanks are not revised twice per year, neither should applications.

The primary impediment is that a large number of states outsource the testing and application process, and that licensing "bulletins" (*i.e.*, notifications to licensees) are revised annually, not semi-annually. This will necessitate the release of a semi-annual "bulletin" or having an outdated application form in the printed "bulletin" or deciding not to include the application at all.

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Uniformity?

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The simple solution, and one for which there is more than ample precedent at the NAIC level, is to allow the form to be revised only on an annual basis and to communicate the changes to the states with sufficient time to allow them to incorporate the new form in their printed materials, web sites, IVR and "fax-back" systems, etc. The leadership of the relevant working groups and committees at the NAIC arbitrarily rejected such seemingly straightforward suggestions.

Establishing a centralized database that will allow states to confirm home state licensing, appointment, CE compliance, etc.

Again, absolutely. It all depends upon making the Producer Database and PIN systems universally acceptable to states so that they will use them and take the steps necessary to keep both systems current. Successful implementation could, in the long term, obviate the need for certifications and clearances, a huge benefit for all parties. However, without universal cooperation, states are placed in a position of having to determine whether data in the other state systems are accurate, complete and timely.

A situation where a state relies on a Producer Database for, say, 23 states in lieu of a Certification from the remaining states saves no time and in fact, may increase the workload of state regulators.

Much, of course, depends upon the NAIC's success in convincing Congress and federal authorities to give all state insurance regulatory agencies access to criminal history information and fingerprint records. This ongoing effort should be doubled and given a high priority if there is truly a desire to simplify and automate the licensing process.

In sum, while uniformity for the sake of easing the burdens upon licensees and state regulators is a laudable goal, uniformity for its own sake, or for the sake of political appearances serves no useful purpose, and, in fact, increases the burden upon states unnecessarily.

Those tasked with the primary responsibility for implementing GLBA, PLMA and the attempts at uniformity that will inevitably follow would be well advised to bear this in mind. ■

C.E. News

Attention, CDS attendees!

Those of you who are attending the CDS in San Antonio — be sure to read the rules for continuing education credit.

To receive automatic, full (15 hours) CE credit, you must stay until the end of the CDS. Attendance certificates will not be handed out until 3 p.m. Tuesday, the last day of the CDS.

There will be no exceptions made – including travel/flight arrangements. Those who leave early or do not pick up their certificate will be required to submit a N.I.C.E. compliance reporting form requesting credit for the actual hours attended with a maximum of 12 CE credits available.

Need a NICE Form?

Check out the downloadable NICE manual online and print out NICE forms if you need them.

CE Reporting deadline is Oct. 1, 2002

CIE·AIE
The Signs of Excellence
N·I·C·E

Commissioners set goals for market conduct reform

by Tim Mullin
Senior Regulatory Services Manager
National Association of Insurance Commissioners

In February, state regulators converged in Texas for an annual Commissioners' retreat, where they evaluated the market and set aggressive goals for the NAIC's Market Regulation and Consumer Affairs (D) Committee.

One major goal was in the market regulation arena. The Committee set four reform initiatives for 2002, which include unifying market conduct examination procedures, formalizing and enhancing the current state market analysis process, identifying appropriate state market conduct examination resources and supporting greater interstate collaboration.

Uniform Procedures

Greater uniformity is a primary goal in many areas of insurance regulation. In the market conduct arena, the committee identified four areas as the most important for exam uniformity: 1) exam scheduling, 2) pre-exam planning, 3) exam procedures, and 4) exam reports. An end-of-the-year goal is to have a majority of states self-certify that they are conducting examinations according to two of the four areas of exam uniformity.

Market Analysis

In order to make more comprehensive market analysis a reality, the D Committee created a Market Analysis Working Group to develop a "Market Analysis How-To Guide" for states. The committee also created a Market Conduct Annual Statement to identify priority issues and collect data on these issues.

"Greater formalization of the market analysis process will provide important tools for monitoring the broader marketplace," said NAIC President and Iowa Insurance Commissioner Terri Vaughan. "With comprehensive market analysis in place, market regulatory problems can be easily identified. States can then efficiently prioritize and coordinate the various market regulation functions, as well as establish an integrated system of proportional responses to market problems."

Resource Guideline

Significant variations in state resources are devoted to market conduct examinations and the dozen or so other consumer protection functions such as complaint handling, producer licensing, and consumer education. A paramount objective is to address the various state market-regulatory resources with the initial focus on market conduct examination resources. The committee is dedicated to finalizing the Market Conduct Examination Resources Recommendation document, which will define the market conduct examination function. The committee will also develop an inventory of guidelines on the other consumer protection functions.

Interstate Collaboration

Interstate collaboration may be one of the most important issues for 2002. Most states have more than 1,000 licensed insurers, yet they also have limited resources at their disposal for monitoring the activity of each licensed insurer. Therefore, interstate collaboration of market regulatory activities is crucial. "To meet this issue head-on, we've set a goal to develop two to three best practices interstate collaboration models," says Oregon Insurance Administrator Joel Ario, who chairs the Market Regulation and Consumer Affairs Committee. "We also have a fairly aggressive goal to have 30 states participate in at least one collaborative effort by December of 2002." ■

THE CLASS OF 2002

"This was my first NAIC training and I have walked away inspired. It has given me the direction I needed to create a training program for new employees for our Life and Health Investigation Unit . . . I have learned a lot and know that I will apply my new knowledge beginning immediately."

— Natalie Spector, Maryland Insurance Administration

State insurance regulators from around the globe were in Kansas City in May for the annual "Regulating the Marketplace" training school sponsored by IRES and the National Association of Insurance Commissioners. The week-long school provides advanced training for experienced regulators as well as an opportunity for newer regulators to receive a crash course in how to police the insurance marketplace.

IRES is once again most grateful to the NAIC for its co-sponsorship of this program, and in particular to Joyce Groebl and the NAIC education-training staff.

LEFT TO RIGHT

FRONT ROW:

Karen Miura, HI; Lisa Lowe, UT; Marletta Bruner, OK; Julie Chytraus, UT; Cristi Owen, AL; Lynne Yano, HI

SECOND ROW:

Christine Nettleton, MI; Reba Evans, AR; Mary Ann Mason, VA; Mary Moody, MD; Natalie Spector, MD; Carol Harbeson, AK

THIRD ROW:

Charles Piasecki, VT; Abraham Boateng, Ghana; Earl Norton, AR; Michael Andoh, Ghana; Jack Brown, AL: Jeff VanGilder, WV

FOURTH ROW:

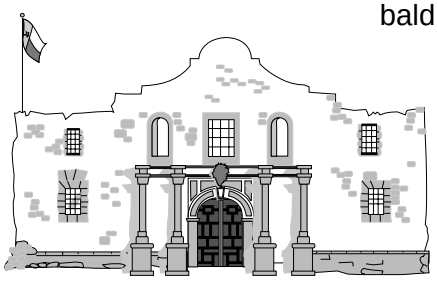
Terence Nordahl, WA; Ed Whyte, VA; Robert Lewis, MD; Russel Kennel, OR; Gary Holliday, OR; Sang Woo Lee, Korea

Kashyap's Korner

Deep in the Heart of San Antonio

by Kashyap Saraiya, AIE, CPCU

For history buffs, walking or biking along San Antonio's **Mission Trail** is a must. Beginning at the Alamo and winding southward along a nine-mile wooded stretch of the San Antonio River, the trail leads you to six other missions, including the well-known Mission San José and Mission Concepcion. This chain of missions, established in the 18th century, is a reminder of one of Spain's most successful attempts to extend its New World dominion from Mexico.



Representing both church and state, these missions were charged with converting the Coahuiltecans, local Native Americans who worshiped nature, into devout Catholics and productive members of Spanish society. They were the greatest concentration of Catholic missions in North America and formed the foundation of the City of San Antonio, where a large numbers of Coahuiltecan still reside. In fact, the name "Texas" is derived from the Spanish mispronunciation of the Native American word "Tejas," which means "friends" or "allies."

To gain a better perspective on the purpose of these missions, I recommend a 20-minute film depicting early mission life. Screenings are held regularly in the Visitors' Center at Mission San José.

If you like your history a little more "spiritual," think about discussing San Antonio's watershed historical events with those who were actually there: the ghosts of San Antonio. **The Menger Hotel**, San Antonio's vault for vanquished spirits, is in downtown San Antonio, nearby the Alamo and the Hyatt Regency Riverwalk. The hotel was built in 1859, just 23 years after the bloody conclusion of the battle at the Alamo. It is said that at least 32 different apparitions have appeared at the Menger since it first opened its doors.

The Menger is the oldest operating hotel west of the Mississippi and the historic lobby is worth investigating during your visit. If the Menger's longtime Assistant Manager **Ernesto Malacara** isn't too busy, maybe you can get him to share some classic Menger ghost stories. They are sure to curl your hair or (in the case of our bald members) wrinkle your scalp.

Shopping fanatics should head out to **Market Square** in the western section of downtown San Antonio. A short bus ride from the conference hotel, Market Square is a "must-see" if you wish to soak up Mexican culture, huge margaritas, and other assorted Mexican delicacies. Market Square is the largest Mexican marketplace in the world outside of Mexico. After a long day of shopping, make a pit stop at **Mi Tierra Café and Bakery**. Mi Tierra is an authentic Mexican operation, open 24 hours a day.

For country music fans, **Gruene Hall** —Texas' oldest Dance Hall — is just 40 miles north of San Antonio on I-35. Country recording artists Reckless Kelly and Lonesome Bob are scheduled for performances at the legendary hall (www.gruenehall.com) during our stay. Minor League baseball fans should be aware that the **Missions**, San Antonio's AA minor league baseball team, will be on the road during the IRES seminar.

Take my word for it, the City of San Antonio will not disappoint you. I am ecstatic about the prospect of participating in the best-ever CDS in my all-time favorite "Tex-Mex" city. See you there. ■

REGULATORY ROUNDUP

by
Stroock & Stroock
& Lavan LLP

FLORIDA—New law enhances Florida DOI's authority to place insurers under administrative supervision and modifies HMO financial requirements

Senate Bill 2192 was recently signed into law, becoming Chapter 282 of 2002. Under current law, the Florida Insurance Department may place an insurer or HMO under administrative supervision if, upon examination or at any other time, the Department determines that: (i) the insurer is in an "unsound condition"; (ii) the methods or practices of the insurer render the continuance of its business hazardous to the public or to its insureds; or (iii) the insurer has exceeded its powers granted under its certificate of authority or applicable law. Chapter 282 expands the grounds for placing an insurer or HMO under administrative supervision to include rehabilitating a company through a delinquency proceeding. The Florida Insurance Department is authorized under Chapter 282 to adopt regulations to define standards of hazardous financial condition and corrective action similar to the model adopted by the National Association of Insurance Commissioners. Chapter 282 also provides that an order placing a company under administrative supervision may not be stayed during review by the Department.

HMO financial requirements are amended under Chapter 282. HMOs would be required to include in the actuarial certification of their annual report an assurance that they have adequately reserved for liabilities associated with transfers of payment obligations. HMOs would not be permitted to exclude liabilities associated with such transfers if a health care provider has not received payment, unless the payment obligations are secured by a financial instrument. Quarterly reports for the 4th quarter would no longer be required of HMOs. Chapter 282 permits HMOs to invest a portion (5% of admitted assets or 25% of excess surplus, whichever is less) of their excess surplus in investments not specifically authorized under current law as long as the investment is not already expressly prohibited. Unless prior written approval is obtained from the Florida Insurance Department, HMOs would be prohibited from paying dividends to stockholders if payment would create negative retained earnings. Dividends are permitted if: (i) they are equal to or less than the greater of 10% of retained earnings or prior year net income; (ii) if surplus is 115% of the minimum requirement, and (iii) the Department is notified 30 days prior to payment. Criteria would also be established for the Department to consider before approving certain dividend or distribution payments.

Chapter 282 has an effective date of October 1, 2002. *For additional information on Chapter 282, visit www.leg.state.fl.us.*

FLORIDA—Legislation revising prompt pay requirements signed into law

Senate Bill 46-E was recently signed into law, becoming Chapter 389 of 2002. The new law requires HMOs and insurers to pay, deny or contest a health care provider's claim for reimbursement within 20 days following an electronic claim submission and within 40 days following a nonelectronic claim submission. If an HMO or insurer fails to pay an electronic claim within 120 days or fails to pay a nonelectronic claim within 140 days after submission, the HMO or insurer is obligated to make payment on the claim to the provider. The law establishes a 5% late claims payment permissible error rate for HMOs and insurers. If an HMO or insurer is within the 5% error rate, the Florida Insurance Department may not assess a fine against the HMO or insurer. The interest rate charged for late claims payments is increased from 10% to 12%. The new law becomes effective on October 1, 2002. *For additional information on Senate Bill 46-E, visit www.leg.state.fl.us.*

The New York-based Stroock & Stroock & Lavan LLP Insurance Practice Group includes Donald D. Gabay, Martin Minkowitz, William D. Latza, John R. Cashin and Vincent L. Laurenzano, an insurance finance consultant. They gratefully acknowledge the assistance of Robert T. Schmidlin, an associate in the group. This column is intended for informational purposes only and does not constitute legal advice.

VIRGINIA—Legislation expanding commercial lines deregulation signed into law

Senate Bill 154 was signed into law, becoming Chapter 437 of 2002. The new law allows coverage for workers' compensation and professional liability commercial risks to be included in the $100,000 aggregate premium threshold to qualify a large commercial risk from Virginia's rate and form filing requirements. Prior to the enactment of Chapter 437, premiums attributable to professional liability and workers' compensation were excluded from the premium threshold. Under Virginia's commercial lines deregulation law, large commercial risks must meet certain criteria in order for the exemption to apply. They must have a risk manager, and they must meet at least two of the following criteria: (i) possess a net worth in excess of $10,000,000; (ii) generate annual revenues in excess of $25,000,000; (iii) employ more than 80 full-time or full-time equivalent employees per individual insured or be a member of an affiliated group employing more than 100 employees in the aggregate; (iv) pay annual aggregate nationwide insurance premiums in excess of $100,000; (v) be a not-for-profit organization or public body generating annual budgeted expenditures of at least $10,000,000; or (vi) be a municipality with a population in excess of 30,000. Chapter 437 becomes effective on July 1, 2002. *For additional information on Senate Bill 154, visit www.leg.state.va.us.*

MARYLAND – House Committee unfavorably reports bill that would eliminate territorial rating of private passenger auto insurance

The Maryland House Economic Matters Committee has unfavorably reported (*i.e.*, rejected) House Bill 1162, which would have prohibited private passenger auto liability carriers from either expressing an underlying risk consideration in geographic terms or using a rating territory smaller than the entire state in the classification of any rate. Critics of the legislation argued that there is a positive correlation between population density and accident rates and, therefore, that territorial rating is a valid measure of risk in determining auto insurance rates. If enacted, House Bill 1162 would have taken effect on October 1, 2002. *To view House Bill 1162, visit http://mlis.state.md.us.*

INDIANA – Department of Insurance issues Bulletin providing direction on the reinstatement of insurance producer licenses

The Indiana Insurance Department has issued Bulletin 108 providing guidance on the reinstatement of insurance producer licenses. The Bulletin describes the application of the reinstatement procedures in Indiana Insurance Code Section 27-1-15.6-7(e) to producer licenses that have expired on or after January 1, 2002. Producer licenses that expired prior to January 1, 2002 remain subject to reinstatement guidelines in effect at that time. With respect to a producer who completed all required continuing education prior to expiration of the producer's license, such producer may reinstate his or her license upon payment of the renewal fee and a penalty of three times the renewal fee. Producers whose licenses lapse prior to completion of required continuing education may reinstate their licenses during the following 12 months upon completion of all outstanding continuing education, successful completion of the laws and regulations portion of the prelicensing examination, and payment of the renewal fee and penalty described above. Any individual producer who seeks to renew his or her license more than 12 months following its expiration is ineligible for reinstatement and must apply for a new license and complete all prelicensing requirements. *To view Bulletin 108, visit http://www.ai.org/idoi.*

LOUISIANA – DOI issues Bulletin regarding the use of electronic signatures

The Louisiana Insurance Department has issued Bulletin No. 02-03 regarding the use of electronic signatures in the transaction of the business of insurance. The Bulletin acknowledges the 2001 enactment of the Louisiana Uniform Electronic Transactions Act ("UETA"), which sets forth guidelines for the use of electronic signatures. The Bulletin also states that, as a result of the enactment of UETA, it will no longer be necessary for the Commissioner of Insurance to adopt regulations pursuant to 1999 legislation that authorized the use of electronic signatures upon the Commissioner's promulgation of regulations in this regard.

In addition, the Bulletin points out that UETA applies only to transactions between parties who have consented to conduct a transaction by electronic means. Moreover, the Bulletin directs insurers to review key provisions of UETA, such as the use of electronic signatures and variation by agreement, legal recognition of electronic signatures, notarization and acknowledgement by electronic signature and the admissibility of an electronic signature into evidence in a proceeding. *To view Bulletin No. 02-03, visit http://www.ldi.la.gov.* ■

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"Janitor's Life" comes under the regulatory eye.
Story p. 1

BULLETIN BOARD

√ POSITION WANTED — Am seeking a market conduct examiner or consulting position with either an insurance department or regulatory agency. Former market conduct property-casualty examiner with state of Florida as employee and later independent contractor for 18 years. Prefer continuous travel. AIE, FLMI. Contact fvernyjr@aol.com.

√ IRES really needs some active members to step foward and serve on our commitees and educational sections — and even chair some of them. If you like to follow regulatory issues or plan educational programs, please send an e-mail to IRES executive secretary David Chartrand at: ireshq@swbell.net

√ If you're attending the IRES CDS in San Antonio: Check-in and registration begins at 2 pm Sunday and closes at 6:30 pm sharp. Registration desk re-opens at 7 am Monday morning. And if you need the continuing ed credit, make sure you read the rules about staying to the end of the program (see C.E. News on p. 14). No attendance certificates will be handed out before 3 pm on Tuesday at the close of the meeting.

√ IRES members are encouraged to attend our two annual Board meetings at the San Antonio CDS — Sunday, July 28, at 4 pm and Tuesday at 4 pm.

San Antonio

Did You Know?

√ With 1.1 million residents, San Antonio is this country's ninth largest city, but only the third largest city in Texas.

√ San Antonio's best known natives include comedienne Carol Burnett, actress Joan Crawford, football great Kyle Rote, and Lieutenant Colonel Oliver North.

In next month's REGULATOR:

CDS pictures and stories
Evaluating Market conduct