The Regulator®
INSURANCE REGULATORY EXAMINERS SOCIETY

Do Katrina, credit scoring portend major changes for the industry?

by Scott Hoober
Special to The Regulator

The insurance industry would seem to be unafraid of rapid, even uncontrolled change. After all, the industry thrives on bad news, from fires and wrecks for P&C to death and disability for L&H.

The reality, of course, is that what the industry really thrives on is reducing a seemingly unpredictable series of events into something that is predictable and quantifiable, and hence insurable.

If insurance's basic function, the underwriting of risk, were to be summed up in one statement, that statement could well be: "I can't predict whether your house will burn down next year, but I can tell you with a high degree of certainty how many houses will burn down in a typical year."

When the predictable becomes unpredictable, though, what happens to insurance?

We ask because last year, one catastrophe ate up all the premiums collected in the previous quarter century in the affected states.

We're talking of course about Katrina. But for a moment, let's put aside questions about whether the states or the feds behaved properly, whether insurers adjusted and paid claims promptly enough, even just how much premiums will have to go up if companies are to be restored to health.

Instead, let's step back and ask what if anything it all means for the future of the industry.

Should we question companies' (and regulators') ability to predict risk and establish rates? Even more, as the changes wrought by Katrina (and Rita) work their way through companies and the departments and your pocketbook and mine, should we ask what the industry will look like in a few years? Will insurance mean the same thing to our children as it did to our parents?

In the meantime, another issue, totally unrelated to catastrophes, raises the same sort of questions.

That's the growing use of credit scoring and other techniques to slice and dice the population in ever more precise ways.

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Still struggling with Prop 103

by Brian Sullivan

California Commissioner John Garamendi has proposed a radical re-thinking of auto insurance rate-making. The foundation of his plan is based on the thinking of consumer advocate Harvey Rosenfield, embodied in the 1988 ballot initiative, Proposition 103 that Rosenfield successfully sold to voters.

Rosenfield's initial idea for remaking auto insurance rating in California was alluringly simple, and the intent reasonable. Consumers had long been frustrated that their auto insurance rates seemed to be heavily reliant on things they could not control. The enormous impact of territory was particularly galling. How, consumers asked, can my place

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March 2006

Special Issue

Personal Lines

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Brian Sullivan on the Aftermath of Prop. 103

NY Supt. Howard Mills on Lowering New York Auto Rates

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THE REGULATOR is published every other month by the

INSURANCE REGULATORY EXAMINERS SOCIETY

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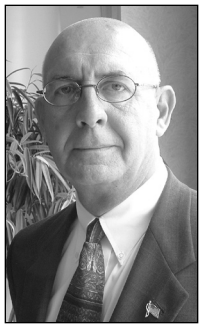
From the President

Taking a fresh look at our annual CDS

I am pleased to report that all IRES committee and subcommittee members have been working hard to develop innovative action plans to strengthen our organization in all areas. As we enter the home stretch of this year's committee work, I would like to use this space to highlight the work of one of our numerous subcommittees.



Recognizing that the regulatory environment has changed over the past few years, as insurance departments have consolidated job functions; merged with other state agencies; developed new positions; and witnessed an increase in regulation by noninsurance department entities, the Executive Committee charged the Education Committee (chaired by Polly Chan, CA) to identify ways to ensure our annual Career Development Seminar (CDS) keeps up with these changes.

Gary Kimball (MO) stepped up to the plate to chair the CDS Format Subcommittee. Recently, the subcommittee submitted recommendations to the Executive Committee that address in a fundamental way our approach to the CDS. The recommendations include:

- Add new CDS sections and refine existing sections to better address the needs of regulators and industry. Currently IRES develops seminar topics through seven broad sections, such as "Market Conduct" and "Financial."
- Offer sessions designed for various skill and knowledge levels.
- Vary the presentation formats using, for example, "role play" and "buzz group" techniques
- Feature selected "regulator only" sessions as well as sessions designed for the industry
- Explore adapting a theme for each CDS with several sessions focused on that theme. Offer an official "extra curricular" activity. Designate a charity each year that IRES and its members can support and promote during the seminar.

Although the Executive Committee has not thoroughly reviewed all of the details and implications of these recommendations, I felt it was important for IRES members to be aware that change is in the offing. One of the obvious byproducts of implementing such changes would be a significant increase in the number of individuals required in the planning (section chairs) and execution (presenters) phases of the CDS. The recommendations, would also impact hotel selection, in terms of meeting room size and number, not to mention the increased administrative workload.

First and foremost, I am impressed with the subcommittee's detailed work. I believe many of the recommendations will improve future CDS events. I also believe that implementation of the suggested changes must occur over a period time, as we continue to "fine tune" the CDS format. One thing is certain, change is necessary to make the CDS a vital part of our membership's continuing education plan. Therefore, we will continue to explore various ways to address our membership's educational needs and increase CDS attendance.

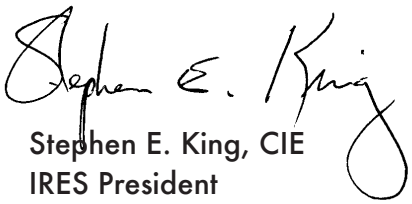
I am interested in your thoughts on this important matter - especially if you disagree with the direction outlined by the CDS Format Subcommittee.

In the ever-changing business of insurance, IRES must continue to evolve as well, by always striving to address the issues affecting the regulatory community today and in the future.

P.S.: Mark your calendars for the 2006 CDS in Chicago, August 6-8!

P.P.S.: Please note that all IRES Committees and Subcommittees have had a "full plate" this year and have proven themselves equal to the task. I applaud them for their efforts and professionalism and thank them for their hard work!

Take care and may God Bless.



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IRES President

Welcome, new members

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Chad T. Bridges, MS
Paul E. Ellis, DE
Tate P. Flott, KS
Juliette N. Glenn, AL
Christopher G. Hobert, Unaffiliated
Char Hummel, KY
Laura Klanian, VA
Dana W. Rudmose, MA
Richard T. Shropshire, VA
James C. Williams, AIE, ME

Looking back?


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Katrina and credit scoring

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If you're a good driver, with few claims or tickets, you're probably delighted not to have to support poor drivers. And the companies are happy to be able to control their costs. But whatever happened to sharing risk? Have we gone too far?

Are we on the verge of destroying insurance in order to save it?

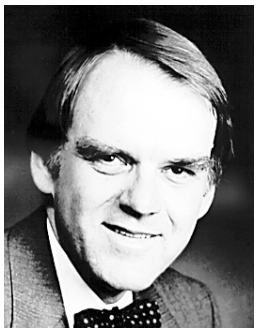
Slicing and dicing

"I remember when I was in the department, we used to talk that maybe everyone should have experience rating on their auto insurance policy: Your policy should be based on your own experience," recalls John Reiersen, who left the New York Department of Insurance in 1989 after a 25-year career.

"Every year that you don't have an accident or a ticket or whatever, you just get a lower and lower rate," said Reiersen, who's currently CEO of Commercial Mutual Insurance Co.

"And the answer was, 'No, you can't do that. That's not insurance any more.'"

Long before Katrina and Rita, or the four hurricanes that crisscrossed Florida in '04, the big question for insurers — and most of all, for insurers' public image and credibility — has been just that kind of slicing and dicing.



Bob Hunter

The most visible manifestation has been the state-by-state fight over credit scoring.

Perhaps it's because, though credit scores correlate very well with insurance claims, they don't seem logical — at least not as inherently rational as higher premiums for teen drivers or for homeowners with numerous previous claims.

As consumer activist Robert Hunter put it: "What is it about my credit score that makes me a worse risk? What is it you're measuring? When I ask, they [industry reps] look at me like I'm asking them to explain Einstein's theory of relativity."

It's true that sometimes statistics comes up with a strong correlation without, at least at first, implying some kind of causation. That doesn't mean the data have lied.

But Hunter — director of insurance for the Consumer Federation of America and Texas insurance commissioner back in the '90s — says correlation alone isn't enough, at least not when it comes to insurance.

"Every other class that I know of has a thesis underlying it, like young drivers have too much testosterone and too little experience," he said. "And territory because of traffic density. At least there's a theory underneath them.

"Here there's no thesis. "

Besides, Hunter says, "Most classes, like good-driver and the value of your car, give you a way to lower your loss. I can drive more carefully, I can not drink and drive — there's an incentive to mitigate the loss.

"With credit scoring, what is it? What is it that caused me to be a worse driver or a worse homeowner?"

Hunter, for one, thinks the fight over credit scoring will be with us for some time, mainly because so many people feel it discriminates.

Reiersen is one of those. "I'm not a big fan of credit scoring," he says, "because I think it does hurt the poor and minorities."

Yet because it does in fact correlate well with claims, his company was forced to use it.

"Since I started using credit [scoring] two years ago, my loss ratios have been improving," he admits. "I can't prove it's directly as a result of that, but it's the main thing we changed."

If California is, as it has been at times in the past, the bellwether, maybe credit scoring will go away, or at least be severely limited, as Hunter believes it ultimately will.

Under a proposed rule by Commissioner John Garamendi, the three "mandatory factors" allowed under Proposition 103, as approved by California voters in 1988, would have to be given greater weight than other, "optional factors" in determining premiums: each driver's record, miles driven annually and years of driving experience.

"The commissioner's new rate regulations are inherently incompatible with the very concept of insurance underwriting," said Christian John Rataj, western states affairs manager for NAMIC (the National Association of Mutual Insurance Companies).

Insurance, he says, "was founded upon the basic tenet that a consumer's insurance premium should be correlated to the frequency and severity of his or her potential risk of loss exposure."

There are more than a dozen optional factors for determining auto rates under Prop 103, including marital status and location, i.e., ZIP code, but current law says that the average weight given to these factors cannot exceed that given to any of the three mandatory factors.

Credit scoring doesn't appear to have made even the optional list.

Ten years later

Then there are catastrophes. Back in 1992, when Hurricane Andrew hit southern Florida, it was a shock to even the largest P&C insurers. And that storm was a miss, slamming into Homestead but missing Miami.

> **"Andrew changed everything. I recognize that, and so do consumer groups and commissioners of coastal states."**
>
> **— Robert Hunter, consumer advocate**

This year's storm didn't miss a thing, hitting New Orleans and the low-lying Mississippi Gulf Coast square on. An event like that is bound to raise rates, certainly for property in low-lying coastal areas (where some premiums seem likely to more than double) but also, as some insurers fervently hope, for the entire nation.

If rates do go up, and up and up, will there come a day when insurers price themselves out of the market, when homeowners, in particular, pare coverage to the minimum and, in essence, go bare?

In New York, for instance, Allstate has announced its intention to nonrenew thousands of homeowners in New York City, suburban Westchester County and Long Island in order to reduce its risk.

And yet, unlike post-Andrew, when more than a dozen small insurers went belly-up, the industry seems to be taking Katrina more or less in stride. Even in downstate New York, no one has followed Allstate's lead.

Hunter, for one, thinks it's a tempest in a teapot.

He was commissioner in Texas in the post-Andrew period, and he recalls anxious insurers seeking to switch from basing premiums on the past few decades of experience to computer models that utilized, so it was said, millennia's worth of climate data — including numerous previous years with big hurricanes, even multiple hurricanes in the same year.

"I and many other insurance commissioners said, 'Sure, that makes sense,'" Hunter said.

"The promise of the models was this: If you had a few years with no hurricanes at all, rates wouldn't go down, but if you had a couple of years with real bad hurricanes, like we just had, rates wouldn't go up much."

Then came the Four in '04.

"Even after the four relatively small hurricanes that hit Florida in 2004, a lot of companies were out there raising rates 30%," Hunter said. "I was thinking 'What is that all about? Why would they be raising rates 30% when there was nothing there that would change the model?'

"Andrew changed everything," he added. "I recognize that, and so do consumer groups and commissioners of coastal states. We recognize that it changed everything and that the models had to be introduced and that the risks along the coast had to be adjusted.

"But to come back ten years later and say we've got to do that again — it makes no sense."

Price hikes of up to 130% along the Atlantic and Gulf coasts, and 30% or more inland, are forcing unpleasant choices on thousands of homeowners. In some ways, though, perhaps that's a good thing.

As Reiersen put it: "I believe that people who live in hazardous areas should pay higher premiums. That's the way insurance works.

"If you live in a wood house, you should pay more than people who live in brick homes, because you get less damage in a fire in a brick home. So living in a coastal area, these people should pay a significantly higher premium.

"Or," Reiersen added, "don't live there. I don't think there's a right to live in a coastal area."

He feels that those panicking over the possibility of a New Orleans type storm hitting the New York

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Katrina and credit scoring changes

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City area are off base too. In the first place, he said, Long Island is above sea level. This is probably why, despite Katrina and Rita, premiums haven't increased markedly, and, no matter what Allstate says, there's been no problem with availability.

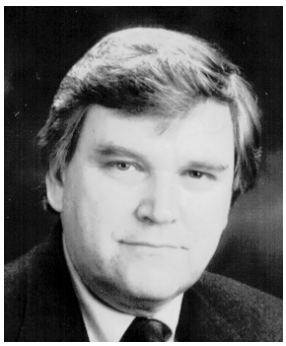
Now, Long Island is lower than Florida, with a maximum height above sea level of 400 feet vs. about 500 for the entire peninsula of Florida. But even with global warming, there's little likelihood of a Category 4 or 5 storm reaching that far north.

And if it does? Most home insurers have never sold policies within half a mile of the beach.

Politics as usual

One good measure of price and availability is the cost of reinsurance. In the northeast, at any rate, no problem. "The rates for reinsurance renewals in January for homeowners were up a little, but not a lot," Reiersen says. "Cat coverage is very available."

And yet many insurers, including several large ones, are pushing for a cat fund in New York. In addition, some of the biggies, which usually don't buy reinsurance, now are. Why? Could it be because New York, like just about every other state, forbids its companies to raise premiums for losses incurred in another state — but does allow rate hikes to cover the cost of reinsurance?



John Reiersen

Recalling his tenure as Texas commissioner post-Andrew, Hunter says he always found Allstate more difficult to deal with than, say, State Farm.

"Allstate is always off the wall," he said. "They're the ones who threatened to terminate 300,000 homeowners in Florida after Andrew, and now are threatening to terminate people down in Louisiana and Mississippi — and are doing so in New York.

"If anybody's alarmist, it's Allstate," Hunter added. "They're doing it again [this year]. In effect they're saying, 'Look at us. We are mismanaging. We don't know what we're doing. We have to let go of all these customers.' "

Reiersen, too, has noticed that only one company has withdrawn from the downstate area of his state.

"Allstate said 'Hey if you don't adopt a cat fund, there are going to be mass withdrawals,' but so far they're the ones who have withdrawn.

"But there are many companies, including my own, that are very eager to write what they're nonrenewing. There's one company that's going to write half of what Allstate's nonrenewing. I'm not that big, and I'm going to write $2 million of it.

"There's an adequate, healthy homeowners market in New York City and Long Island," Reiersen said, adding that loss ratios have been great over the past 20 years. "I don't think a cat fund is necessary."

Similarly, Allstate — along with public officials in hurricane- and earthquake-prone parts of the country, especially Florida and California — have been pushing again for a federal cat fund.

"They've been pushing for that for years," said Hunter, "but Congress has never been interested."

Pessimists would argue politicians and their minions generally cave in to big corporate interests, but the early signs are more hopeful than that.

We won't try to predict what will happen in a hearing New York has scheduled for shortly after our deadline on Allstate's pullout and related issues, but take a look at credit scoring. A number of states have put severe limits on use of the underwriting.

In Michigan, for instance, Commissioner Linda A. Watters of the state's Office of Financial and Insurance Services has limited insurers from rescoring consumers annually, reducing the chance of annual rate hikes. Consumers now are the only ones who can ask to be rescored, usually if they feel they'd come up with a lower premium than before.

Economic vs. social good

But, wait, wouldn't that in effect subsidize drivers with poor credit scores, who tend to congregate in the cities, with higher premiums for white suburbanites? Yep.

As Reiersen says, "Rates are not always based on exposure factors.

"There are public-policy considerations that need to come into play. We don't charge higher rates because of the ethnic backgrounds of our drivers, although

I'm sure that if you gathered the statistics, you would find that some ethnic backgrounds produce higher loss ratios than others. But we don't do that as a matter of public policy."

In a nutshell, that's where insurance and public policy collide.

Insurers, quite properly, try to maximize their profits. Insurance regulators, meantime, know they need to look not just at economic efficiency but also at social good.

Regulators usually do a good job balancing the two, though some people, including Hunter, feel that departments have become intimidated in recent years by the prospect of federal encroachment on their turf.

"Having been both a federal regulator [he was what some observers termed the federal insurance czar during the '70s] and a state regulator, I am pretty sure they both don't work very well. But I've always historically been in favor of state regulation.

"In recent years," he added, "my bias in favor of state regulation has waned as state regulation has kind of given away the store. Out of fear of federal regulation, they've done so much deregulation and bent over so far backwards to try to hold onto insurance companies that it's really hurt consumers, I think.

"I thought they would have been stronger if they had just stood up, though I was glad to see the NAIC finally oppose the SMART Bill."

For the most part, though, when push comes to shove, even curmudgeonly Bob Hunter will put his trust in state regulators more than in the prospect of a, most likely weaker, federal regime.

" Who cares who regulates who, as long as it's good," he said. "There's some bad regulation at the state level, but what we see proposed so far at the federal level would be worse."

When it comes to state vs. federal regulation, Hunter does have one interesting idea, a thought he also heard broached in passing by a speaker from the U.S. Department of Treasury at a recent NAIC meeting: How about federal regulation for life and state regulation for P&C?

"Behind the scenes, ACLI is working very hard on an optional federal charter," Hunter said. "I think they're willing to push the property & casualty insurers over the side to get it.

"A lot of life insurance products probably are the same from state to state, and maybe you don't need 50 states on that. But P&C is so obviously state-based."

Yet what might look pretty good at first glance might turn to dross upon closer examination.

As Hunter said: "One of my key problems is how the hell do you keep P&C out of the final negotiations up on Capitol Hill when they start pumping money in there?

"If you could guarantee to me that they would never come in, using life insurance as the wedge . . . but I don't see how we could do that. It's a slippery slope."

And this too shall pass

As Katrina-related costs work themselves through the system, as credit scoring and even federal regulation of insurance play out, it's easy to remain hopeful that, as before, things will all work out for the best.

"When we had the broker scandal a few years ago," Reiersen recalls, "the states, the NAIC, were in a rush to do all sorts of regulation of contingent commissions, and it's all died down, and very little was done.

"In fact, in New York nothing was done because it was an isolated incident, and there really was a lot of overreaction.

" You don't change how business has been done for 200 years because there were a few bad actors," he said. "The same thing I think with Hurricane Katrina. It was an enormous, enormous calamity, probably $70 billion, but you know what — the industry paid it, there weren't that many insolvencies, and they still made a profit for the year.

"So it showed that there's enough capacity in the industry even to cover a major calamity like that. We're not going to see another one like that in 50 years."

And yet.

Is it possible that the industry is losing credibility over the likes of credit scoring, with reports of delayed or denied Katrina payments piling more bad news on top? Could it be that the legislative initiatives at the state and federal level aren't the usual nitpicking, but a sign that the industry is perceived as weakened by circumstances and ripe for politically inspired attacks?

If so, if the pessimists are right, watch for signs of deterioration — and, in all likelihood, a greater than usual need for tight, smart regulation.

If the optimists are right, and things are beginning to settle down, that's good news. But if that doesn't happen, remember: You heard it here first. ■

How New York *lowered* auto insurance rates

by New York Superintendent Howard Mills

EDITOR'S NOTE: *Most New York State drivers saw unprecedented auto rate reductions of 3-10% during 2005. In this article, New York Superintendent Howard Mills discusses how the Department helped to accomplish what many thought was impossible.*

Something truly historic happened to New York auto insurance premiums in 2005: They went down. While New Yorkers suffered steep price increases in gasoline, housing and dozens of other essential goods and services, New York auto rates bucked the trend. Fourteen major insurance groups (comprising 35 New York insurance companies) instituted significant rate reductions in 2005, and more are expected to follow this year.

The origins of the current rate reductions occurred in 2000 when the New York State Insurance Department introduced its multifaceted plan to combat auto insurance fraud, "Operation Auto Rates." Since then, the Department has been working — through aggressive fraud-fighting techniques, regulatory changes and court battles — to achieve its goals.

Reducing time frames

By the late 1990s, the Insurance Department was convinced that a 90-day time frame for filing notice of claim, contained in Insurance Department Regulation 68, was far too long. The 90-day limit meant a no-fault claimant was allowed as many as 90 days to provide written notice of a claim following an accident.

The most damaging aspect of such an extended time frame was that it encouraged fraudulent claim filings by preventing insurers from vigorously pursuing suspicious claims in a timely manner. By the time a claim was received under the 90-day rule, the case was stale and witnesses' memories had clouded. Moreover, the Department did not view a 30-day window as burdensome to the vast majority of New York drivers, especially since the revised regulation allowed for claim filings beyond the 30-day limit for legitimate reasons.

In addition, the Department was convinced that the 180-day time frame in which doctors and other medical providers were permitted to bill no-fault insurers was excessive, leaving insurers with little time to investigate the validity of treatments, many of which were conducted months before bills were actually submitted. The revised regulation reduced to 45 days this 180-day limit.

The new time frames have undoubtedly reduced the level of abusive billing practices as well as unnecessary testing and treatments. As a result, the amount of paid no-fault losses (as well as the amount of reserves set aside for future losses) began to decline soon after the revised regulation was promulgated. By 2004, it was clear these loss reductions were real and that meaningful auto rate cutbacks were in order.

Partnering with prosecutors

To allocate resources more efficiently, three years ago the Department began assigning Frauds Bureau investigators to prosecutors' offices throughout New York State. Bureau investigators now are working side-by-side with their counterparts in county district attorney offices. In the past, some prosecutors were reluctant to spend time to prepare an insurance fraud case for prosecution. The 2002 initiative was undertaken to help prosecutors recognize the importance of insurance fraud as a crime, ensure cases receive a fair hearing and engender a spirit of inter-agency cooperation.

The Insurance Department currently has Frauds Bureau investigators assigned to 11 prosecutors' offices across the state. As a result, DAs are now far more willing to accept cases for prosecution than in past years. Moreover, once a case is accepted, staffs from both agencies work closely throughout the investigation and eventual prosecution.

Special fraud prosecutor

Governor George Pataki appointed the New York State attorney general as special prosecutor for auto insurance fraud in 2001. The governor's order also directed the Insurance Department to authorize the special prosecutor to undertake directly investigations and prosecutions. The Department's Frauds Bureau and the attorney general's staff have developed a successful

strategy for cooperation in the investigation of auto fraud cases, and the Department now gets frequent requests for assistance from the attorney general's office. Joint investigations by the two agencies are commonplace.

Arbitration system improvements

When New York's no-fault law was enacted in 1974, an arbitration system was also instituted for those seeking to challenge claims decisions by no-fault insurers. The system requires that conciliators trained in no-fault law first attempt to resolve the dispute between the insurer and the applicant. If conciliation is not possible, the case moves to arbitration. Over the years, hundreds of thousands of no-fault disputes have been settled through the arbitration and conciliation process.

In the 1990s, the Department became concerned about the mounting inventory of pending cases. In 2002, the Department more than doubled the number of arbitrators to 100 to help reduce the inventory of more than 100,000 cases. In addition, rules were introduced to enhance the operation of the arbitration system. New hearing schedule criteria also were implemented in which all cases associated with a single accident were linked and assigned to one arbitrator. This allows an arbitrator to recognize fraudulent trends, such as abusive claims and billing practices and/or unnecessary medical treatments.

Today, the arbitration and conciliation process is more streamlined and efficient. The number of pending cases in the arbitration system dropped 85% to 16,987 as of October 2005, from 116,172 in March 2002. Concurrently, annual conciliations as a percentage of closed cases have risen significantly since 2002. Applicants are now quickly getting their "day in court." As a result, insurer legal costs and the sizable interest costs associated with delayed payments are down.

Depopulating the Assigned Risk Plan

The Assigned Risk Plan is New York State's insurer of last resort. Under the Plan, each auto insurer is required to write assigned risk policies in proportion to its private-passenger market share. In the early 1990s, more than 17% of all drivers obtained their auto insurance through the Assigned Risk Plan.

The New York State Insurance Department directed and encouraged the Assigned Risk Plan Governing Committee over the years to implement various programs designed to depopulate the Plan, such as the Territorial Take-Out Program. The take-out program encouraged certain insurers to reduce their allotment of assigned risk drivers in proportion to the number of assigned risk drivers they agreed to write voluntarily (in other words,"take out" of the Assigned Risk Plan) in high-risk territories. The percentage of New York State drivers in the Assigned Risk Plan declined to 2.5% in 2000 but began rising again in subsequent years.

In 2002, the Department worked with the Assigned Risk Plan Governing Committee to expand the Territorial Take-Out Program so that insurers would have more incentive to write assigned risk drivers in the voluntary market. The revised rules, implemented in September 2002, allow insurers to reduce their allotments of assigned risk drivers if they "take out" assigned risk drivers anywhere in the state, not just in high-risk territories. The premium rate these insurers typically charge take-out policyholders is a percentage of the assigned risk premium—90%.

> **"The Department estimates the combined savings for New Yorkers from all rate decreases since late 2004 to be more than $400 million."**

Take-out auto insurers responded aggressively to the expansion of the take-out program by insuring more New Yorkers at rates below those charged by the Assigned Risk Plan. As a result, the percentage of New York drivers in the Assigned Risk Plan began to decline once again in 2004 to what the Department believes will be a historically low level.

Provider fraud

The Department included in its anti-fraud revisions to Regulation 68 a provision prohibiting no-fault reimbursements to any health-care provider that fails to meet "any applicable New York State or local licensing requirement." Subsequently, a major auto insurer sought to withhold no-fault claim payments to a medical service corporation that was owned by nonphysicians. In New York State, nonphysicians are prohibited from owning such corporations. The medical

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How New York lowered auto insurance rates

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service corporation sued the insurer, claiming the care provided to the injured parties was appropriate and the denials unlawful. The Insurance Department submitted an amicus brief in support of the position that an insurer is permitted to withhold payment to a fraudulently incorporated medical service corporation.

In March 2005, a New York Court of Appeals ruled that an insurer is permitted to withhold payment to a medical service corporation that fraudulently incorporates, even if such treatment is performed by a licensed health-care provider. The ruling should dissuade medical service corporations from fraudulently establishing their businesses in New York, while saving New York insurers and policyholders millions of dollars.

Costs down

The New York State Insurance Department had been concerned about the fact that, under the Department's Regulation 83, medical providers were permitted to bill no-fault insurers for durable medical equipment, such as wheelchairs and neck braces, at a rate not exceeding 150% of a provider's costs for such equipment. The system was highly inefficient since it was based on underlying wholesale costs for a wide variety of medical equipment and open to broad interpretation.

To help establish uniform pricing, the Department issued revisions to Regulation 83 that require medical providers to bill insurers for durable medical equipment at rates that conform to the New York State Medicaid fee schedule. The change, which went into effect in late 2004, should bring uniform pricing and certainty into the process and greatly reduce billing disputes between insurers and providers.

Meetings with insurers

Although the Department was confident that the legal and structural changes outlined above would lead to lower loss costs, an insurer typically implements rate reductions only after such changes can be justified by its loss data.

Favorable fast-track loss data for a large segment of the industry began to materialize in mid-2004. As of June 2004, New York's average no-fault loss had dropped to $6,229 from $8,489 per claim as of year-end 2002, a particularly noteworthy achievement in the face of escalating medical care costs.

Despite such a dramatic improvement in loss experience, however, most New York automobile insurance consumers were still not seeing significant premium relief by mid-2004. Since the Department was convinced that the loss experience for most individual insurers reflected industrywide trends, it surveyed major New York auto insurers in 2004 to determine the extent to which each company's results mirrored industry trends.

Following a review of survey responses, the Department believed it found reasonable cause to address the rate reduction issue. Then-Superintendent Gregory Serio directed New York's major auto insurers to meet with the Department to review their rate structures.

The Department's senior management team then conducted a series of meetings, beginning in the fall of 2004 and continuing through 2005. During these meetings, each company's loss experience was evaluated. For most insurers the Department urged—in the strongest terms possible—rate rollbacks for New York consumers.

To date, some of the state's largest auto insurers have implemented significant rate decreases, including Allstate, State Farm, GEICO, Progressive, Nationwide, MetLife and Chubb. The Insurance Department estimates the combined savings for New Yorkers from all rate decreases since late 2004 at more than $400 million.

Auto insurance premiums for most New Yorkers are declining. Could they go lower? Absolutely. Now that insurers, consumers and the New York State Legislature have seen the impact on auto rates of the anti-fraud initiatives, the Department is optimistic that even greater savings can be achieved.■

Howard Mills is the Superintendent of Insurance for New York State.
This article was published in the January 2006 issue of *Best's Review* magazine and is reprinted with the permission of the A.M. Best Co.

Looking for new faces for IRES Board of Directors

There will be six seats opening up this summer on the IRES Board of Directors. If you are interested in serving, now is the time to let us know.

Simply send an e-mail to IRES at ireshq@swbell.net and put BOARD OF DIRECTORS in the subject line. Include your full name and job title, a brief paragraph or two about yourself, and phone and e-mail contact information.

Six persons are elected each year by the membership to serve four-year terms. In addition, the Board of Directors may directly appoint up to three at-large regulators each year to serve one-year terms. No travel is required to serve on the Board, though Board members are strongly encouraged to attend the Board's annual meetings that are held each summer at the IRES Career Development Seminar.

No designation is required to be elected as a general Board member. However, an AIE or CIE is required to serve as an officer on the seven-member Executive Committee.

Nominations for the 2006 Al Greer Award are now open and will close on April 30, 2006. The form for nomination is also available on the IRES Web site: www.go-ires.org. Click on the MEMBERSHIP tab at top of the page; then click the AL GREER FORM tab at top of next page.

Insurance Regulatory Examiners Society

AL GREER ACHIEVEMENT AWARD

Nomination Form

The Al Greer Award was conceived in 1997 and annually honors a regulator who not only embodies the dedication, knowledge and tenacity of a professional regulator, but exceeds those standards. Current members of IRES Board of Directors are not eligible for nomination

Basic requirements:
Five years as an IRES regulator member and a current member
Ten years of regulatory experience

Nomination procedure requirements:

(1) Completed nomination form
(2) Validation of nomination must be signed by at least one IRES regulatory member
(3) Attach a nomination letter of not less than 50 words or more than 100 words
(4) Send completed form and nomination letter to IRES by no later than April 30

NOMINEE INFORMATION:

Name: _____

Address: _____
Telephone: Work: _____**Home:** _____

FAX: _____ **e-mail address**_____

optional

Professional Designations: _____

Insurance regulatory experience:

_____

_____

Current Position and Employer:
(make note if nominee is a contract examiner and give jurisdiction currently contracted with)

_____

NOMINATION VALIDATION:
(signature/name of IRES member making nomination)

_____
Signature/Name

Please return completed form and nomination letter by no later than April 30 to: IRES (Al Greer Achievement Award), 12710 S. Pflumm Rd, Suite 200, Olathe, KS 66062

Selection Process

Nominations will be accepted from the date the nomination form is placed in The Regulator through April 30. All nominations must be postmarked no later than April 30 prior to the next IRES Career Development Seminar.

The Al Greer Achievement Award Sub-committee will then determine nominees who meet the basic requirements and nomination requirements.

Nominees making it through the sub-committee process will be voted on by the members of the Membership and Benefits Committee with the nominee receiving the most votes being the recipient of the award. In case of a tie the entire Board of Directors will vote to determine the winner. (In either instance, only one vote per committee member or board member.)

The counting of votes will be conducted by the Al Greer SubCommittee and verified to the Chair of the Membership and Benefits Committee and the executive secretary of IRES. The winner will be kept confidential until announced at the next CDS.

Quote of the Month

"The soaring cost of health care in America cannot be sustained over the long term by any business that offers health benefits to its employees."

— Lee Scott, President & CEO, Wal-Mart

IRES State Chapter News

LOUISIANA — Our Chapter held an officers and committee meeting on January 12 to discuss the future CE meetings to be held. We are also in the process of developing an IRES State Chapter brochure to be distributed to employees and industry explaining the benefits of belonging to IRES.
— Larry Hawkins; lhawkins@ldi.state.la.us

MONTANA — The most recent Montana IRES meeting was held December 14 and featured a presentation regarding criminal justice agencies and information by Chief Investigator **Kevin Phillips**.
— Carol Roy; croy@mt.gov

OREGON — Oregon has held an election for IRES officers and effective January 1, 2006, **John Hardiman**, CLU, ChFC, AIE will be Chair; **Cliff Nolen**, AIE, AIRC will be Vice -Chair: and **Russel Kennel**, CPCU, AIE will be Secretary.At our January meeting, we heard presentations from four representatives of the Insurance Division who had attended the NAIC meetings in Chicago in December. Presenters included **Cindy Jones**, Manager of the Market Surveillance unit, who discussed the 2005 Market Analysis Working Group scorecard; **Russell Latham**, Manager of the Financial Regulation section, who discussed issues relating to financial oversight; **Rae Taylor**, Actuary, who discussed proposals for a national catastrophe fund; and **Shelley Bain**, Senior Policy Advisor, who discussed health insurance issues, including recent legislation introduced in Congress.
— Cliff Nolen; Cliff.Nolen@state.or.us

VIRGINIA — Our quarterly IRES meeting was held on January 23 with 32 regulators in attendance. Joy Morton and Jim Young spoke about topics covered during last year's IRES CDS meeting held in Tampa, FL. The officers for 2006 were elected. The results were as follows: **Joy Morton**, President, **Carly Daniel**, AIRC, AIE, Vice President & Secretary, **Paul Wilkinson**, SCLA, Vice President & Treasurer. The new officers will plan interesting educational programs for upcoming 2006 quarterly meetings.
— Sheryl Hines; Shines@scc.state.va.us

Prop 103 update

continued from page 1

of residence possibly have any bearing on how I drive?

Wouldn't it be better if rates were based on driving record? Why can't we be assumed to be good drivers until proven otherwise? Isn't innocent until proven guilty a central tenant of American thinking? Thus, driving record became the first of three "mandatory factors" that are at the center of Prop. 103.

The other factors were miles driven, and years of driving experience. Among other things (including an arguably contradictory requirement that rates not be "arbitrary or unfairly discriminatory"), Prop. 103 stated these factors must have the largest impact on auto rates. A stated and primary goal was to minimize the impact of territory on rates, and to use factors that were in the control of drivers.

In selecting miles driven, Rosenfield was attracted to an idea that has warmed the hearts of many environmentalists – charging people more for auto insurance based on how much they drive. This has at least two alluring angles. First, people can easily grasp that the more time you spend on the road, the more likely you will be in an accident. Second, charging by the mile gives people more of an incentive to leave their cars in the garage. Anything that, at the margin, reduces miles driven has a positive impact on the environment by reducing the consumption of fuel, reducing noxious auto emissions, reducing demand for tires, oil, wiper blades, etc., and even reducing the number of metal carcasses that rest in auto junk yards by extending the lives of the nation's vehicle fleet.

In selecting years of driving experience, Rosenfield also selected a rating factor that passed the public's "sniff test," in that everyone could logically agree that experienced drivers would, as a group, be better risks than inexperienced drivers. In truth, the intellectual niceties of these points had little to do with Prop. 103's approval by voters. The public quickly grasped the essential truth of this change in rating. The diminishment of territory's importance in rating meant that urban drivers would pay less, and rural and suburban drivers would pay more. The voting patterns tightly matched these points of self-interest. City dwellers voted strongly in favor of Rosenfield's rating construct; suburban and rural voters rejected a concept that would cost them more money.

Implementing Prop. 103

It has been more than 17 years since Prop. 103, and still Rosenfield's vision, and the will of the majority of voters, has not come to pass. Why has Prop. 103 been thwarted? Because insurers and five insurance commissioners – three of them elected, two appointed – have all known that the new rating scheme will raise rates for millions of drivers, causing an almost certain political firestorm.

How has Prop. 103 been thwarted? Regulators have generally ignored Prop. 103 rating factors, pledging to study the issue and hoping to stall long enough that their term would end and the problem would be handed to someone else. The one commissioner who chose to act – Chuck Quackenbush – foolishly pledged to implement Prop. 103 as Rosenfield intended, and then turned around and turned a nifty sleight of hand that essentially maintained the status quo under a thin veneer of change. Quackenbush's rules are still in place because this trick was upheld by a state court that essentially argued that even if Prop. 103 called for the primary use of the mandatory factors, following such a scheme would be dumb.

Which begs the question: does Rosenfield's scheme make any sense? For those who hate regulatory intrusion on the free market, the answer to any iteration of the rules is negative. By violating the free market, they argue, you leave behind all rational economic theory, and head into the never-ending abyss of government intrusion into business decisions, a trip that rarely results in success for consumers, who wind up having fewer choices and higher costs. But how about for those who support Prop. 103 in the hope that it will make rates more fair? That's where Prop. 103's rating scheme really starts to show its weaknesses.

Driving Record

Start with driving record. If indeed driving record is an appropriate rating factor, how then to reconcile that belief with California's law allowing drivers to expunge a moving violation from their record by attending a one-day session which is little more than

a day of "adult detention," as if a speeding ticket was akin to putting gum under a desk in high school. In some places in California, you can even take your detention in your home or office, taking the course on the Internet. In most jurisdictions, armed police officers enforce rules for attendance and a minimal standard of paying attention which is based on a restriction against sleeping in class or talking on the phone while the teacher is working. Drivers can avail themselves of this service every 18 months. California drivers can be caught for a moving violation every year and half for their entire lives and still be considered "good drivers" eligible for the best rates from insurers.

It will be tough to disassemble this system. Drivers like it too much. And the court officers who collect a little extra money on the side would be a powerful lobby, not to mention the struggling comedians who get paid to turn driving safety class into an amusing laugh riot.

At the very least, we can say with some confidence that the maintenance of driving records has improved markedly in the past two decades. If you get a ticket in California, and cannot have it expunged, there is a much smaller chance that it will slip out of the state's driving record database.

For all its shortcomings, driving record remains a very important factor in any rating scheme insurers put together, and though they strongly challenge the notion that it should be among the three most important factors, none argue that it lacks predictive power.

Mileage Driven

The same can't be said for mileage driven, at least as it is now utilized around the nation. There is certainly a correlation between miles driven and accidents. Alas, it is very difficult to measure miles driven. At the moment miles driven are almost completely self-reported by drivers, who overwhelmingly choose (usually with the guidance of their insurance agent) to lie about how much time they spend on the road.

Insurers could look at odometer readings at the time of a claim and discover that the car had been driven far beyond the claimed mileage at the time of application and possibly refuse to pay a claim based on a false application. But there is no chance such an act would stand up in court, especially given the lack of effort by insurers to confirm mileage data. Instead, insurers are getting better every day at estimating miles driven, using mapping technology and other tools. But it is still an imperfect data point to say the least.

Driving Experience

Finally, years of driving experience is certainly useful, but only at the extremes – very young and very old. And ironically this is exactly the kind of factor that consumers can do nothing about. If you can't ask people to change where they live – a perceived weakness of territory – then how can you argue that your age is a "fair" factor. Indeed, it is the one auto insurance factor that dances on the edge of society's laws against age discrimination.

Bad Idea

When you add these things up, there is no doubt that the unimplemented rating scheme of Prop. 103 – while clearly the law of the state – is a bad idea that would lead to a chaotic market that delivers a highly inefficient and highly costly subsidy for urban drivers. Better to simply surcharge suburban and rural rates and send direct subsidies to urban drivers, if that is a true and viable public policy goal. Alas, most supporters of Prop. 103 are not brave enough to be honest about what is really going on. ■

Brian Sullivan is editor of *Auto Insurance Report,* a weekly newsletter in which this article first appeared.

Regulating Brokers: It's a Brand New World

Regulatory Roundup

by
Stroock & Stroock &
Lavan LLP

UNITED STATES – Regulation requires insurers to report suspicious transactions
On November 3, the Federal Register published an amendment to the regulations implementing the Bank Secrecy Act, which will require insurers to report suspicious transactions to the Financial Crimes Enforcement Network. The rule requires insurers to obtain customer information from all relevant sources, including from its agents and brokers, necessary to properly report suspicious transactions involving the purchase of any products covered by the rule. The covered products that are applicable to the issuing, underwriting or reinsuring by an insurer include permanent life insurance policies (except group life insurance policies), annuity contracts or any insurance product with investment or cash value features, as these products possess features that make them susceptible to being used for money laundering or the financing of terrorism. An insurer that offers exclusively other kinds of insurance products, such as a property and casualty insurance policy, is not required to report suspicious transactions. Insurers subject to the rule will have to meet minimum compliance requirements by incorporating policies, procedures, and internal controls based upon the insurer's assessment of the money laundering and terrorist financing risks associated with its products. Insurers will also have to designate a compliance officer who will be responsible for ensuring that the anti-money laundering program is implemented effectively, including monitoring compliance by the company's insurance agents and brokers, as well as provide for on-going training of appropriate persons concerning their responsibilities under the program. Suspicious transactions includes, among others, (i) unusual method of payment, particularly by cash or cash equivalents, (ii) early termination of an insurance product, especially at a cost to the customer, or where cash was tendered or the refund check is directed to an apparently unrelated third party, (iii) little or no concern by a customer for the investment performance of an insurance product, but much concern about the early termination features of the product, (iv) the reluctance by a customer to provide identifying information, or (v) borrowing of the maximum amount available soon after purchasing the product. The rule imposes a direct obligation only on insurance companies, but not their agents or brokers. The rule will apply to transactions that involve or aggregate at least $5,000 in funds or other assets occurring after May 2, 2006. *To view the rule published in the Federal Register, visit http://www.fincen.gov/sarforinsurancecompany.pdf*

COLORADO – Legislation requiring emergency medical care coverage in auto policies is defeated
On February 13, House Bill 1036, which mandated that emergency medical care coverage be included in all automobile insurance policies issued in Colorado, was defeated by one vote. The mandatory coverage would have included necessary medical payments for bodily injury, sickness, or disease arising out of the ownership, maintenance, or use of a motor vehicle. Under the Bill, medical coverage would have been required in all automobile liability policies issued or renewed after January 1, 2007 unless the insured, after acknowledging receipt of certain disclosures, rejected the medical coverage. The insurer would have been required to disclose that (i) if the insured declined medical coverage and was not at fault in an accident, the insurer of the at-fault driver would not have to pay or reimburse the insured for medical expenses incurred as a result of the accident until the claim is closed, (ii) if the insured declined medical coverage and was relying on health insurance coverage as a substitute, the insured would be responsible for co-payments, deductibles, limitations on treatment, and exclusions under the health insurance policy, and (iii) if the insured declined medical coverage and was at fault in an accident, a passenger in the insured's automobile would not be reimbursed under the insured's automobile liability policy for any medical expenses incurred by the passenger until the claim is closed. *To view House Bill 1036, visit the Colorado General Assembly's website at http://www.leg.state.co.us.*

The New York-based Stroock & Stroock & Lavan LLP Insurance Practice Group includes Donald D. Gabay, Martin Minkowitz, William D. Latza and William Rosenblatt. The Insurance Practice Group also includes insurance finance consultants Vincent Laurenzano and Charles Henricks. They gratefully acknowledge the assistance of Robert Fettman, an associate of the group. This column is intended for informational purposes and does not constitute legal advice.

MASSACHUSETTS – Legislature passes bill mandating health insurance coverage

The Massachusetts House of Representatives on November 3 passed HB 4463, a broad health care legislation that, if signed into law, will require businesses with more than ten employees in the state to provide health insurance to its employees or contribute a percentage of its payroll to a fund, known as the "Commonwealth Care Fund" (the "Fund"), that will provide subsidized insurance to low-income residents. Effective July 1, 2006, the Bill would require employers with 11-100 employees to contribute 3% of their payroll to the Fund and employers with more than 100 employees would be required to contribute 5%. The contribution rate would increase to 5% and 7%, respectively, effective July 1, 2007. Employers would receive a tax credit for their health insurance expenses. The Bill provides that the required amount to be paid by an employer into the Fund is reduced by an amount equal to the employer's expense for employee health benefits, including health insurance, and contributions to employee health savings accounts, that are or would be deductible as medical care under federal tax law. Therefore, if an employer's health care cost is greater than its contribution rate, the employer would not be obligated to make any contributions to the Fund, but if the employer's health care cost is less than the contribution rate, the employer would be required to pay the differential into the Fund. Employers with ten or fewer employees are exempt from providing health insurance or contributing to the Fund. The Bill also requires individuals to obtain health care coverage by January 1, 2007. Individuals who fail to obtain health insurance coverage, except in instances of extreme hardship, would face penalties, such as being blocked from renewing their driver's licenses. The Bill, if passed by both houses of the legislature and signed by the Governor, currently includes an effective date of July 1, 2006. *To view HB 4463, visit http://www.mass.gov/legis/bills/house/ht04/ht04463.htm*

SOUTH DAKOTA – Federal court strikes down producer countersignature law

On November 29, a federal district court judge in South Dakota ruled that the state's countersignature law, one of the last remaining countersignature laws in the nation, is unconstitutional. The law required nonresident agents or brokers selling policies for use in South Dakota to obtain a countersignature from a licensed resident agent and pay a countersignature fee to the resident agent. The court, in *Council of Insurance Agents & Brokers v. Viken* (Case No. CIV 04-3003, 2005 D.S.D. 21), determined that "nonresident insurance agents and producers licensed in South Dakota have a fundamental right or privilege to place insurance in the State of South Dakota which right is protected by the Privileges and Immunities Clause [of the United States Constitution]." Accordingly, such nonresident producers have a right to place insurance in South Dakota on terms of substantial equality with South Dakota licensed resident agents. The state's argument that countersignatures offer state residents the opportunity to have personal contact with a local insurance agent was rejected in part because, "no reasonable consumer makes a trip to his insurance agent's office each time there is a question or concern about an insurance policy, even if the agent is just across town. Rather, most questions or concerns that South Dakota businesses or individuals have about their insurance policies would be handled over the telephone or by some similarly convenient means." The court determined there is no persuasive evidence that nonresident licensed agents are less available to their clients than resident agents. As such, there exists no valid reason for the difference in treatment between resident and nonresident licensed insurance agents. *To view the decision in Council of Insurance Agents & Brokers v. Viken, visit http://www.namic.org/pdf/051129SDCIABVsViken.pdf.*

WISCONSIN – Governor vetoes cap on malpractice damages

On December 5, Governor Jim Doyle vetoed Assembly Bill 766, which would have capped the amount awarded for pain and suffering to medical malpractice victims. The Bill would have created a limit on noneconomic damages for each occurrence of medical malpractice of $550,000 for persons under the age of 18, and $450,000 for persons age 18 and over. The Bill stated that the Wisconsin Supreme Court found the current limit on medical malpractice to be unconstitutional because the limit violated the equal protection provision of the Wisconsin Constitution. As a legislative finding, the Bill declared that a cap on noneconomic damages, together with mandatory liability insurance coverage for health care providers, mandatory participation in the injured patients and families compensation fund by health care providers and unlimited economic damage awards, ensures adequate compensation for victims of medical malpractice. *To view Assembly Bill 766, visit http://www.legis.state.wi.us/2005/data/AB-766.pdf.*

Casual Observations

Let's lose the clipboards

Q: *How do you squeeze $140 billion in savings from our nation's health care system?*
A: *Move to medical record computerization.*

Just think of it. With records computerization, our complete medical histories would be available to every physician with whom we come in contact. No more sitting hunched over a clipboard struggling to remember which of your appendages have been removed and when. No more racing with other patients to complete your form so your wait-time clock can begin ticking. Medical record computerization is really not an outlandish idea for the 21st Century. In fact, it's way overdue and *$140 billion* ain't hay.

Everyone has his or her own medical records horror story. We were appalled recently when after squirming our way through an MRI, we were told the best way to transmit the results to our doctor was to pick them up ourselves and hand deliver them. Plumbers and electricians routinely e-mail us their estimates, yet we have to act as a delivery boy for our own medical records? It boggles the mind.

When a policyholder complains to our Insurance Department's Consumer Services Bureau, his complaint history is immediately available to the Department's examiner. When a consumer looks for a used car, that vehicle's repair history is electronically accessible. Yet every time we're directed to a new specialist, we're given that damn clipboard.

Most folks tend to repress the unpleasant chapters of their lives, especially those that involve medical procedures. As a result our brains are in constant conflict: one part working to block such memories; another desperately struggling to retain them so that each new doctor we encounter is properly informed. It's an internal battle that leads to omissions, misinformation and, at times, misdiagnoses.

Although legislators from both sides of the aisle support national medical record computerization, legislation promoting the idea quietly died last year. Early this year, President Bush added his endorsement so perhaps it's a concept whose time has finally arrived.

The Wall Street Journal recently reported it is now almost as expensive for employers to pay their employees' mortgages as it is to pay their health insurance premiums! And higher health insurance premiums have invariably led to insureds bearing more and more of the financial burden, whether through higher co-pays and deductibles or Health Savings Accounts.

According to the Medical Group Management Association, a typical multi-specialty physician practice now employees *five* support staff for every one physician. This ratio would be dramatically reduced with the introduction of medical record computerization and insurance costs, we trust, would be pared accordingly.

Sure there are privacy issues, but they're hardly insurmountable. We eagerly anticipate the day when the medical history clipboard is as outdated as, say, the house call.

— W.C.

CHICAGO

The 2006 IRES Career Development Seminar

August 6-8, 2006 Hyatt McCormick Place

Fill out and mail to IRES: 12710 Pflumm Rd, Suite 200, Olathe, KS 66062

Registration Form

Yes! Sign me up for the 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) $305
- ☐ Industry Sustaining Member $495
- ☐ Non-Member Regulator $440
- ☐ Retired IRES Member $120
- ☐ Industry, Non-Sustaining Member $765
- ☐ Spouse/guest meal fee..... $80

PAID Spouse/Guest name

Hotel Rooms: You must book your hotel room directly with the Chicago Hyatt McCormick Place. The room rate for IRES attendees is $150 per night for single-double rooms. Call group reservations at 800-233-1234 or 312-567-1234. The IRES convention rate is available until July 6, 2006 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. See the hotel's web site at http://www.mccormickplace.hyatt.com To book a room online at the Hyatt site use Group Code G-REGS

Cancellations and refunds

Your registration fee minus a $25 cancellation fee can be refunded if we receive written notice before July 6, 2006. 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, 2006.

If registering after July 6, 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.

Insurance Regulatory Examiners Society™

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

BULLETIN BOARD

COMPLIANCE ANALYST — Esurance is seeking a compliance analyst to respond to DOIs, Better Business Bureaus, and consumer complaints in a timely and accurate manner. Other responsibilities include assisting with coordination of market conduct exams and carrier and agency audits. Two years of underwriting experience preferred and a bachelor's degree and/or equivalent work experience is desired. To apply, go to www.esurance.com. Go to "About Us" and click on Jobs link. Cite referral source as IRES.

SENIOR COMPLIANCE ANALYST; MANAGER, COMPLIANCE — Kanawha Insurance needs life and health compliance people to fill newly created positions. Analyst position requires in-depth, hands-on experience in legislative review, analysis and reporting, policy drafting; state filing and marketing material review. The requirements include 4 or more years life and health compliance experience in a multi-state compliance environment. Manager position requires 6 or more years life and health compliance experience with 5 or more years management experience. Submit resume to: KHS-HR 79, P.O. Box 610, Lancaster, SC 29721-0610. E-mail: human.resources@kmgamerica.co

FINANCIAL, MARKET CONDUCT AND INFORMATION SYSTEMS EXAMINERS — RSM McGladrey seeks examiners to work in our Insurance Regulatory practice, performing risk based examinations & regulatory consulting services. Overnight travel is required. We seek individuals with a Bachelors degree and several years of State Insurance Department regulatory experience, Internal Audit experience, or Public Accounting experience. Outstanding interpersonal, multi-tasking, organizational, leadership and analytical skills also required. Pursuit of AFE/CFE, AIE/CIE, CIA, CPA, CISA or similar designations strongly desired. TeamMate and ACL/Access experience a plus. Visit www.rsmmcgladrey.com and apply online, or send resumes to: bettina.mcdavid@rsmi.com.

BULLETIN BOARD items must be no more than 75 words, and must be accompanied by the sender's name, e-mail address and phone contact information. Submit plain, unformatted text without special font stylings, underlined hyperlinks or special margins and headings. A submission will be posted in the next edition of *The Regulator* as well as on the IRES Web site.

The Regulator®

Published by the
Insurance Regulatory Examiners Society
12710 S. Pflumm Rd., Suite 200, Olathe, Kansas 66062

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Focus on PERSONAL LINES

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