

Market Conduct Advisory Organizations Examinations: “The Who, The What, The Where and The When”

By: Barry L. Wells, Risk & Regulatory Consulting, LLC

Passion is not a word often used in describing insurance regulation. However, I welcome this opportunity to share one of my passions-performing examinations of Insurance Advisory Organizations (Organization or AOs) or statistical organizations as AO's are sometimes referred to. There is a difference which we will discuss later in this article. Organizations play a critically important role to their clients (members) state insurance regulators and the National Association of Insurance Commissioners (NAIC). The work an AO does enhances the confidence members have in the accuracy of the data collected and submitted to the AO for review and “processing.” So too regarding the NAIC where one of the organization’s primary responsibilities is submitting the member’s data in an accurate and timely manner. In the era of big data, this aspect of an organization’s responsibility is more important than ever.

Market Conduct examinations of Advisory Organizations have a number of unique characteristics, which include but are not limited to the following:

Examinations are performed as multi-states;

Market conduct, actuarial, and information technology experts must be involved in the examinations;

The Advisory Organization Examination Oversight (D) Working Group (AOEOWG) of the NAIC, works directly with insurers and provides coordination of the examinations with the managing and lead states;

- Market Conduct Examinations are routinely performed on an ongoing 5-year schedule
- In many instances, especially for smaller organizations, the market conduct process will be new and will require the Examiner in Charge (EIC) to spend more time with the organization in explaining the process



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MARKET CONDUCT ADVISORY ORGANIZATION EXAMINATIONS - CONTINUED

The AO's role and responsibility is primarily involved in collecting and reporting loss experience and related statistical information, which is then reported to regulators and the NAIC. This report includes information related to loss activity and trends, particularly loss cost. Individual members utilize the loss cost information and add their own expense costs upon which the insurer will set their own rates. This of course is not the only service an organization provides.

A more expanded list of organizations' services includes but is not limited to the following:

- Produce statistical reports per regulators requirements
- Develop filings to state insurance departments
- Collect statistical data from members, subscribers, or any other source
- Prepare, file, and distribute prospective loss costs, which may include provisions for special assessments
- Prepare and distribute factors, calculations, or formulas pertaining to risk classification, territory, increased limits, and other variables
- Classification and inspection services
- Develop policy forms
- Residual Market Administration
- Loss Control Services
- Training
- Address special NAIC projects

The full list of current permitted practices is identified in the NAIC Market Regulation Handbook (Handbook), Chapter 29 (previously Chapter 25). It is also important to understand that organizations continue to evolve, in terms of the services they provide, as the insurance industry advances new products and services. For example, the advent of telematics, cybersecurity, and drone technology is triggering the need for new insurance products.

The following high-level summary provides insight into the background and robust history of organizations and their evolution. As a result of the South Eastern Underwriters litigation, in 1944 the court overturned the precedent that insurance was not considered interstate commerce. The insurance industry, including rating organizations, came together out of a concern that significant insurance regulatory changes were on the horizon. The industry sought intervention from the United States Congress to act. The result was the McCarran-Ferguson Act, which afforded insurers a limited exemption from federal antitrust laws on the basis that the states regulated the industry.

The states adopted McCarran-Ferguson, which was then followed by their action to enact laws regulating rates. A model law, driven by insurance associations and state regulators, was developed and adopted by the NAIC in 1946. Over the course of the next 20 years, insurers and state regulators began to scrutinize the existing rating process with a focus on issues competition, such as evolving to (rating) laws which were more focused on the competitive nature of rate making and addressing economic conditions for a particular state. Regulators supported the insurers' position to review current rating practices and to consider changes. This would place the insurers in a better position to address competition. The evolution continued into the 1980s when the NAIC adopted model laws containing "file and use" and "use and file" concepts. The formation of an NAIC working group in 1989 was established and a mandate to review and monitor rating organizations.



MARKET CONDUCT ADVISORY ORGANIZATION EXAMINATIONS - CONTINUED

The name "Advisory Organization" was embraced in the 1990s, in place of organizations previously referred to as rating bureaus. This change was promoted to more accurately reflect the rate of information gathering and policy form development responsibilities that these organizations represent as well as to emphasize the advisory nature of the organizations to their members.

The NAIC defines an advisory organization to mean:

"Any entity, including its affiliates or subsidiaries, which either has two (2) or more member insurers or is controlled either directly or indirectly by two (2) or more insurers and which assists insurers in rate making-related activities."

Are "Advisory Organizations" and "Statistical Agents" the same? Not really, and the NAIC clarified in 1997 through a model regulation defining Statistical Agents as:

"An entity that has been designated by the commissioner to collect statistics from insurers and provide reports developed from these statistics to the commissioner for the purpose of fulfilling the statistical reporting obligations of those insurers."

This model has been adopted by about half of the U.S. jurisdictions.

Advisory Organizations vary from state to state and come in all shapes and sizes. For example, the largest Advisory Organization is the National Council on Compensation Insurance (NCCI) which is used by most states. NCCI provides worker's compensation advisory services to 36 states. Of the remaining state, 11 enacted laws to establish Independent Bureau States and four enacted Monopolistic States.

The network of organizations and Statistical Agents is all-encompassing and includes National (e.g., ISO Data, Inc., National Independent Statistical Service), regional (e.g., National Flood Insurance Program: Bureau & Statistical Agent Regional Support Offices), and special-purpose (e.g., Workers' Compensation Insurance Rating Bureau of California) Statistical Agents collecting insurers' data, which may vary but addresses the majority of states. Statistical agents are licensed or registered in many states. Similarly, there are national (e.g., ISO, Inc., AAIS) and regionally (e.g., ACORD) licensed Organizations.

Now that we have a better understanding of the background and framework of an organization, let us consider the role and responsibilities of the AOEWG and the managing lead states. Formed in 1989, the AOEWG's purpose focused on monitoring the activities of organizations.

MARKET CONDUCT ADVISORY ORGANIZATION EXAMINATIONS - CONTINUED



For 2021, the AOEWG adopted changes, including the following:

- Revise the protocols, as necessary, for the examination of national or multistate advisory organizations (includes rating organizations and Statistical Agents) to be more comprehensive, efficient, and possibly less frequent than the current system of single-state exams. Solicit input and collaboration from other interested and affected committees and task forces
- Monitor the data reporting and data-collection processes of advisory organizations (including rating organizations and statistical agents) to determine if they are implementing appropriate measures to ensure data quality. Report the results of this ongoing charge as needed
- Actively assist with and coordinate multistate examinations of advisory organizations (including rating organizations and statistical agents)
- Solicit and encourage the involvement of participating states

Additionally, the AOEWG seeks opportunities to improve the overall efficiency of the examination process. Over the past several years the AOEWG consulted with organizations regarding the Handbook standards that guide a market conduct examination.

The organizations provided input and feedback concerning the efficacy of particular standards, helping to make the examinations more robust and efficient. Further, the AOEWG introduced the NAIC's Comprehensive Annual Analysis form (CAA), which is completed by each organization to assist the AOEWG and regulators to better understand the activities of organizations, which in turn assists in defining the scope of Examinations. The information submitted by the organization notes any significant changes made in the operation of an organization's business during the prior 12 months.

The other stakeholders involved in the process when an examination or an organization is called the managing and lead states. Their role is extremely important to the overall examination process. The managing lead state representative typically aligned with the Department where the organization is domiciled, works closely with the Examiner In Charge (EIC) and examination team to ensure the work is managed in an efficient and timely manner. Additionally, the managing lead state coordinates matters with the other lead states to help ensure there is a consensus regarding the ongoing examination process, especially regarding problematic issues, which may develop during an examination.

Finally, the following information considers the goals and objectives of market conduct examinations of organizations and some of the unique characteristics of the examination process. The primary goal of the examination is to review and evaluate how the organization is performing its permitted regulated functions consistently.

MARKET CONDUCT ADVISORY ORGANIZATION EXAMINATIONS - CONTINUED

The scope of the examination may include the following areas:

- Operations, Management and Governance
- Statistical plans
- Data Collection and Handling
- Correspondence with Insurers and States
- Reports, report systems, and other data requests
- Ratemaking functions
- Classification and Appeal Handling
- Form Development
- Inspection Services
- Residual Market Functions
- Assigned Risk Functions

Unlike traditional market conduct examinations where it may be determined that an insurer is in violation of state laws, an examination of an organization is seeking to determine if the AO is compliant with their approved responsibilities and the relevant standards included in Chapters 16 and 29 and Appendix F and G of Chapter 29. Consequently, the treatment of “Findings” is managed differently.

As referenced earlier, one of the unique characteristics of an examination of an organization includes the involvement of key experienced and skilled resources. These resources include actuarial, information technology (IT), and market conduct specialists, who have a comprehensive understanding of the market conduct process and understand the unique nature of the roles and responsibilities of an organization.

For example, actuaries fulfill an incredibly important aspect of the examination in investigating, evaluating, and testing the following:

- Loss Development Factors
- Trend Factors
- Procedure for Wind and Water losses (where applicable)
- Procedure for Hurricane losses (where applicable)
- Extension of Exposures or on-level factors
- Credibility Procedures
- Increased Limits Factors
- Loss Adjustment Expenses
- Classification Relativity Analysis
- Use of Models



Other aspects the actuarial examiners will consider are the organizations’ loss cost/rate filing protocols and assessing the “strength” of an AO’s actuarial staff. For example, are the AOs actuaries credentialed? Is there an actuarial peer review process in place and do the actuaries adhere to the Actuarial Standards of Practice?

The market conduct resources provide continuity of the regulatory and examination process. Additionally, the market conduct examiner is focused on investigating and testing the Chapter 16 standards, where applicable. The market conduct expert will also provide a level of support to the actuarial and IT professionals. As referenced the level of continuity that the market conduct resource brings is a distinct advantage in ensuring the examination progresses in a timely and efficient manner.

MARKET CONDUCT ADVISORY ORGANIZATION EXAMINATIONS - CONTINUED

Data is at the heart of everything an organization does on behalf of its members and which state regulators are dependent on. As such, investigating and testing the completeness and accuracy of data the organization receives from its members is the primary focus of the IT professional. The IT resources investigation may include the following areas:

- How the Organization processes, edits and manages the data collected from Members
- Members process in collecting, compiling, and reporting
- The level of training and experience of the Organization's IT staff
- Change management
- Physical security
- The Organization's IT environment
- Controls and safeguards for protecting the integrity of computer information
- Wireless applications and safeguards, virus management, disaster recovery planning, and business continuity

It was a pleasure contributing this piece to *The Regulator*. For me performing market conduct examinations of organizations are very rewarding. The work is interesting and challenging and the examination team has the opportunity to become immersed in an aspect of insurance that not all of us have the opportunity to experience. Collaboration with team members and lead states and the AOEWG is an added plus. Together, the entire team must closely collaborate with one another to meet the goals and objectives of the examination in a seamless manner.

I wish to acknowledge the public background research information that forms the basis of the article is largely from the NAIC and the review of various other relevant materials, which was a great asset.

ABOUT THE AUTHOR:

Barry Wells is a Senior Director with Risk & Regulatory Consulting, LLC (RRC), and has over 30 years of insurance industry and consulting experience. Barry is primarily involved with RRC's market regulation practice for lines of business including, health, property/casualty, and title insurance. He has extensive technical and executive-level experience related to the insurance industry, including evaluating insurance operations and controls, with a focus on claim management, regulatory compliance, and TPA management. Barry's expertise also involves serving as the Senior Director and Examiner-In-Charge regarding multistate market conduct examinations as initiated by the NAIC Advisory Organization Examination Oversight Working Group. He has served IRES in a variety of capacities, including serving as a CDS Vice-Chair for 2017 and 2018. Barry also has his AMCM (Advanced Market Conduct Management).



Northeast Zone



Bulletin INS 20-074-AB, dated Jan. 7, 2021, provides guidance to carriers in complying with RSA 420-G:12-a (Health Plan Loss Information). This bulletin includes the following reminder:

Pursuant to RSA 420-G:12-a (II), upon request by a large employer, a regulated entity "shall provide that employer's loss information within 30 calendar days of receipt of the request." In addition, "the loss information shall include all physician, hospital, prescription drug, and other covered medical claims specific to the employer's group plan incurred for the 12-month period paid through the 14 months which end within the 60-day period prior to the date of the request."

The New Hampshire Insurance Department indicates that it interprets the reporting window requirement of that statutory section "to mean that loss information provided by a regulated entity (1) shall include health care claims processed with dates of service as recent as two months prior to the request for data and (2) that data shall be provided within thirty (30) calendar days." Further information is also provided addressing the reporting timeframe and carrier responses.



SB 8437 created a new insurance code section §3457 which mandates that "every authorized insurer that issues or issues for delivery in this state a policy of commercial risk insurance insuring against losses or liabilities arising out of the ownership, operation, or use of a motor vehicle, shall establish and offer a group fleet policy insuring against the losses or liabilities arising out of the ownership of motor vehicles engaged in the business of carrying or transporting passengers for hire, having a seating capacity of not less than eight passengers." Such insurers are required to establish group fleet policies to make such policies available for purchase no later than Jan. 1, 2021. "Group fleet policy" is defined in the statute as "a policy issued by an authorized insurer in this state insuring against losses or liabilities arising out of the ownership, operation, or use of a motor vehicle engaged in the business of carrying or transporting passengers for hire, having a seating capacity of not less than eight passengers, and such policy shall cover more than one vehicle."

Permitted policy issuance is also provided for in the statute. Requirements applicable to insurers issuing such policies include providing:

- A multiple vehicle reduction based on the number of motor vehicles that will be covered under such policy. Such reduction is to be based on actuarially appropriate reductions
- Each insurer required to provide such reduction shall submit a report to the superintendent at the end of each calendar year identifying the number of policies eligible for such discount and the number of policies to which such discount has been applied

Southeast Zone



Bulletin 2020-07, dated Dec. 11, 2020, provides guidance concerning the statutory requirements for the timely payment of property and casualty claims to both first party insureds as well as third party claimants. Two specific statutory sections, La. R.S. 22:1892 and La. R.S. 22:1973, are referenced, with detailed lists of required claims handling practices. The Bulletin further provides that "insurers owe a duty of good faith and fair dealing to their insureds in the claim handling process. Insurers who fail to comply with the statutory requirements regarding the timely payment of claims and settlements may be subject to regulatory action by the Louisiana Department of Insurance."



Effective Jan. 1, 2021, 14 VAC 7-10-10 thru -80 establish standards for a certified application counselor program by the Virginia Health Benefit Exchange (Exchange) in accordance with § 38.2-6514 of the Code of Virginia. A Certified Application Counselor Designated Organization (CDO) is defined as "an organization designated by the Exchange to certify its staff members or volunteers to act as certified application counselors who perform the duties and meet the standards and requirements for certified application counselors." Those standards and requirements are set forth in the referenced Chapter 10, as well as in 45 CFR 155.225. Standards established include those for the designation of those organizations, the certification of application counselors, the duties of certified application counselors, and prohibitions on fees, consideration, solicitation, and marketing.

*Kathy
Donovan*



Zoning In - CONTINUED

Midwest Zone**Iowa**

Bulletin 21-01 dated Jan. 4, 2021 addresses the annuity "Best Interest" regulations adopted in 2020. The Iowa Insurance Division (IID) indicates its intention to monitor implementation for a period of 12 months starting Jan. 1, 2021, the effective date of the regulation. This Bulletin further states that "the IID believes this is an appropriate timeframe for insurers to conduct the requisite operational changes to their systems to establish internal processes to comply with the regulation. During this period, the IID will consider good faith efforts to be significant as we work with industry to implement these enhanced consumer protection standards." IID also reminds insurers of its previously issued Bulletin 20-12 which provides information related to training requirements and available training approved by the IID.

**Michigan**

HB 4508, effective Dec. 29, 2020, created new Chapter 12B which applies to travel insurance. Such insurance is defined as a policy that covers a Michigan resident and is sold, solicited, negotiated, or offered in Michigan and for which policies and certificates are delivered or issued for delivery in the state. The bill also provides for applicable definitions, as well as other statutory requirements addressing issues such as rate and form filings, methods and conditions for the offering of travel protection plans, controlling chapters (e.g. chapter 20 or 12B), sales and advertising documents, fulfillment materials, eligibility and underwriting standards.

Regarding travel insurance product filing requirements, HB 4508 specifies:

- Notwithstanding any other provision of this act, travel insurance is classified and must be filed for purposes of rates and forms under an inland marine line of insurance. However, travel insurance that provides coverage for sickness, accident, disability, or death occurring during travel, either exclusively or in conjunction with related coverages of an emergency evacuation or repatriation of remains, or incidental limited property and casualty benefits such as baggage or trip cancellation, may be filed by an authorized insurer under either an accident and health line of insurance or an inland marine line of insurance
- Travel insurance may be in the form of an individual, group, or blanket policy
- Eligibility and underwriting standards for travel insurance may be developed and provided based on travel protection plans designed for individual or identified marketing or distribution channels if those standards also meet this state's underwriting standards for inland marine

Western Zone**Oregon**

Effective January 22, 2021, the former temporary Insurance Regulations OAR 836-054-0400 and OAR 836-054-0410 that were previously adopted on July 27, 2020, were made permanent.

OAR 836-054-0400 provides that expiration of an emergency order is a valid reason to cancel a commercial liability policy under ORS 742.702 if the emergency order was the sole reason the policy was renewed.

OAR 836-054-0410 provides that an insurer may cancel a commercial liability policy if:

- (1) The insurer was required to renew the policy by an emergency order issued by the director
- (2) The cancellation is not due to claims resulting solely from the circumstances on which the emergency order was based, except in cases of fraud or material misrepresentation
- (3) The insurer has provided 45 days written notice to the insured and insurance producer, if any; and
- (4) The cancellation does not violate any other law or order by the director

**Washington**

Effective Dec. 25, 2020, WAC 284-30-595 sets forth regulatory requirements applicable to documented expenses for implementation credits addressed by RCW 48.30.140 and 48.30.150. Specifically, "an insurer may issue payment to offset a documented expense that is incurred by a group policyholder while transferring from one policy to another policy provided that the insurer maintains evidence of the documented expense for three years from the date of the expense. An insurer will describe in the policy or in any such filing with the commissioner that the payment made to the group policyholder will not exceed the amount of the documented expenses." WAC 284-30-595 further specifies that the failure to maintain and document an expense incurred by a group policyholder constitutes an unfair trade practice.



ZONING IN - CONTINUED

Western Zone**Wyoming**

Bulletin No. 01-2021, dated Jan 8, 2021, provides guidance regarding the practice of balance billing consumers as a result of a motor vehicle or trailer damage claim. This Bulletin "applies to all motor vehicle policies issued in Wyoming, including but not limited to private passenger automobiles, recreational vehicles, commercial vehicles, motorcycles, or any other risk insured as a motor vehicle or trailer." Three options available to an insurer regarding the adjustment of these types of claims are included, as well as steps to be taken in certain claims settlement decisions including documentation and consumer communications.

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NAIC MARKET REGULATION & CONSUMER AFFAIRS (D) COMMITTEE UPDATE

1/29/2021

With 2020 in the rearview mirror, I am sure all of us are looking forward to moving ahead into 2021. While the NAIC Members are still discussing the strategic priorities for 2021, this article provides a summary of the Market Regulation and Consumer Affairs (D) Committee activities towards the end of 2020 and a preview of what to watch for in 2021.

Committee Leadership

Commissioners Barbara Richardson (NV) and Sharon Clark (KY) will return as Chair and Vice-Chair of the Market Regulation & Consumer Affairs (D) Committee. Commissioner Trinidad Navarro (DE) will return as the Chair of the Antifraud (D) Task Force and Commissioner Tynesia Dorsey (OH) will serve as the Vice-Chair. Commissioner Mike Kreidler (WA) is the new Chair of the Market Information Systems (D) Task Force and Director Chlora Lindley-Myers (MO), will return as the Vice-Chair. Finally, Director Larry Deiter (SD) and Superintendent Elizabeth Kelleher Dwyer (RI) will return as Co-Chairs of the Producer Licensing (D) Task Force.

Market Conduct Examination Standards

The Market Conduct Examination Standards (D) Working Group has been renamed the Market Conduct Examination Guidelines (D) Working Group to reflect its broader focus in 2021. While the Working Group will continue to develop market conduct examination standards and standardized data requests, the Working Group has four new charges in 2021. The first new charge is to develop uniform market conduct procedural guidance, such as market conduct exam templates to be included in the NAIC's *Market Regulation Handbook*. As these resources are developed state insurance regulators will have ready-to-use templates for examinations and companies will have a better understanding of what correspondence might be expected during an examination. With the ongoing discussion of new data sources and technology by the insurance industry, the second new charge of the Working Group is to coordinate with the NAIC's Innovation and Technology (EX) Task Force to develop market conduct examiner guidance for the oversight of insurers' use of insurance and non-insurance consumer data and models using algorithms and artificial intelligence (AI). Finally, two concepts familiar to financial regulators will be reviewed from the perspective of market conduct regulation. The Working Group has a new charge to

discuss the effectiveness of a group's supervision of market conduct risks and a new charge to discuss the role of market conduct examiners in reviewing insurers' corporate governance as outlined in the NAIC's Corporate Governance Annual Disclosure Model Act (#305) and Corporate Governance Annual Disclosure Model Regulation (#306).



Tim Mullin

COMMITTEE UPDATE - CONTINUED

Consumer Data Privacy Protections

Data privacy will continue to be a priority issue for the Market Regulation & Consumer Affairs (D) Committee with the Privacy Protections (D) Working Group continuing to focus on what consumer rights are appropriate for the collection, use, and disclosure of information gathered in connection with insurance transactions and whether the appropriate consumer protections are included within existing NAIC privacy models. With additional Federal focus on large data companies, there could also be renewed discussions on federal data privacy standards that will impact the insurance industry. During the first quarter of 2021, the Working Group will continue to focus on what privacy standards should apply to the business of insurance, a summary of what standards are already in place, and standards that need to be incorporated into the NAIC's Insurance Information and Privacy Protection Model Act (#670) and Privacy of Consumer Financial and Health Information Regulation (Model #672).

Market Conduct Annual Statement and Market Analysis

While not a recent development, state insurance regulators will collect Private Flood data through the Market Conduct Annual Statement (MCAS) for the first time in 2021. The Market Conduct Annual Statement Blanks (D) Working Group is continuing to develop an "Other Health" MCAS blank as well as the Travel Insurance MCAS blank.

The Market Analysis Procedures (D) Working Group will continue focusing on revisions to the MCAS Best Practices Guide and market analysis chapters of the NAIC Market Regulation Handbook considering the changing technology available to state market analysts. Finally, there continue to be discussions regarding the potential collection of transaction-level data. While state insurance regulators remain interested in the collection of transaction-level data, regulators have also recognized the collection of this type of data does not currently fit into the current structure of MCAS reporting and the review of this type of data could potentially place an unreasonable strain on available state resources. Additional discussion regarding the collection of transaction-level data may occur later in 2021.

Antifraud

During the 2020 NAIC Fall National Meeting, the Antifraud (D) Task Force presented revisions to the NAIC's Antifraud Plan Guideline. The purpose of the guideline is to establish standards for state fraud bureaus and insurance company Special Investigative Units (SIUs) regarding the preparation of an Antifraud Plan for submission to a state insurance department. The concept of mandating the submission of an insurer fraud plan was developed to encourage insurers to proactively address fraud by drafting a plan and having measures in place to fight fraud.

The revisions to guidelines will assist insurers in taking a logical and comprehensive approach to develop an anti-fraud plan and help eliminate requirements that were overly burdensome or addressed functions that are no longer performed by insurers' SIUs. In addition, new provisions incorporated existing state requirements to address hurdles faced by fraud directors in investigating allegations of producer misconduct and insurance fraud.

The NAIC Membership will consider the adoption of the revised Guideline during the 2021 NAIC Spring National Meeting. If adopted, the Antifraud (D) Task Force will move forward with using the Guideline as a foundational component for further discussions on the creation of a centralized file repository system at the NAIC to help streamline insurers' submission of antifraud plans nationwide.

Producer Licensing

State implementation of remote examinations continues to occur with 28 states offering remote, proctored examinations at the end of 2020. More information on state implementation of remote examinations can be found on the National Insurance Producer Registry home page at www.nipr.com.

While immediate movement on the formation of the National Association of Registered Agents and Brokers (NARAB) is unlikely, the change in administration might provide a new focus on NARAB. NARAB, as set forth in the National Association of Registered Agents and Brokers Reform Act of 2015, will be an independent non-profit corporation, controlled by a 13-member Board of Directors, comprised of eight current or former state insurance commissioners and five insurance industry representatives. The Board members are appointed by the President of the United States and are subject to Senate confirmation.

COMMITTEE UPDATE - CONTINUED

Producer Licensing - continued

Once operational, NARAB will establish membership criteria through which producers can obtain nonresident authority to sell, solicit or negotiate insurance. In other words, NARAB will act as a central clearinghouse allowing an insurance producer licensed in his/her home state to become a member of NARAB and then sell, solicit, or negotiate in every other state in which the producer intends to do business. A producer who wishes to become a member of NARAB will be required to pass a criminal background check, pay a NARAB membership fee, and pay appropriate state licensing fees.

Finally, the Producer Licensing (D) Task Force has requested the Producer Licensing Uniformity (D) Working Group to review the uniform licensing standards for pet insurance. These discussions are likely to begin in the first quarter of 2021 and focus on three potential options. The first option is to confirm the current NAIC Uniform Licensing Standards, which recognize states may either require a major line of authority to sell pet insurance or require a limited line of pet insurance. The second option might be a recommendation that a major line of authority should be required to sell pet insurance, which would eliminate recommended limited line licensing definitions for pet insurance in the NAIC's Uniform Licensing Standards. Finally, the Working Group could recommend pet insurance become another core limited line all states should adopt, similar to credit insurance or travel insurance.

Voluntary Market Regulation Certification Program

While the next steps in 2021 for the Market Regulation Certification Program are still uncertain, the Market Regulation Certification (D) Working Group should be reporting its draft of the revised program to the Market Regulation & Consumer Affairs (D) Committee. These revisions are being suggested by the jurisdictions that participated in the pilot program and conducted self-assessments on their compliance with the standards that address statutory authority, appropriate levels of qualified market conduct staff, collaboration with other jurisdictions, participation in market regulation working groups, and reporting data to NAIC market information databases. Again, the next steps for the program are uncertain; however, there may be a renewed interest with potentially new areas for market conduct review in the future.

This may include the review of insurers' use of data and AI and issues identified by the NAIC's Special Committee on Race and Insurance, which includes a workstream to examine which current practices or barriers exist in the insurance sector that potentially disadvantage minorities.

For anyone wanting additional information about the activities of the Market Regulation and Consumer Affairs (D) Committee, its Task Forces, and Working Groups, please visit the following Web link on the NAIC Website: https://content.naic.org/cmte_d.htm.

ABOUT THE AUTHOR:

Tim Mullen, JD, MBA, CPCU, CIE, MCM is the Director of Market Regulation at the National Association of Insurance Commissioners. He oversees a wide range of activities supporting NAIC committees, task forces, and working groups addressing anti-fraud, consumer services, market analysis, market conduct examinations, and producer licensing. He joined the NAIC in 1997 and was with the Missouri Department of Insurance prior to joining the NAIC. In addition to his work in state government, he worked for Aetna Insurance and was a practicing attorney before joining Aetna. He is a member of the Missouri Bar and the Kansas Bar, the 2009 recipient of the Paul L. DeAngelo Memorial Teaching Award from the IRES Foundation, and past president of the Kansas City CPCU Chapter.





PRESIDENT'S REMARKS

Happy New Year IRES Members! I hope your 2021 is off to a good start. I think many of us were ready for a new year and the turning of the calendar. As I reflect on 2020, as unique a year as it was, I do find many things to be happy about, as I hope you did as well.

As we move forward in 2021, I want to inform you that as of February 1, 2021, IRES will partner with a new Association Management Company (AMC), Miiller/Wenhold Association Management. As of this writing, we are in the transition period from Van Petten Group to Miller/Wenhold. Since we signed the contract in December 2020, Paul Miller and Khea Adams have been working non-stop to learn about IRES and have had video-conference calls with each Committee Chair to understand what their Committee does for IRES membership. We look forward to this partnership. I want to thank the RFP Committee for their time and diligence throughout the RFP process.

On behalf of the IRES Executive Committee, Board of Directors, and IRES membership, I want to thank Megan Van Petten and the VPG team for their partnership over the last three years.

I want to remind members that the IRES 2021 Award Nominations are open. I ask that you review the requirements for The Al Greer Achievement Award and The Chartrand Communications Award and make a nomination. The IRES website has further details, including the nomination requirements and process. The nominations are due no later than April 30, 2021.

I know many of you are starting to think about the 2021 Career Development Seminar (CDS) and Regulatory Skills Workshop. Sheri Marston (Chair), Barry Wells (Co-Chair) and George Kalargyros (Co-Chair) are in the process of evaluating the 2021 event. There are many factors to review and assess to determine if IRES will hold our annual CDS in-person in Savannah, Georgia or hold the event virtually as we did in 2020, or a combination of both. We know many of you have concerns with travel, budget restrictions, etc., as those are just a couple of items the Committee is evaluating. As soon as the CDS Committee, along with the Board of Directors has completed the assessment, we will let membership know.

Speaking of conferences, the 2021 IRES Foundation National School on Market Regulation is scheduled for March 23-24 and will be held virtually this year. The IRES Foundation is very supportive to IRES, and I encourage all IRES members to visit the IRES Foundation's website for this year's School Agenda and registration details. They have a great event planned!

As I move through my year as IRES President, I'm finding out it takes a village to be successful, and I'm so grateful for the work our Board of Directors, Executive Committee and Committee Chairs do each month to keep IRES top notch! If you have any concerns or questions, my "door" is open, and I welcome your call or email.

Until next time, stay safe and healthy!

A handwritten signature in black ink that reads "LeAnn M. Crow". The signature is fluid and cursive.

LeAnn M. Crow, AMCM, CICS

Congrats!

NEW MEMBERS & DESIGNEES

New General Members

- Crystal Welsh, Pennsylvania
- Matt David, Illinois
- Patrick Tallman, Illinois
- Alan Klinc, Illinois
- Ansley Fitzpatrick, Virginia
- Maria Zavala, Virginia
- Kirk Stephan, INS Companies
- Jean Tincher, West Virginia
- Katrina Kelly, Alaska

New Individual Sustaining Members

- Christopher Helmick, Hagerty Insurance
- Craig Cunningham, Liberty Mutual Insurance
- John Allen, California Casualty Management Co.

New Firm Sustaining Members

- John Humphries, Risk Priorities Inc.
- Kathryn Neville, ProAssurance

Newest IRES Designees

- Letha Tate - AIE
- Trina Barton AIE
- Shelby Schaben - AIE
- Michael Vogel - AIE
- Stephanie Brown - AIE
- Shelby Lambert - AIE
- Travis Bowden - AIE
- Sarah Miller - AIE
- Debra McNeil - AIE
- Sam Binnun - CIE
- Brett Bashe - CIE



Tell us about yourself

I have been married to Bradley for 9.5 years. We have four grown children (2 sons and 2 daughters) and two fur babies, both rescues. I have a large extended family most located in NM, AZ, TX, and Mexico. I have been with the State of Arizona Department of Insurance and Financial Institutions for 25 years. My current position is Assistant Director of the Market Regulation and Consumer Services Division that includes Consumer Services, Market Conduct, and Health Care Appeals/SOON.

Tell us about your involvement with IRES

I have been an IRES member for about 7 years. My coworker, who served as the IRES State Chair, and participated in the annual CDS seminars talked me into joining. After she retired, I took over as state chair. Since then, I have become an IRES Board member and lead the State Chair Subcommittee.

Tell us why you find involvement with IRES to be valuable

The networking opportunities not only with fellow regulators but others in the industry we serve.

Do you have any wise words/tips for new IRES members or those that are new to insurance regulation?

Jump in and see that the water is fine. Participate in as many activities as possible. Get involved in some of the committees/subcommittees or volunteer to help out. It's a great way to connect with others and learn about them and give them an opportunity to learn about you.

When you are not working, what are your passions/hobbies?

I am passionate about hosting friends and family, cooking big meals for them, creating an inviting environment, and enjoying their company. Some will tell you on more than one occasion these events end up with some sort of board game-playing and lots of banter.

I very much enjoy the outdoors: gardening, hiking, camping. I have a good-sized garden (about 10x30) raised garden bed. I grow everything from chiles, different tomato varieties, and eggplant to all kinds of lettuces, broccoli, cauliflower, kohlrabi to various herbs. I love hiking and I am very fortunate that AZ has an abundance of hiking trails from short-moderate to hard with significant elevation gain. There are trails for all likes.

I love camping. Again, so fortunate that Arizona is a beautiful state and we have made it our goal to camp throughout all the state. My favorite places so far are the North Rim of Grand Canyon, Woods Canyon Lake, Big Lake in NE AZ, and the Chiricahuas. I especially have enjoyed camping and hiking in the National Parks. My favorite National Parks, so far, are Glacier National Park in Montana followed by Grand Tetons in Wyoming and Bryce Canyon in Utah. Several years ago we did a 3.5-week road trip (in our travel trailer) through Arizona, Utah, Idaho, Montana, Wyoming, and Colorado. It was amazing. We covered many miles both by car and foot. The scenery was amazing and the wildlife spectacular. We saw grizzly bears, brown bears, moose, bison, wolf, river otters, beavers, elk, white-tail, mule deer, eagles, condors, and all varieties of birds, just to name a few.

What do you see as your biggest accomplishment?

I believe my biggest professional accomplishment is reaching 25 years so far with the same employer. I have held several positions here and have been fortunate to grow and learn from working with so many great people. I have been blessed with the opportunity to advance and make a difference not only to those I work closely with but the public we serve. I have also been very fortunate to serve in different NAIC groups and have grown immensely from those experiences.





LIGHTING THE WAY TO COMPLIANCE

A MESSAGE FROM SCHOOL CHAIR JENN STEPHEN

2021 IRES Foundation National School on Market Regulation: A Virtual Experience



Join Us!

Please join us for our 2021 IRES Foundation National School on Market Regulation – A Virtual Experience. We have unprecedented representation from the Department of Insurance staff!

17 STATES

6 COMMISSIONERS

28 REGULATORY FACULTY

The School is not only a wonderful educational experience but also offers a unique opportunity to virtually meet and interact with regulators to further your understanding of pressing issues confronting our industry and your organization.

Don't miss out on this opportunity to virtually network with regulators from several states as well as multiple representatives from the NAIC! Senior market regulatory staff from the following states are also confirmed attendees and speakers at our event: **Arizona, California, Colorado, Connecticut, Georgia, Illinois, Kansas, Kentucky, Minnesota, Missouri, Nebraska, New Hampshire, New York, Oregon, Tennessee, Virginia, and Washington.**

Finally, join regulator and industry peers as Commissioner Jessica Altman (Pennsylvania), Commissioner Sharon Clark (Kentucky), Director Chlora Lindley-Myers (Missouri), Director Bruce Ramge (Nebraska), Commissioner Vicki Schmidt (Kansas), and Commissioner Scott White (Virginia), conclude our conference with a virtual roundtable discussion on emerging issues in our industry.

Gain Necessary Knowledge and virtually engage in Valuable Networking at the renowned IRES FOUNDATION NATIONAL SCHOOL ON MARKET REGULATION

**We look forward to seeing you
virtually!**

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Stephanie Duchene is a partner in Mayer Brown’s Los Angeles office and a member of the Insurance group. She focuses her practice on representing insurance companies, producers, and other insurance licensees and insurance-related service providers in complex and sensitive regulatory matters, including negotiating and resolving significant single and multi-state examinations and investigations, counseling clients on compliance with licensing, claims handling, marketing, and advertising rules, and advising clients on the development of new insurance products from initial concept through regulatory approval and into the market. She advises clients on all lines of insurance, including accident, life and health, property and casualty, as well as surplus and excess lines. Additionally, she regularly counsels insurtech companies, traditional carriers, and non-insurance entities on the intersection of insurance law and innovation in the industry.