

A Publication of The Association of Insurance Compliance Professionals



**2009 AICP Annual Conference**  
 Rising to New Challenges  
 October 4-7, 2009  
 JW Marriott Resort and Spa  
 Phoenix, Arizona

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## Rise to the Challenge: Attend the 2009 Annual Conference

Information, networking, new ideas, and updates on the hottest regulatory issues – these are a few of the highlights of the AICP's 22nd Annual Conference, which will be held October 4-7 at the JW Marriott Desert Ridge in Phoenix, AZ.

“Rising To New Challenges” is the theme selected for this year’s conference. It speaks to the fact that successfully navigating the current regulatory environment demands new skills, innovative ideas, and greater knowledge than at any time in the past. That is what this year’s conference is all about – providing you with the information, contacts, and tools you need to rise to today’s compliance challenges.

### An Outstanding Program

The program will include more than 60 sessions, geared to compliance professionals with varying experience levels. From introductory sessions designed to cover compliance basics, to advanced level sessions focusing on specialized areas of regulatory issues, this year’s program offers something for everyone.

### Here are a few of the highlights:

- **Commissioner’s Corner:** A relatively new feature of the annual conference, this has quickly become a “can’t miss” part of the program. Separate sessions will give the invited insurance commissioners the opportunity to air their views -- and answer your questions -- about many of the current issues in the L&H and P&C insurance arenas.
- One of the challenges of doing business in lean economic times is the necessity of doing more with less. Can a company cut compliance costs without cutting corners? Explore this topic in the session “Changes in Insurance Compliance in A Tight Economy.”
- Generational differences in the workplace create communication challenges. A session on this topic will offer tips on bridging the gaps and promoting effective workplace interactions.
- Privacy continues to be a critical concern for insurance companies. In a session on the topic, you will hear about the risks of privacy breaches and their potential costs to an insurer. Join us to learn about the latest in industry standards for protecting confidential client information.

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## President's Message

The AICP is hard at work developing guidelines to help members deal with the exciting new electronic data storage medium known in some circles as the floppy disk. These amazing little devices will allow us to efficiently transfer data from one volunteer's computer to another through the expeditious use of the United States postal system.

While we wait for the first draft of these guidelines, I'd like to share some thoughts with you about technology and change within the AICP.

As an organization we can sometimes be a little slow on the learning curve when it comes to adopting new technology. I think much of this is due to our structure as an entirely volunteer-based organization. To be realistic, it's not like we are paying our volunteers to spend time learning new systems. Luckily, some volunteers enjoy such work and have the time for it. Hopefully this experience will help them at some future point in their careers.

The AICP has suffered some setbacks with technology. You may have noticed that there appear to be glitches in our broadcast e-mail system. Some members receive the same message multiple times while others never receive anything. This is very frustrating for all concerned, especially when we are dealing with time-sensitive notices with fixed-date deadlines. The Website Committee is aware of this issue and is working with our webmaster to fix this problem.

Setbacks aside, we are making progress on many fronts:

- Our website was recently redesigned and can be an excellent resource for members provided that our volunteers keep it updated and timely. The calendar feature has been dramatically improved. Check it out in the events and meetings section.
- People appreciate being able to find our annual conference information online in one place and being able to register online.
- In December 2008 the Board of Directors purchased a videoconferencing package that enables AICP volunteers to put together educational webinars for members. Webinars provide education without the hassles of travel expenses and spending time out of the office.
- A volunteer satisfaction survey was recently distributed to all national-level volunteers to help the AICP gauge the effectiveness of our committees and the general level of our volunteer satisfaction.
- There is now a system in place to allow all AICP volunteers around the country to document their procedures in one place – the AICP administrative manual/wiki. Most members haven't heard of it, but committee leaders have been exposed to it and are responsible for updating it with current policies and procedures for their committees. This tool will grow in importance as people learn more about it and gain experience with it. You can see it at [http://64.78.31.125/index.php/Main\\_Page](http://64.78.31.125/index.php/Main_Page).
- Volunteers are working on implementing a new photo gallery for the AICP website. The Website Committee could use more volunteers to help with this project—especially people who enjoy working with digital photographs and are proficient at minimizing file sizes without sacrificing quality.

If you are interested in learning more about the AICP website or technology issues, we encourage you to contact Laine Lester or Tyrone Settlemier, this year's co-chairs of the Website committee. As I'm sure you know, you can find their contact information in the online membership directory.

**Steve LeHew**

*President, Association of Insurance Compliance Professionals*

Continued From Page 1



## RISING TO NEW CHALLENGES

- **Market Conduct:** The dramatic downturn in the economy has resulted in increased scrutiny of the financial services industry. How are the regulators responding, and what will this mean for the industry?
- **What does the future hold?** Our panel of experts from the trade associations and regulatory community will look into their crystal balls and forecast their views on the future of insurance regulation. What are the various regulatory schemes currently under consideration – and what does it all mean for the insurance industry? Attend the session on “The Future of Insurance Regulation” to find out.
- **Do you have a particular compliance issue or question you’d like answered?** Submit it for discussion at one of the Q&A sessions. Your colleagues will have the opportunity to weigh in, and you might find just the answer you need.

These are just a few of the topics that will be presented. Check out the AICP conference website for more details on the 2009 Annual Conference program.

### Regulator/Industry Interaction

There will be plenty of opportunity for regulator/industry interaction. Join us for one of the regulator roundtable sessions, to discuss topics of interest with regulators and your colleagues. And, for a more extended visit, don’t forget to sign up for the regulator one-on-one sessions.

### Networking, Networking, Networking!

It’s all about relationship building. Even if you think your networking skills are solid, today’s electronic media environment has opened new and innovative ways to connect. Are you making the most of these opportunities? The “Networking Tools” session will bring you up to date on the latest and most effective ways to network.

You will be able to practice those skills in the “Speed to Network” sessions that will give you the opportunity to meet and talk with others in your field. Share ideas -- and business cards -- and come away with a new group of professional contacts. These new networking sessions are sure to be popular and well attended. Don’t miss out.

*Continued on next page*

## Publisher’s Statement

The Journal is published on a quarterly basis for the members of AICP. General correspondence and membership applications should be mailed to: Association of Insurance Compliance Professionals, 12100 Sunset Hills Road, Suite 130, Reston VA 20190-5202. Phone 703-234-4074; fax 703-435-4390. The information contained in the newsletter is complete and accurate to the best knowledge of each contributor. The Association, however, assumes no responsibility. Readers are advised to confirm all information through alternative sources. **Editorial copy may be mailed directly to Darrell Turner or sent to the regional editors.**

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*Continued from page 3*

Networking opportunities will be abundant throughout the conference. From the welcome reception to the gala event, you will have plenty of opportunities to meet old friends and develop new contacts.

### **Update Your Toolbox**

Exhibitors will present the latest tools to assist you in automating compliance functions. You will want to visit the Exhibit Hall often, to have plenty of time to learn about innovative products and services, and to have your opportunity to win valuable prizes.

### **Support a Great Cause**

Bid on a wide variety of items at this year's Silent Auction, and help support a worthy cause. The proceeds of this year's silent auction will be donated to the Arizona Friends of Foster Children Foundation, a nonprofit organization that helps enrich the lives of Arizona's foster children.

### **How Do I Sign Up?**

Registration will open in July. You may access conference information, including the registration form, on the AICP website at <http://www.aicp.net>

We hope to see you there!

**Bill Douglas**, *Conference Chair*

**Penny Kilberry**, *Vice Chair*

**Elaine Bailey**, *Consulting Chair*

## **Salary Survey Summary Offered to AICP Members**

Money has been on our minds a lot lately: money we no longer have, money we're hoarding, and money we're hoping to have in the future. It's the perfect time to step back out of our personal situation and look at the industry overall. So...what's going on with monetary compensation (salaries) in the insurance compliance field?

For answers, AICP members can turn to the annual salary survey prepared by Insurance Compliance Insight. As a service to members and to the industry, the company has provided the AICP with a summary of the survey, which you can find via the AICP Member Page on the website. Past salary surveys are also posted there for your reference. The first page of each survey contains a brief synopsis of the results. The 2009 Salary Survey, for example, states:

<http://www.aicp.net/members/Insight2009SalarySurvey.pdf>

Insurance compliance operations and professionals are being hammered by the economy just like every company and person across the country. Average salaries and benefits are down, fewer employees are working in compliance areas, and people, for the most part, are taking steps to protect their jobs and tighten their personal spending.

The survey summarizes pertinent response data, including regional demographics, time in the industry, time with the company, time in compliance, time on the job, and professional designations. There are some expected results, such as declining compensation for compliance professionals and a general concern stemming from economic conditions, but the survey contains some surprises, too. For example, "Male vice presidents/AVPs and compliance officers are paid more, but women directors outearn men. In a surprising find, women managers and specialists appear to have achieved pay parity."

The word "summary" does not begin to capture the comprehensiveness of the information available in this 17-page report. It will take more than a few minutes to read and totally digest the article, but it contains trend analysis as well as peer advice.

Support a Local Charitable Organization – Bid on your favorite Silent Auction item: proceeds will support the Arizona Friends of Foster Children Foundation

Responses came from compliance professionals across the country from October 2008 to February 2009. They came from all three compliance areas: property/casualty companies, life carriers and (to a lesser degree) health insurers. More than nine in 10 respondents belonged to the Association of Insurance Compliance Professionals; and the great bulk of them (63 percent) have a professional designation.

The 2009 Salary Survey for Compliance Professionals really hits home at a time when it seems that everyone is worried. Thanks to Insurance Compliance Insight for providing the AICP with this material!

Erika Atkins

## Find the Top 10 Reasons to Attend Annual Conference

Given the current challenging economic environment, we understand that your attendance at any industry meeting or conference is contingent upon the value your attendance provides to you and your employer. Numerous activities and initiatives undertaken by this year's Conference Planning Committee are aimed at that objective – to provide you with a value-added experience to give you information, increase your expertise, and strengthen your professional peer network in support of what you take back to your employer.

Hidden within this edition of The Journal are 10 top reasons for your attendance at this year's Annual Conference. The first person to locate, compile and send the top 10 reasons to attend this year's Annual Conference will receive a nice prize. No need for the first person to be present at Conference to win. The remainder of those who send us accurate lists of the top 10 reasons will have their name placed in a bowl, and we will pick a name at Conference from our attendees. The person whose name we pick will also receive a nice prize.

So, begin reading this edition of The Journal, find the top 10 reasons, and send your list to Bill Douglas and Penny Kilberry at:

bdouglas@standard.com  
pkilberry@monitorliability.com

Good luck, and we hope to see you at Conference.

## Donations Sought for Silent Auction

The always popular Silent Auction is a great way to participate in the AICP Annual Meeting and support a worthy charity.



This year's Silent Auction proceeds will benefit the Arizona Friends of Foster Children Foundation. This organization provides money to meet foster children's needs that are not otherwise funded by the state. These include grants for items like team sport fees, karate or music lessons, bicycles, prom clothes, and post-high school education. For more information about the AFFCF, go to <http://www.affcf.org>.

We need item donations to make the Silent Auction a success. In the past, companies and individuals have contributed items such as golf equipment and apparel, gift baskets, jewelry, GPS, digital cameras, gift certificates, iPods and more. All donations are welcome and greatly appreciated. Please note that items without company logos tend to receive higher bids. If you are interested in donating items for the Silent Auction, you can access the donation form and additional information by clicking on the Annual Conference button on the AICP Website at <http://www.aicp.net>.

When you're at the Annual Conference, please come by the Silent Auction display cases and find an object you just can't live without! Bidding will begin on Sunday, October 4, at 6 p.m. and end on Tuesday, October 6, right after the morning break. Bid high and bid often!

Thank you for your support of the Arizona Friends of Foster Children Foundation. We look forward to celebrating our Annual Conference and "Rising to New Challenges" with you in Phoenix, Arizona.

**Monica Murray**  
Silent Auction Chair

## 2009 AICP Scholarship Applications Now Being Accepted

Do you know full-time college students who could use \$1,000 toward their tuition? If so, tell them about the AICP Scholarship Program.

Especially in a year with so much economic turmoil and financial hardships, the AICP is proud to continue its endowed Scholarship Program in 2009 and is pleased to announce that applications for the AICP Scholarships are now being accepted. The AICP annually awards up to three scholarships of \$1,000 each to qualified individuals pursuing an undergraduate or graduate degree in insurance, actuarial science, economics, finance, management, mathematics, risk management, statistics, or a business-related field, with a grade point average of at least 2.75.

Established and endowed in 2004, the Scholarship Program promotes the AICP's mission of serving the insurance compliance community by providing educational opportunities. Don't let this valuable opportunity go to waste. Apply today.

For a complete description of the AICP's Scholarship Program and an application, please visit the AICP website at <http://www.aicp.net/careercenter/scholarship.cfm>. If you have any questions about the AICP Scholarship Program, please contact Jennifer Kreitler, Chair, AICP Marketing Committee at [JennifeK@OIC.WA.GOV](mailto:JennifeK@OIC.WA.GOV).

## Sponsors Support Annual Conference

It's not too late to be a vital and important part of our 2009 Annual Conference!

How? By becoming a sponsor, of course! Sponsors help support AICP members through contributions which enables the AICP to have the premier compliance event of the year!

Attendees of the 2009 AICP conference will learn a great deal of new information through meetings, classes, regulator discussions and the ongoing communications from new and old networking friends. When you support the AICP through your sponsorship, you are helping to connect industry, regulators, exhibitors and others through the AICP Annual Conference. What a great way to enhance communication, networking, education and collaboration among the entire industry.

Anyone can be a sponsor – an individual, an exhibitor, an insurance company, a chapter – anyone or any organization interested in assisting the AICP's mission of promoting relationships, exchanging information, and providing learning opportunities within a dynamic regulatory environment.

How can you be a part of this exciting venture? It's easy – just visit <http://www.aicp.net> and click on the Annual Conference button to download our sponsorship form, decide which level of sponsorship is right for you, and send it in to us.

Reignite your Enthusiasm – Fantastic Keynote Speaker

Help AICP to enable members to achieve greater career growth through AICP participation! Be a sponsor!

**Nancy French**  
*Exhibitor Chair*

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## Bylaws Committee Offers Recommendations for 2009

The Bylaws Committee annually reviews the AICP's national Bylaws and Model Chapter Handbook and recommends appropriate changes to the Board of Directors. The following recommendations were made at this year's January meeting of the Board.

**1.** The current bylaws are silent as to whether a member of the Board of Directors or an association member may be present at a meeting by either telephone or electronic appearance. Because meetings of both the board and the association membership may be held telephonically or by electronic means, the committee is recommending the addition of language in the bylaws that will allow attendance by "personal, telephonic, or electronic appearance."

**2.** Article VI of the bylaws deals with eligibility and voting for national elections. The committee has recommended that the date for fixing the membership for voting purposes be reduced from 60 days to 30 days. The committee has also recommended that the deadline for returning votes be reduced from 30 days to 15 days. This will result in a condensed voting period, something that the board felt is more appropriate in view of current technology.

**3.** The current bylaws are not clear as to who may act as a proxy at a Board of Directors meeting. The committee has recommended that the bylaws be clarified to provide that any member of the association may hold and vote a proxy (given either in advance or at the meeting). The committee also recommends that anyone holding a proxy should be permitted to make and second motions.

**4.** The bylaws permit the Board of Directors to take action without a meeting if a written consent is signed by all members. However, because two members of the board are non-voting, the committee has recommended revising the bylaws to clarify that a written consent may be utilized for board action so long as it is signed by all board members who have voting privileges.

## Association Model Chapter Handbook Recommendations

The Model Chapter Handbook provides for amendment of the chapter rules at any chapter meeting. However, it is not clear as to the number of votes required for a chapter's board of directors to amend the rules. The committee proposes amending the rules so that it is clear that an affirmative vote of a quorum of the members of the chapter board who are present at any meeting is all that will be required.

The chapter rules may also be amended by petition of the chapter membership. The committee proposes amending this provision so that it is clear that the number of chapter members who are necessary to file a petition should be a certain percentage of the chapter membership, to be determined by each chapter.

## Next Steps

The committee's recommendations will be formally presented at the July meeting of the association's Board of Directors for action at that time.

The members of the Bylaws Committee are incoming Association President Ginny McHugh; General Counsel, Charlie Lynch; Shawna Greenway; Julie Levine; Ginny McCarthy; and Rich Fidei.

**Richard J. Fidei**



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## Education Committee Helps AICP Members Increase Their Knowledge

*"I had just received my degree in Calcium Anthropology... the study of milkmen."  
- Steven Wright*

By now you're all wondering what that quotation has to do with the Education Committee. If you think back to starting your career in the insurance industry, how many of us can actually say they went to school to be a compliance expert for an insurance company? The answer is, probably not too many.

As we go through our day-to-day roles we all learn how much there is about insurance that we really don't know. Being part of an organization like the AICP is a way to share knowledge and experience with your colleagues. Being part of the Education Committee is a way to help those same colleagues obtain the tools they need to be more successful in their respective roles.

The Education Committee is responsible for reviewing and administering the AICP Certification Program and the Continuing Education Accreditation Program. The Certification Program is made up of the Associate Compliance Professional (ACP) and Certified Compliance Professional (CCP) designations. Both designations require several classes through any of our partner organizations: LOMA, AHIP, AICPCU, IRES or NAIC. In order to keep our designations current and meaningful, this year the Education Committee members are reviewing the

courses available through these organizations and adjusting the designation requirements accordingly.

The Continuing Education Accreditation Program is available to members who have earned 100 points during the three-year period following their CCP designation. The point requirements are established by the Education Committee and reviewed annually. CEs are available each time a member earns another 100 points.

If you currently have your CPCU, FLMI, HIA, or other similar organizational designation, why not apply your hard work to the AICP's ACP, CCP, or CE requirements? The procedure to obtain the ACP and then your CCP is extremely easy and will cost you only a one-time fee of \$30. You can find the requirements and application on the AICP website under the "Career Center" link.

In addition to administering the Certification Programs, conferring new ACP and CCP designees and reviewing content, subcommittee members are also working on revising the rate making text and exam. This is one of the courses P&C members need to take to obtain their CCP. As you can imagine, a lot has changed since the last revision in 2001. To find out more about the Education Committee, please visit the AICP website or contact Michael Hollar or Anne Grobden, Education Committee Co-Chairs.

**Mike Fioto, AAM, AIT, MBA**



## Publications Committee Provides Quarterly Journal

Did you ever wonder who puts together The Journal each quarter? You may have seen the names listed as Journal editors, but not realized that these folks are actually a committee – the Publications Committee – with approximately 20 hard-working regular volunteers who together with AICP leadership create our organization's signature publication.

You may be surprised to learn how The Journal comes together. The process starts more than two months before our publication date, when a committee co-chair sends out a call for copy. Committee members then start collecting information to include in the regional news sections. AICP leaders begin writing articles to be included in the Committee Corner and Membership Corner sections; or special articles about upcoming AICP events or initiatives. These articles are requested according to a schedule that the Publications Committee determines. While the clock counts down ever closer to our publication date, Journal contributors scramble to provide good content in a timely manner. Once the submission cutoff date arrives, a committee co-chair forwards everything to the editor and assistant editors. They then go to work proofing and organizing all the articles.

Currently, Committee co-chairs are Art Bowden, Darrell Turner, and me. We rely heavily on our committee members for their expertise and diligence.

Check the credits in each regional news section and in that portion of The Journal where we list all the editorial staff. These are the people who make The Journal possible. In an important way, they are the glue that holds together everything that you've come to expect from our quarterly publication.

The Publications Committee is constantly looking for new members and fresh ideas. In addition to the ongoing project that is publication of The Journal, the committee is starting to participate in the drive to publish administrative procedures on-line in the AICP Wiki. Review of existing procedures and deciding the best way to present them on the wiki will require the attention not only of committee co-chairs, but also of committee members. The myriad of possibilities contained in this new publication medium are truly dizzying.

Now more than ever the Publications Committee has the charge to touch every AICP member. The uncertainty swirling in the United States, and in each state, can be unsettling. Our industry is at a pivotal moment, and each of us needs regular contact with our collective intelligence. We depend on each other to help us with our daily work, with our challenges, and with these changing times. Keep reading The Journal, and think of the Publications Committee as your resource.

### **Erika Atkins**

*Co Chair, Publications Committee*



***AICP Member  
in the News:  
Erika Atkins***

Erika Atkins has volunteered her time for the AICP since joining the organization a decade ago. She has

helped with the Publications Committee, and last December she became a co-chair responsible for coordinating articles to appear in the AICP Journal. This is a big job, and one that requires organization as well as diligence. Through this position, Erika touches virtually every member of the AICP.

Those who attended the 2008 AICP national conference in Atlanta may remember Erika from her constant photography. She took photos, printed them, and posted them on the bulletin board. She recalls dashing to Kinko's one rainy morning to have the photos ready in time for members to see them at breakfast. Erika is proudest of the photos she took at the conference gala event and at the multi-chapter event at the stunning Georgia Aquarium.

Not only has Erika been active at the national level, she is also secretary of the Heartland Chapter. As a member of the chapter's board, Erika participates in making decisions that affect chapter members and Heartland's interaction with other chapters and the national board. Most recently Erika helped with the Heartland Chapter's E-Day in Bloomington, Minnesota. She served on the planning committee, assisting in menu selection and providing AV support.

When she isn't busy with the AICP, Erika also

volunteers for a non-profit community theater. She works on constructing and painting sets, coordinating and constructing costumes, and sometimes performs on-stage as well! One of her favorite theater functions is an annual non-scary Halloween event called Enchanted Forest. Amateur actors put together skits and perform them at night on a jack-o-lantern-lit nature trail in a local park. The group donates all profits from the \$2 admission fee, and funding from this event has resulted in significant trail improvements for the park.

Through the AICP, Erika has advanced her professional status by obtaining the CCP designation to add to her other professional designations (AIRC and ACS). She also credits the network of AICP volunteers for inspiring her to make insurance compliance her career. In January, Erika suddenly found herself jobless. She says the AICP has helped her immensely in her job search. Through the AICP, Erika has been able to focus her search and to use her AICP contacts to leverage her efforts. Erika counts her AICP colleagues among her best friends.

AICP Heartland Chapter



***in the News:***  
**Karen Pollitt**

Karen Pollitt is the current president of the Mid-Atlantic Chapter of the AICP. A member of the organization since 2001, she joined because she felt the

AICP was a preeminent organization for compliance professionals and because of the networking opportunities it provided. Karen has also attended meetings for the Life Health Compliance Association.

Before serving as president of the Mid-Atlantic Chapter, Karen was chapter secretary. In addition to her officer position, Karen volunteers for the Marketing and Canadian Initiative committees. In the past she served on the Membership and Public Relations committees. She is currently keeping busy arranging an E-Day with the Pennsylvania Insurance Department, something the members of her chapter have been requesting for years.

Karen graduated from Philadelphia University in 1984 with a BS in business management and a minor in psychology. She obtained the compliance designations of Associate of Insurance Regulatory Compliance, Associate Compliance Professional and Certified Compliance Professional. She has worked in the insurance industry for 25 years, with 23 of those years being dedicated to contract and compliance experience.

She started with the John Hancock companies as a National Association of Securities Dealers registered representative, then worked with Combined International Insurance as a group contract analyst. Following that position, she worked as a lead contract analyst at Colonial Penn Life Insurance Company. Her current position is senior contract and compliance consultant with Coulter & Associates, Inc. She enjoys working as a consultant because of the many different types of insurance coverages she has worked on over the years and the many companies she is able to work with. Her background provides her with a vast amount of product experience to draw on in terms of product lines and distribution methods. She enjoys filling in the void for companies and bringing business alliances together to help meet and exceed bottom lines.

Karen's outside interests include working out, jazz, dining out, and Tae Bo®. She trained with Billy Blanks for three days in Los Angeles to obtain her Tae Bo® certification. She says it was one of the hardest things she has ever done, and she did this at the age of 45. Tae Bo® is a great workout, and Karen trains four to six days per week. She works with another certified instructor in the South Jersey area and helps people to achieve their weight and fitness goals in classes at several locations. This is a natural extension of the scholarship athlete she was for four years in college.

Karen is a resident of southern New Jersey. She has been married for 22 years and has two teenage daughters and a beagle.

**Miranda Crescenzo**  
Mid-Atlantic Chapter

***AICP Member in the News:***  
**Judy Wickens**

“WWJD” – in our case, it stands for “What would Judy do?” Judy Wickens has served the Midwest Forum as regional director as well as vice president, president, and past president. Currently she is assisting Steve LeHew with the Canadian initiative. She has always set the standard by her professionalism and her “can-do” and “will-do” attitude. As I follow behind her in chapter offices, I will ponder what would Judy do when I find myself faced with making a difficult decision. With that kind of guidance, I can’t go wrong!

Judy began her career with Forethought Financial Services, Inc., 25 years ago. She assumed various roles with the company, beginning as an administrative assistant in the Legal Department. After some moving around in the company, she has returned to the Legal Department and is currently a senior compliance analyst/paralegal.

Judy has an associate degree in paralegal studies from St. Mary of the Woods in Terre Haute, Indiana. She has been married to her husband, Tony, for 44 years! She has three sons, spread out from St. Louis to Bremen, Indiana, and four grandchildren.

Originally from the Columbus, Ohio area, Judy met Tony at a USO dance at the Lockburne Air Force Base outside

Columbus, during the Vietnam War. They moved around a couple of times, from Illinois to Ohio, and settled in Indiana.

When Judy is not busy with work, she enjoys reading and spoiling her grandchildren. She is also on the Twin Parish committee at St. Louis Catholic Church in Batesville, Indiana. This organization collects shoes in the spring to send to its sister parish in Jamaica. Last year, it sent 1,509 pairs of shoes. There is always a demand for gently used old soccer shoes that are still in good condition. In the fall the Twin Parish committee ships school supplies.

Judy is an enthusiastic supporter of the AICP and has always been there for the chapter. She was a great regional director as she kept the chapter board aware of the discussions at the national board meetings and always sought the chapter board members’ input whenever applicable. She is a valued member and has been an asset to this organization.

Thank you, Judy, for all that you do for the AICP!

**Karen Crooks**

Regional Director, Midwest Forum



**AICP Member  
in the News:  
Beverly Witt**

I have had the pleasure of knowing and working with Beverly Witt over the past few years.

Beverly has been in the commercial lines insurance industry for about 35 years. She started out with the Hartford. Her job consisted of rating and mocking up policies for typing, if anyone remembers those pre-computer days. She spent about 10 years underwriting both package policies and workers comp. About 10 years ago, she had the golden opportunity to move into the compliance arena and finally found something she really enjoyed doing in this exciting industry.

Beverly first worked for an alternative risk workers comp company that also did a lot of business as an MGA for various insurance companies. She then spent a few years in commercial auto with a trucking insurer and less than a year in personal lines auto before coming to her current company, AmTrust North America. At AmTrust, she is involved in compliance for the extended warranty and special risk area.

Her experience with the AICP began shortly after she started doing compliance work. She Googled “insurance compliance,” and

up popped the AICP. After looking at the website and attending an E-Day, she told her boss, “I need to become a member of this organization” and has been a staunch supporter ever since.” The educational and networking opportunities are great,” Beverly says. She was “volunteered” by Edward Lybrook to be secretary of the Gulf States Chapter and has held that position for the past seven years. She also has been a contributor to The Journal for the Publications Committee and a member of the Chapter Planning Committee.

Beverly is originally a Pennsylvania country girl but has lived in the South, mainly Georgia, for 27 years. She has a son and a daughter, both grown up and making Mom very proud. She has tried several different hobbies including reading, square dancing, fly fishing, and card making. She says her latest hobby is watching “chick flicks” while playing Sudoku. “The Sudoku keeps my mind alert, ‘cause the flicks sure don’t,” Beverly says. She has lived in Pennsylvania, California, Minnesota, Illinois, Georgia, South Carolina, and Georgia again, in that order, and plans to stay put in Georgia.

Because Beverly is a staunch supporter of the AICP, we can always count on her, and we thank her very much.

**Roger Osgood**  
President – Gulf States Chapter

***AICP Member in the News:***  
**Mike Fioto**

“Committee membership helps further promote synergy by demonstrating how the individual parts are stronger than the whole organization,” says Mike Fioto. Mike joined the AICP in 2005 and brings 18 years of property/casualty industry experience to the organization. He currently works for Everest National Insurance Company in the Garden State. “Throughout my career I progressed through various departments in two different companies by accepting increasingly more challenging sets of responsibilities,” Mike says. He has certainly demonstrated this spirit of responsibility through his work on the Education Committee.

Education plays a very important role in Mike’s life. His resume includes a bachelor’s degree in management, an associate degree in automation management (AICPCU), an associate degree in information technology (AICPCU) and an MBA in technology management. Mike says, “For me, education is a big part of who I am, and being a member of the Education Committee only makes that part of my life stronger.”

Mike enjoys being a member of the AICP and recognizes its greater purpose. He says, “We have thousands of members all joining together to promote a

harmony between business (those being regulated) and government (those doing the regulating). People united with a common goal work harder and are more willing to share knowledge, which is the key to being successful.”

Mike is a fan of the fundamentals and focuses on results. He quotes Peter Drucker, well-known business leader, to describe his professional philosophy: “There is nothing so useless as doing efficiently that which should not be done at all.”

An avid sports fan, Mike enjoys watching the Nittany Lions (from his alma mater, Penn State), playing golf and coaching his five-year-old son’s little league team. “My goal is to take a team to Williamsport, Pennsylvania, for the Little League World Series,” he says. With Mike’s track record of success, it’s in the bag!

When asked how many degrees he is from Kevin Bacon, Mike said four. His uncle was a friend of actor Paul Sorvino, who was in “Money Talks” with Rance Howard, who in turn was in “Frost/Nixon” with Kevin Bacon.

Thank you, Mike, for your time and service to the Education Committee. The committee (and this industry) is better with you in it!

**Anne Grobden**  
 Education Committee, Co-Chair



## Central Region News

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Great Lakes Chapter: Illinois & Wisconsin

Heartland Chapter: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Midwest Forum: Indiana, Kentucky, Michigan, Ohio, West Virginia

### IL Creates New Department of Insurance

The Illinois Division of Insurance has been removed from reporting to the Department of Financial and Professional Regulation and reestablished as a separate department as of June 1, 2009. The director of the Department of Insurance will be appointed by the governor.

These changes were made by Governor Pat Quinn's Executive Order 4 (2009), issued April 1, 2009. The order may be found online at [http://www.illinois.gov/gov/execorders/2009\\_4.htm](http://www.illinois.gov/gov/execorders/2009_4.htm)

Bonnie Blue, FLMI, ACS, AIRC, ACP

### IL Gives Information on COBRA Continuation Revisions

The Illinois Division of Insurance has published an updated version of a fact sheet containing information about the COBRA continuation revisions that were part of the federal stimulus package.

A copy of the updated fact sheet can be found online at <http://www.idfpr.com/DOI/General/COBRASubsidyFactSheet02242009.pdf>

Bonnie Blue, FLMI, ACS, AIRC, ACP

### IL Clarifies Oversight of Indexed Annuities

On April 13, 2009, Illinois Insurance Director Michael T. McRaith issued Bulletin CB 2009-05 to clarify that indexed annuities are subject to state insurance oversight and state regulation.

The bulletin may be found online at <http://www.idfpr.com/DOI/cb/CB2009-05.pdf>

Bonnie Blue, FLMI, ACS, AIRC, ACP

## IL Amends WC Medical Fee Schedule

The Illinois Workers' Compensation Commission has revised its Medical Fee Schedule. The fee schedule includes payment rates and guidelines and is to be used in setting the maximum allowable payment for a medical procedure, treatment, or service covered under the Illinois Workers Compensation Act. The revised schedule is effective February 1, 2009.

The Medical Fee Schedule may be found online at <http://iwcc.ingenixonline.com/IWCC.asp>.

Art Bowden, AIC

## IL Addresses Industry Requests for Capital and Surplus Relief

In Company Bulletin 2009-02, issued February 4, 2009, the Illinois Division of Insurance said it recognizes the need to consider each company's particular financial circumstances and the importance of reviewing and evaluating statutory accounting standards as part of consumer-focused regulatory modernization efforts. Therefore, Illinois will not broadly reduce accounting standards governing capital and surplus adequacy. Consistent with the NAIC Accounting Practices and Procedures Manual, historical practice, and the protection of consumers' financial interests, the division will accept and evaluate individual company applications for variances from statutory accounting practices. This consideration will be based on the specific applicant's substantive explanation in support of the requested practice and the consumer impact of the variance, if approved.

Illinois Company Bulletin 2009-02 may be found online at <http://www.idfpr.com/doi/cb/CB2009-02.pdf>.

Art Bowden, AIC

## IL Appellate Court Expands Value of Pets

In deciding the case of *Leith v. Frost*, the Illinois Fourth District Appellate Court found that pets have a value beyond that of personal property. The case was appealed from the trial court, which had awarded the plaintiffs \$200 as the value of their pet dachshund that was killed by a neighbor's dog when it entered the plaintiff's fenced yard and attacked their dog. Citing previous Illinois and Kansas decisions, the appellate court modified the trial court's judgment so as to award plaintiffs \$4,784 in damages, the amount they incurred for treatment of their dog after the attack.

However, the language of the court's decision could open the door for the awarding of even broader damages in such cases, including emotional distress and loss of companionship of the pet. The proper basis for assessing compensatory damages in such a case is to determine the item's actual value to the plaintiff, and the plaintiff is allowed to demonstrate the item's value to him by such proof as the circumstances admit. The court also specifically adopted the rationale of *Burgess v. Shampooch Pet Industries, Inc.*, in which the Court of Appeals of Kansas held that when "an injured pet dog with no discernable market value is restored to its previous health, the measure of damages may include, but is not limited to, the reasonable and customary cost of necessary veterinary care and treatment."

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The opinion of the Illinois Fourth District Appellate Court in *Leith v. Frost*, which was filed December 31, 2008, may be found online at [www.state.il.us/court/OPINIONS/AppellateCourt/2008/4thDistrict/December/4070964.pdf](http://www.state.il.us/court/OPINIONS/AppellateCourt/2008/4thDistrict/December/4070964.pdf).

Art Bowden, AIC



## IN Changes Requirements for Use of Credit

Effective July 1, 2009, Indiana House Bill 1264 removes a requirement that insurers recalculate an insurance score or obtain updated credit information every 36 months. Instead, an insurer that uses credit information to underwrite or rate risks is now required to, at annual renewal upon the request of an insured or an insured's agent, re-underwrite and re-rate the insured's personal insurance policy based on a current credit report or insurance score unless one of the following applies:

- The insurer's treatment of the consumer is otherwise approved by the commissioner.
- The insured is in the most favorably priced tier of the insurer, within a group of affiliated insurers.
- Credit information was not used for underwriting or rating the insured when the personal insurance policy was initially written.
- The insurer reevaluates the insured at least every 36 months after a personal insurance policy is issued based on underwriting or rating factors other than credit information.
- The insurer has re-underwritten and re-rated the insured's personal insurance policy based on a credit report obtained or an insurance score recalculated less than 12 months before the date of the request by the insured or the insured's agent.
- An insurer that uses credit information to underwrite or rate risks may obtain current credit information upon the renewal of a personal insurance policy when renewal occurs more frequently than every 36 months if consistent with the insurer's underwriting guidelines.

The bill also prohibits use of late medical payments as a negative factor in insurance scoring methodology.

Indiana House Enrolled Act No. 1264 may be found online at <http://www.in.gov/legislative/bills/2009/HE/HE1246.1.html>.

Art Bowden, AIC

## IN Makes Owner's Policy Primary for Passenger Claims

Effective July 1, 2009, Indiana House Bill 1090 amends § 27-8-9-7 of the Indiana Code to provide that the owner's motor vehicle insurance policy is considered primary for any claim made by a passenger in the motor vehicle. Further, a passenger in the vehicle at the time a case arises may not recover under any other motor vehicle insurance coverage available to the passenger until the limit of all coverage provided by the owner's policy is first exhausted. The bill applies to cases arising after June 30, 2009.

Indiana House Enrolled Act No. 1090 may be found online at <http://www.in.gov/legislative/bills/2009/HE/HE1090.1.html>.

Art Bowden, AIC

## IA Adopts Emergency Rules for Viatical Settlements

The Iowa Insurance Division has adopted emergency rules addressing viatical settlement purchase agreements. The amendments provide technical corrections to conform to the Iowa Code and apply to all agreements issued on or after April 3, 2009.

The emergency rules may be found online at <http://www.iid.state.ia.us/docs/191-48.pdf>

Bonnie Blue, FLMI, ACS, AIRC, ACP

## KS Addresses Continuation of Coverage under ARRA

Kansas House Bill No. 2052 includes an amendment to the current state continuation of coverage law to bring it into compliance with the new COBRA continuation requirements that were enacted as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), commonly referred to as the federal stimulus package. This change is effective July 1, 2009. The Department of Insurance has put together a Q & A to help answer questions about how state continuation works with the additional COBRA continuation period allowed under the federal stimulus package.

HB 2052 may be found online at <http://www.kslegislature.org/bills/2010/2052.pdf>

The Q & A may be found online at [http://www.ksinsurance.org/gpa/news/2009/Federal\\_Stimulus\\_Package\\_Info.pdf](http://www.ksinsurance.org/gpa/news/2009/Federal_Stimulus_Package_Info.pdf)

Bonnie Blue, FLMI, ACS, AIRC, ACP

## KY Issues Summary of New Laws

On April 2, 2009, the Kentucky Department of Insurance published Bulletin 2009-02, which includes a summary of and links to changes made in the state insurance laws and regulations during the past legislative session.

The bulletin may be found online at <http://doi.ppr.ky.gov/Kentucky/Documents/Bulletins/Bulletin0902InsLegis041509.asp>

Bonnie Blue, FLMI, ACS, AIRC, ACP

## KY Enacts Emergency Regulations for COBRA Coverage

The Kentucky Legislature has enacted emergency regulations to bring state insurance law into compliance with changes required as part of the American Recovery and Reinvestment Act of 2009 (ARRA), commonly referred to as the federal stimulus package.

The emergency regulations may be found online at [http://doi.ppr.ky.gov/Kentucky/Documents/Health/806KAR18\\_090EmerReg031909.pdf](http://doi.ppr.ky.gov/Kentucky/Documents/Health/806KAR18_090EmerReg031909.pdf)

The federal guidelines for the COBRA continuation changes may be found online at <http://doi.ppr.ky.gov/Kentucky/Documents/Health/COBRAPremRedFAQ031909.pdf>

Bonnie Blue, FLMI, ACS, AIRC, ACP

## KY Allows Waivers of Food Spoilage Deductibles

Kentucky House Bill 445, which took effect March 20, 2009, amends KRS 304.12-100 to provide a limited exemption to the rebate law by allowing an insurer to waive its deductible for food spoilage, in whole or in part, as a result of a natural disaster in a county declared to be a federal disaster area.

Kentucky House Bill 445 may be found online at [www.lrc.ky.gov/Statrev/ACTS2009RS/0060.pdf](http://www.lrc.ky.gov/Statrev/ACTS2009RS/0060.pdf).

Art Bowden, AIC

## MI Supreme Court Will Hear Credit Scoring Case

The Michigan Supreme Court has agreed to hear arguments in a case on credit scoring that pits the Insurance Institute of Michigan (IIM) and the Michigan Insurance Coalition (MIC) against the Commissioner of the Office of Financial and Insurance Services (OFIS). The case has been placed on the October 2009 session calendar for argument and submission.

The case was initially brought earlier this year after the OFIS began denying auto and homeowner rate filings because the filings used credit-based insurance scores as rating factors. The IIM and the MIC brought an action in the Barry County Circuit Court seeking injunctive relief, which was granted. The case was appealed to the Michigan Court of Appeals which, in a divided opinion, vacated the circuit court's order granting a permanent injunction and declaring defendant's rules illegal, unenforceable, and void, and lifted the stay imposed on defendant commissioner's enforcement of the rules.

In its order, the Supreme Court directed the parties to submit briefs on whether the IIM and the MIC were permitted to bring an original declaratory judgment action in the circuit court without having first requested a declaratory ruling from the OFIS, whether the Insurance Code provides the exclusive means of seeking judicial review of rules promulgated by the OFIS, whether judicial review of the challenged administrative rules was limited to the administrative record prepared during the public hearing process, and whether the challenged administrative rules violated the plaintiffs' due process rights, were valid and enforceable under the Insurance Code, were arbitrary and capricious, or exceeded the OFIS' rulemaking authority.

The order of the Michigan Supreme Court may be found online at [http://coa.courts.mi.gov/documents/sct/public/orders/20090507\\_s137407\\_67\\_137400\\_2009-05-07\\_or.pdf](http://coa.courts.mi.gov/documents/sct/public/orders/20090507_s137407_67_137400_2009-05-07_or.pdf).

The Court of Appeals opinion may be found online at [http://coa.courts.mi.gov/documents/opinions/final/coa/20080821\\_c262385\\_52\\_122o-262385opn.pdf](http://coa.courts.mi.gov/documents/opinions/final/coa/20080821_c262385_52_122o-262385opn.pdf)

Art Bowden, AIC

## OH Provides Information on COBRA Continuation Rights

The Ohio Department of Insurance has provided fact sheets providing guidance on the effects and applications of the COBRA continuation of coverage change enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA), commonly referred to as the federal stimulus package.

The fact sheets and sample notices for employers to give their employees may be found online at <http://www.ohioinsurance.gov/ConsumServ/COBRA.htm>

Bonnie Blue, FLMI, ACS, AIRC, ACP

## SD Adopts Rules on COBRA Continuation Rights

On April 2, 2009, the South Dakota Division of Insurance adopted emergency rules to implement special COBRA continuation rights for individuals in the state. The effect of the rules is to establish a special state continuation election of continuation for individuals who were eligible before the enactment of the American Recovery and Reinvestment Act of 2009 (ARRA).

The rules allow eligible individuals who did not have an election of continuation in effect on the effective date of the federal act to elect continuation coverage.

The emergency rules may be found online at <http://www.state.sd.us/drr2/reg/insurance/Legal/documents/200640Specialcontinuationrule.pdf>

Bonnie Blue, FLMI, ACS, AIRC, ACP

## SD Addresses Continuation of Coverage for Group Health Policies

South Dakota Senate Bill No. 19 revises the rules regarding when continuation of coverage is not required for certain group health policies. The bill requires employers to meet participation requirements for group health insurance and eliminates the 12-month waiting period for purposes of eligibility for the state's high-risk pool to ensure that individuals terminated by a group carrier for failing to meet participation requirements would have alternative coverage available. The bill is effective July 1, 2009.

SB 19 may be found online at <http://legis.state.sd.us/sessions/2009/Bills/SB19P.htm>

Bonnie Blue, FLMI, ACS, AIRC, ACP

## SD Provides Guidelines on Employer Assistance Programs

South Dakota House Bill No. 1027 states that no employer insurance assistance program may be offered by an insurance agent unless the program is specified in writing to the employer and does not contain any monetary payments for the purchase of insurance. This bill is a result of a recommendation from the Zaniya Task Force, which was charged with developing recommendations for health reform. The bill applies to all lines of insurance and is effective July 1, 2009.

HB 1027 may be found online at <http://legis.state.sd.us/sessions/2009/Bills/HB1027ENR.htm>

Bonnie Blue, FLMI, ACS, AIRC, ACP

## SD Adds School Employee Insurance Benefits

South Dakota House Bill No. 1213 adds dental and vision insurance to the list of benefits that a school board may provide to employees, and also authorizes provision of such benefits to retired employees. The bill is effective July 1, 2009.

HB 1213 may be found online at <http://legis.state.sd.us/sessions/2009/Bills/HB1213P.htm>

Bonnie Blue, FLMI, ACS, AIRC, ACP

## SD Repeals Small Employer Annual Certification

South Dakota House Bill No. 1030 repeals the requirement that small employer carriers file annual actuarial certifications, if premiums are within the required rate bands. The bill is effective July 1, 2009.

HB 1030 may be found online at <http://legis.state.sd.us/sessions/2009/Bill.aspx?File=HB1030ENR.htm>.

Bonnie Blue, FLMI, ACS, AIRC, ACP

## SD Adds Auto Cancellation Reason

Effective July 1, 2009, South Dakota Senate Bill 148 allows midterm cancellation of an auto policy for any person who is insured who drops out of the 24/7 sobriety program. This is in addition to the already allowed reasons of nonpayment of premium and the suspension or revocation of the driver's license of the named insured or a household member.

Senate Bill 148 may be found online at <http://legis.state.sd.us/sessions/2009/Bill.aspx?File=SB148ENR.htm>.

Art Bowden, AIC

## WV Explains COBRA Continuation Changes

The West Virginia Department of Insurance has published Informational Letter 168A, which explains the extension of the election period as part of the American Recovery and Reinvestment Act of 2009 (ARRA), commonly referred to as the federal stimulus package. The department also has published a sample employer notice regarding the COBRA continuation changes and subsidies that are part of ARRA.

The information letter and sample notice may be found online at <http://www.wvinsurance.gov/forms/cobra.htm>.

Bonnie Blue, FLMI, ACS, AIRC, ACP

## WV Allows Voiding of Auto Policies for Lack of Payment

West Virginia Senate Bill 631, which takes effect July 9, 2009, allows for the voiding of an automobile liability insurance policy for the failure of consideration to be paid by the insured upon initial issuance of the policy. The policy is voidable from the effective date and time of the policy if the insurer cancels the policy for failure of consideration to be paid by the insured upon initial issuance of the policy and provides written notice to the insured of the cancellation within 15 days of receipt of notice of the failure of consideration and consideration has not otherwise been provided within 10 days of the notice of cancellation.

Senate Bill 631 may be found online at [http://www.legis.state.wv.us/Bill\\_Text\\_HTML/2009\\_SESSIONS/RS/Bills/sb631%20intr.htm](http://www.legis.state.wv.us/Bill_Text_HTML/2009_SESSIONS/RS/Bills/sb631%20intr.htm).

Art Bowden, AIC



## *Gulf States Region News*

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### AL Reiterates Risk Retention Group Licensing Requirements

On April 6, 2009 the Alabama Department of Insurance released Bulletin 2009-04, which reiterates compliance with the licensing and appointment requirements for risk retention groups as outlined in Chapters 7 and 8A of Alabama Code Title 27. It has come to the department's attention that registered risk retention groups are allowing unlicensed individuals to conduct insurance activity. All persons representing or aiding a registered risk retention group must comply with Chapter 7, which governs the qualifications and procedures for the licensing and appointment of insurance producers or service representatives, and Chapter 8A, which governs the continuing education requirements of insurance producers or service representatives. Failure to comply will result in fines and administrative action.

The bulletin may be found online at <http://www.aldoi.gov/Legal/Bulletins.aspx>

Lindsay Cleveland

### AL Temporarily Suspends Mandatory Electronic Tax and Fee Filing

The Alabama Department of Insurance has temporarily suspended the requirement that insurer premium tax and surplus line broker tax filings be filed electronically and that fee payments be made via electronic funds transfer (EFT) through the OPTins system. On March 9, 2009 the department released Bulletin 2009-03, stating that for the immediate future, the effect of Regulation 482-1-144, will be suspended and the electronic filing and EFT tax and fee payments will be voluntary, not mandatory. The bulletin contains instructions for submitting tax returns and payment of taxes and fees.

The bulletin may be found online at <http://www.aldoi.gov/Legal/Bulletins.aspx>

Lindsay Cleveland

## AL Amends Rule for Continuation of Appointments

Effective February 21, 2009, technical changes have been made in AL ADC 482-1-109-.05, which provides provisions of the Alabama Insurance Code relating to the procedures for the continuation of the appointment of insurance producers and service representatives. The provisions include requirements that insurers be given access to specified lists of people appointed to represent them through the National Insurance Producer Registry (NIPR), that the Alabama Department of Insurance (DOI) provide insurers with appointment renewal instructions on or around October 1 of each year, that appointments or terminations submitted after December 31 be held by NIPR until January 12, that the date for appointment continuation invoices will change from January 1 to January 5, that the provision for a reminder notice has been removed, and that payment of the appointment continuation invoice is required through the NIPR by February 15.

To find the regulation online, use the link below and scroll down to regulation 109. <http://www.aldoi.gov/Legal/Regulations.aspx>

Lindsay Cleveland

## AL Describes Adjustments in Deposits to Cemetery Care Funds

In Bulletin 2009-02, issued February 19, 2009, the Alabama Department of Insurance addressed adjustments in deposits to the endowment care fund that a cemetery authority is required to maintain and finance. Such funds are required by Alabama Code 27-17A-47 and 27-17A-49. The deposit adjustments may be made in the event of an allowed cancellation of a transaction after a deposit has been made or the subsequent determination that an excess deposit has been made in a particular transaction due to a calculation error or other error.

The bulletin may be found online at <http://www.aldoi.gov/Legal/Bulletins.aspx>

Lindsay Cleveland

## AL Sets Guidelines for Long-Term Care Partnership Program

The Alabama Department of Insurance has announced guidelines of the Alabama Long-Term Care Partnership Program in Bulletin 2009-01, issued February 12, 2009. Under this program, individuals who purchase long-term care insurance policies that meet certain requirements specified by the Deficit Reduction Act of 2005 can apply for Medicaid under special rules for determining financial eligibility and estate recoveries. These special rules generally allow the individual to protect assets equal to the insurance benefits received from a Partnership Policy so that such assets will not be taken into account in determining financial eligibility for Medicaid and will not subsequently be subject to Medicaid liens and recoveries.

The bulletin may be found online at <http://www.aldoi.gov/Legal/Bulletins.aspx>

Lindsay Cleveland

## FL Denies Tower Hill Insurance Group's Petition

On December 12, 2008, the Florida State Board of Administration (SBA) issued a denial of Tower Hill Insurance Group LLC's Petition for Emergency Waiver or Variance from the 2008-2009 Florida Hurricane Catastrophe Fund (FHCF) reimbursement premium formula. The petition sought to recalculate and implement a lower premium payment that it said more accurately reflects the level of coverage actually available to insurers under the reimbursement contracts.

An article explaining the reasons for the SBA's denial and more information about the petition may be found online at <http://www.cftnews.com/index.php?cmd=article&id=3103>

Rich J. Fidei

## FL Analyzes Stranger-Originated Life Insurance

On February 5, 2009, the Florida Office of Insurance Regulation released a report analyzing Stranger-Originated Life Insurance (STOLI). The report specifically focuses on the use of fraudulent activity to circumvent the state's Insurable Interest Law.

The report may be found online at <http://www.floir.com/pdf/stolirpt012009.pdf>.

Rich J. Fidei

## FL Approves 6.4 Percent Workers' Comp Rate Increase

The Florida Office of Insurance Regulation issued a Final Order on February 10, 2009, approving the National Council on Compensation Insurance's amended rate filing requesting a 6.4 percent increase in workers' compensation insurance rates. The increase took effect April 1, 2009 for new and renewal business.

The order may be found online at <http://www.floir.com/pdf/DOC020909.pdf>

Rich J. Fidei

## FL Changes Filing Process for Residential Property Insurers

The Florida Office of Insurance Regulation (OIR) issued an informational memorandum to all residential property insurers operating in Florida on February 20, 2009, that details recent changes to the electronic filing process for Quarterly Supplemental Reports (QUASR). Along with active residual market entities providing residential property coverage, the following insurers are required to file QUASRs:

- Property and Casualty Insurers
- Commercial Self-Insurance Trust Funds
- Industrial Insured Captive Insurers
- Reciprocal Insurers

To access the OIR's industry portal, which provides access to a QUASR informational memorandum, updated filing template spreadsheet and new policy type definitions, use the link below. <http://www.floir.com/Memoranda/OIR-09-01M.pdf>

Rich J. Fidei

## FL Mandates Electronic Filing for Auto Insurers

The Florida Department of Highway Safety and Motor Vehicles has confirmed that all property and casualty and fire companies authorized to issue motor vehicle insurance policies in Florida must begin filing electronic documents no later than June 30, 2009. As of that date, all insurance companies with 1,000 policies or more must be ready to begin electronic reporting of all SR22/SR26s and FR44/FR46s via File Transfer Protocol (FTP). Insurance companies with fewer than 1,000 policies may continue to file the paper formats.

An advisory bulletin issued by the department February 27, 2009, may be found online at <http://www.cftnews.com/index.php?cmd=article&id=3416>

Rich J. Fidei



## FL Reports on Travel-based Coverage Restrictions

On March 2, 2009, the Florida Office of Insurance Regulation submitted its third annual Freedom to Travel report, which documents instances in which applicants were denied life insurance, refused continuance, or had coverage limited based on future travel plans. It also outlines the number of insurers taking such action and their rationale. Florida law defines the conditions under which the refusal of life insurance or the refusal to continue existing life insurance based on past or future lawful travel constitutes an unfair trade practice.

The report may be found online at <http://www.cftnews.com/index.php?cmd=article&id=3417>

Rich J. Fidei

## FL Corrects Bonus Depreciation Problem

A law passed during Florida's recently-completed 2009 Regular Session corrects a bonus depreciation problem created by the state's 2008 passage of a corporate income tax "piggyback" bill. As passed, SB 1112 requires corporate taxpayers to add back the bonus depreciation amounts allowed under federal law to Florida income but then allows this amount to be deducted from Florida income over a seven-year period. Similar legislation is anticipated later in the 2009 session that will address additional bonus depreciation allowed under the most recent federal stimulus package.

More information about SB 1112 may be found online at <http://www.myfloridahouse.gov/Sections/Bills/billsdetail.aspx?BillId=40634&SessionId=61>

Rich J. Fidei

## FL Denies State Farm Request for Hearing

In a March 24, 2009 letter to State Farm Florida, the Florida Office of Insurance Regulation (OIR) denied the insurer's March 6 petition for an administrative hearing on its efforts to leave Florida, saying that it didn't give enough specifics about disputed issues that would entitle State Farm to such a hearing. Rather, the state agency said, the petition only reflects State Farm's displeasure with the terms of the OIR's February 13 Conditional Approval Order. Although the OIR dismissed State Farm's request for an administrative hearing in the March 24 letter, it afforded the insurer an opportunity to address the OIR's concerns by filing an amended petition.

The amended petition, which was received April 14, 2009, may be found online at [http://www.floir.com/pdf/SFPetition\\_102381-09.pdf](http://www.floir.com/pdf/SFPetition_102381-09.pdf)

To view a chronology of State Farm events in Florida, click: <http://www.floir.com/SFChronology.aspx>

Rich J. Fidei

## FL Revises Notice of Insurer Violations

The Florida Department of Financial Services has advised that its Civil Remedy Notice of Insurer Violations Web application has been modified to include a new "Comments" function. This function replaces the "outcome pick list" previously used by insurers to provide the disposition of the alleged violation pursuant to F.S. 624.155(3)(e). All insurers are encouraged to notify the department of the outcome of notices using the new "Comments" function only and not to send paper or fax communications regarding outcomes

Advisory comments and other information from the department may be found online at <http://www.cftnews.com/index.php?cmd=article&id=3671>

Rich J. Fidei

## FL Implements SCHIP Reporting Mandate

Implementation of the State Children's Insurance Program (SCHIP) Section 111 Mandatory Insurer Reporting Program is underway in Florida. Important dates and reminders may be found online at <http://www.cftnews.com/index.php?cmd=article&id=3757>

Rich J. Fidei

## GA Mandates Electronic Filing

The Georgia Office of Insurance announced that effective May 1, 2009, all filing fees must be submitted via Electronic Funds Transfer (EFT) payment through SERFF. This change was announced for all P&C Insurers in Bulletin 09-P&C-1 and for all L&H Insurers in Bulletin 09-L&H-1.

The bulletins may be found online at: <http://www.gainsurance.org/PublicInformation/Bulletins.aspx>

Lindsay Cleveland

## MS Withdraws Bulletin on Wireless Equipment Insurance

The Mississippi Insurance Department has withdrawn a bulletin on the marketing and selling of wireless equipment insurance. Bulletin 2009-1, which was issued March 12, 2009, did not adequately address the issues and caused confusion in the industry. In withdrawing it, the department said it will issue a new bulletin after further study of the issue.

Bulletin 2009-4, which withdrew Bulletin 2009-1, may be found online at: <http://www.mid.state.ms.us/bulletins/20094bul.pdf>

Lindsay Cleveland

## MS Compares ARRA with State's Mini-COBRA Law

In Bulletin 2009-3, issued April 13, 2009, the Mississippi Insurance Department announced that it has reviewed the provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), as well as Mississippi's state continuation coverage provisions and finds that Mississippi's mini-COBRA law is a comparable state continuation coverage program. This means that the benefits available to COBRA beneficiaries under the ARRA shall also be made available to those eligible for State continuation coverage.

The bulletin may be found online at <http://www.mid.state.ms.us/bulletins/20093bul.pdf>

Lindsay Cleveland

## MS Adopts Producer Licensing Uniformity Act

On March 26, 2009, Mississippi Governor Haley Barbour signed into law HB 777, which implemented the NAIC uniform standards for producer licensing. In Bulletin 2009-2 issued on April 1, 2009, the Mississippi Insurance Department addressed the law's provisions on lines of authority, biennial license periods, pre-licensing and continuing education and fees. All changes are effective November 1, 2009.

The bulletin may be found online at <http://www.mid.state.ms.us/bulletins/20092bul.pdf>

Lindsay Cleveland

## MS Law Defines Total Loss

Mississippi HB 1307, which was enacted March 30, 2009, amends MS ST 83-11-551 by specifying procedures to determine where a total automobile loss does and does not exist. The law takes effect July 1, 2009.

HB 1307 may be found online at [http://www.mid.state.ms.us/pages/laws\\_bulletins\\_regulations.aspx](http://www.mid.state.ms.us/pages/laws_bulletins_regulations.aspx)

Lindsay Cleveland

## MS Delays Repeal of Surplus Line Associations Provision

Mississippi HB 2858, which was enacted March 26, 2009, amends MS ST 83-21-21 by extending the repeal date of Section 10, regarding non-liability of surplus lines association board members, to July 1, 2012.

HB 2858 may be found online at [http://www.mid.state.ms.us/pages/laws\\_bulletins\\_regulations.aspx](http://www.mid.state.ms.us/pages/laws_bulletins_regulations.aspx)

Lindsay Cleveland

## MS Requires Annual Actuarial Opinions

Mississippi HB 2421, the Property and Casualty Actuarial Opinion Act, was enacted March 26, 2009. It sets requirements for property and casualty insurance companies doing business in the state to annually submit a Statement of Actuarial Opinion and an Actuarial Opinion Summary. The law also requires preparation of an actuarial report and underlying work papers and explains consequences of failure to provide the documents.

The law also covers liability of appointed actuaries, confidential treatment of documents, material and information, and the discretionary authority of the insurance commissioner. The act takes effect January 1, 2010.

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HB 2421 may be found online at [http://www.mid.state.ms.us/pages/laws\\_bulletins\\_regulations.aspx](http://www.mid.state.ms.us/pages/laws_bulletins_regulations.aspx)

Lindsay Cleveland

## MS Explains Financial Reporting Requirements

Mississippi HB 2419, which was enacted on March 16, 2009, amends MS ST 83-5-102 to provide more explanations relating to the filing of audited financial reports of insurers. It also amended some definitions and added new sections. The act takes effect January 1, 2010.

HB 2419 may be found online at [http://www.mid.state.ms.us/pages/laws\\_bulletins\\_regulations.aspx](http://www.mid.state.ms.us/pages/laws_bulletins_regulations.aspx)

Lindsay Cleveland

## SC Provides Licenses and Certification Letters Online

Bulletin Number 2009-03 issued by the South Carolina Department of Insurance on April 23, 2009, states that effective June 1, 2009, the department will no longer print or mail hard copies of licenses, limited line appointments or letters of certification. Licensed individuals will be able to print copies of their license and letter of certification via the Department's SCDOI Online Services, without charge. Please refer to the bulletin for detailed instructions regarding printing procedures.

The bulletin may be found online at <http://www.doi.sc.gov/bulletinsandorders/2009bulletins.htm>

Lindsay Cleveland

## SC Implements Health Care Act

The South Carolina Department of Insurance has announced the implementation of the Health Care Financial Recovery and Protection Act, which takes effect June 11, 2009. Bulletin Number 2009-02, issued April 15, 2009, contains a copy of the act, a brief overview, and complaint and hearing request procedures.

The bulletin may be found online at <http://www.doi.sc.gov/bulletinsandorders/2009bulletins.htm>

Lindsay Cleveland

## SC Provides Licensing Requirements for Surety Producers

On April 3, 2009, the South Carolina Department of Insurance issued Bulletin 2009-01, for all surety producers and surety insurers licensed in the state. Effective immediately, insurance producers seeking only surety authority are required to be licensed as limited lines insurance producers. A licensed producer with only surety authority is not required to complete continuing insurance education requirements. The bulletin provides instructions for the licensing process for resident and nonresidents.

The bulletin may be found online at <http://www.doi.sc.gov/bulletinsandorders/2009bulletins.htm>

Lindsay Cleveland

## SC Renews Wind and Hail Underwriting Association Territory

On March 13, 2009, the South Carolina Department of Insurance issued Order 2009-01, renewing two previous orders that expanded the territory covered by the South Carolina Wind and Hail Underwriting Association. This order provides that the renewal is effective until March 29, 2011.

The order may be found online at <http://www.doi.sc.gov/bulletinsandorders/2009administrativeorders.htm>

Lindsay Cleveland

## TN Restates Stance on Chiropractic Services Coverage

The Tennessee Department of Commerce and Insurance issued a bulletin February 23, 2009, restating its long-held interpretation of T.C.A. 56-7-2404, relating to coverage for chiropractic services. The department's position is that the purpose of the provision is to prohibit discrimination against services provided within the lawful scope of practice of licensed chiropractic physicians who offer those services offered by other health care providers.

The bulletin may be found online at <http://tn.gov/commerce/insurance/bulletins.shtml>

Lindsay Cleveland

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Mid-Atlantic Chapter: District of Columbia, Delaware, Maryland, New Jersey, New York City,  
Pennsylvania, Virginia

### DC Updates Fraud Warning Language

District of Columbia Bulletin Notice, dated March 27, 2009, outlines the district's required fraud warning effective April 1, 2009. Insurers and HMOs are not required to change previously approved policy forms.

The notice may be found online at <http://newsroom.dc.gov/list.aspx/agency/disr/section/21>

Betty Dabrowski

### DE Homeowners Insurance Rate Survey Available

Insurance companies with more than .01 percent market share in homeowner multiple peril lines in Delaware are required to complete an annual homeowners insurance rate survey, as stipulated by Regulation 704 and outlined in Domestic/Foreign Insurers Bulletin No. 34. Deadline for completion of the survey was April 15, 2009.

The 2009 survey document, including instructions and a listing of companies required to complete the survey based on NAIC market share data, may be found online at <http://www.delawareinsurance.gov/survey/default.shtml>

To find the bulletin online, use the link below and scroll down to Bulletin No. 34 under Domestic/Foreign Insurer Bulletins: <http://www.delawareinsurance.gov/departments/documents/bulletins/bulletins.shtml>

Anne Aponte

### MD Insurance Administration Changes Address

Effective May 4, 2009, the new address for the Maryland Insurance Administration is 200 St. Paul Place, Suite 2700, Baltimore, MD 21202. The Fraud Division will also be at this new location.

Betty Dabrowski

## MD Laws Affect Small-Group Market

The Maryland Insurance Administration has issued Bulletins 09-05 and 09-06 advising carriers in the small-group market of emergency legislation that will affect business practices. Senate Bill 84 provides the protections of the American Recovery and Reinvestment Act of 2009 (ARRA) to Maryland residents who were covered under small employer contracts subject to the Maryland “mini-COBRA” continuation of coverage requirements, and were involuntarily terminated from employment between September 1, 2008 and February 17, 2009. Senate Bill 84 requires carriers to extend the election period of eligible individuals.

Bulletins 09-05 may be found online at

<http://www.mdinsurance.state.md.us/sa/documents/BulletinL&H09-05ContinuationNotice.pdf>

Bulletin 09-06 may be found online at

<http://www.mdinsurance.state.md.us/sa/documents/BulletinL&H09-06-ARRA.pdf>

Betty Dabrowski

## MD Explains Amendments to Comprehensive Health Benefit Plan

The Maryland Insurance Administration issued Bulletin 09-10 on April 17, 2009, to notify carriers participating in the Maryland small-employer market of the amendments to COMAR 31.11.06, Comprehensive Standard Health Benefit Plan. The amended regulations apply to small-employer contracts issued or renewed on or after July 1, 2009. The regulations amend the dependent child definition to permit coverage until age 25, provide benefits for surgical treatment of morbid obesity, and remove an exclusion for medical or surgical treatment for obesity.

Bulletin 09-10 may be found online at

<http://www.mdinsurance.state.md.us/sa/documents/BulletinL&H09-10-ChangeCSHBP04-09.pdf>

Betty Dabrowski

## MD Outlines Rules for Annual Actuarial Opinion

Effective March 13, 2009, the Maryland Legislature revised COMAR 31.05.01.01 regarding the annual actuarial opinion and memorandum requirements. The general requirements for the Annual Memorandum and Statement of Actuarial Opinion Based on an Asset Adequacy Analysis are outlined, and the annual filing requirement is explained.

COMAR 31.05.01.01 may be found online at

<http://www.dsd.state.md.us/comar/31/31.05.01.01.htm>

Betty Dabrowski

## MD Provides Storm Credits for Homeowner Policies

The Maryland Legislature amended the Omnibus Coastal Property Insurance Reform Act of 2008 to add section 19-210 – Actuarially justified premium discount. This new section requires that an insurer shall offer at least one discount to a policyholder who submits proof of improvements made to the insured premises as a means of mitigating loss from hurricane or other storm.

In Bulletin 09-08, issued April 16, 2009, the Maryland Insurance Administration provides guidance to insurers as to the type of discounts they may offer. The bulletin may be found online at:

<http://www.mdinsurance.state.md.us/sa/documents/BulletinP&C09-08-windstorm.pdf>

Anne Aponte

## NJ Life and Health Bureaus Mandate SERFF Filings

The New Jersey Department of Banking and Insurance has announced that effective January 1, 2010, its Life & Health Bureaus will only accept rate and/or form filings submitted through SERFF. Paper filings will no longer be accepted.

The announcement was made in Bulletin 2009-5, issued March 5, 2009. The bulletin may be found online at: [http://www.state.nj.us/dobi/bulletins/blt09\\_05.pdf](http://www.state.nj.us/dobi/bulletins/blt09_05.pdf)

Betty Dabrowski

## NJ Enacts Annuity Filing Requirements

Effective April 1, 2009, 2008 NJ S 1165 requires additional filing requirements for all individual fixed deferred and immediate annuities. Specifically, the filings must be accompanied by or include a buyer's guide, a disclosure statement, and a free look provision. Suitability requirements are also included and outlined. In Bulletin 09-06, the New Jersey Department of Banking and Insurance summarized NJ S 1165 and provided sample language.

NJ S 1165 may be found online at [http://www.njleg.state.nj.us/2008/Bills/S1500/1165\\_11.pdf](http://www.njleg.state.nj.us/2008/Bills/S1500/1165_11.pdf)

Bulletin 09-06 may be found online at [http://www.state.nj.us/dobi/bulletins/blt09\\_06.pdf](http://www.state.nj.us/dobi/bulletins/blt09_06.pdf)

Betty Dabrowski

## NJ Seeks to Ease Signature Witness Requirement

The New Jersey Department of Banking and Insurance is proposing to amend N.J.A.C. 11:17A-4.2, which requires a producer to witness the signature of a prospective insured on the application prior to submission to the insurer.

Technological advances in electronic signatures, Internet sales, and updated signature laws have prompted the department to require the witness of signatures by producers only when a face-to-face meeting is conducted with the client and only when required by the insurer.

The amendment to this rule will be proposed later this year. Therefore, enforcement actions will not be taken against insurers who are obtaining electronic signatures or conducting internet sales without signatures until the amendment is adopted.

Questions may be directed to the Department's Consumer Protection Unit.

In Bulletin No. 09-11, issued April 13, 2009, the department has provided information about the amendment. The bulletin may be found online at [http://www.state.nj.us/dobi/bulletins/blt09\\_11.pdf](http://www.state.nj.us/dobi/bulletins/blt09_11.pdf)

Anne Aponte



## NJ Increases Benefit Amounts Under Health Wellness Promotion Act

On March 16, 2009, the New Jersey Department of Banking and Insurance issued a public notice mandating adjustments to the maximum dollar amounts for benefits or services set forth in the Health Wellness Promotion Act. The required dollar amounts are as follows:

- \$217 a year for each person between the ages of 20 and 39
- \$252 a year for each man 40 or older
- \$409 for each woman 40 or older
- \$259 for a left-sided colon exam for each person 45 or older

The public notice may be found online at <http://www.state.nj.us/dobi/notices/pn090316b.pdf>

Betty Dabrowski

## NJ Amends Auto Insurance Buyer's Guide

The New Jersey Department of Banking and Insurance has amended the New Jersey Auto Insurance Buyer's Guide. It may be found online at [http://www.state.nj.us/dobi/division\\_insurance/byguide.doc](http://www.state.nj.us/dobi/division_insurance/byguide.doc)

Anne Aponte

## NY Outlines Motor Vehicle Law Enforcement Fees

Recent amendments to New York Insurance Law Section 9110 are outlined in Circular Letter No. 13, which provides guidance for insurers to apply the new law.

For a policy issued or renewed on or after June 1, 2009, with a term longer than six months, an insurer must collect a \$10 fee per insured vehicle when the policy is first issued and upon the policy's anniversary date. For a multi-year policy, an insurer must collect a \$10 fee upon each anniversary date. For vehicles added or replaced on or after June 1, 2009, a \$10 fee is required at the time of addition or replacement and at each anniversary date.

For a policy issued or renewed on or after June 1, 2009, with a term of six months or less, a \$5 fee must be collected when the policy is first issued and upon renewal. However, total fees collected should not exceed \$10 annually. An insurer must collect a \$5 fee for vehicles when added or replaced and at each anniversary date.

For policies issued prior to June 1, 2009 no additional fee should be collected until the next anniversary date.

Compare Approaches to Issues – regulator/industry panel presentations

Circular Letter No. 13 may be found at: [http://www.ins.state.ny.us/circltr/2009/cl2009\\_13.pdf](http://www.ins.state.ny.us/circltr/2009/cl2009_13.pdf)

Anne Aponte

## PA Provides Guidance Regarding Autism Coverage

The Pennsylvania Insurance Department issued Notice 2009-03 on April 11, 2009, to provide guidance concerning autism coverage as required by Act 62 of 2008, which amended the Insurance Company Law. The types of treatment for autism spectrum disorders must be provided to the extent that such treatments are medically necessary and prescribed and provided as set forth in Act 62, irrespective of whether those types of care are otherwise excluded by the policy. Those types of treatments not specified by Act 62 may be subject to general exclusions of a policy provided they are excluded to the same extent as for other medical services covered by the policy. A policy may impose general limitations so long as such limitations are imposed to the same extent as those imposed upon other medical services covered by the policy. Specific limitations on number of visits to an autism service provider for treatment of autism spectrum disorders are impermissible. The Insurance Department is monitoring developments regarding autism at the federal level.

Notice 2009-03 may be found online at <http://www.pabulletin.com/secure/data/vol39/39-15/682.html>

Betty Dabrowski

## VA to Monitor Accounting Practices

On February 23, 2009, the Virginia Bureau of Insurance issued Administrative Letter 2009-02 regarding permitted accounting practices in filed annual statements. It says the bureau will be monitoring footnote #1 of the annual statements, which requires a disclosure if an insurer employs accounting practices that differ from the NAIC Accounting Practices and Procedures Manual.

Administrative Letter 2009-02 may be found online at <http://scc.virginia.gov/division/boi/webpages/adminlets/09-02.pdf>

Betty Dabrowski

## VA Offers Guidance on Cost and Utilization Data

On March 9, 2009, the Virginia Bureau of Insurance issued Administrative Letter 2009-03 to assist carriers in the preparing the Annual Report of Cost and Utilization Data relating to mandated benefits. The letter advises carriers that Form MB-1 must be submitted by May 1, 2009 and that no extensions will be granted. The letter also provides a link to the bureau's website for instructions on how to file Form MB-1.

Administrative Letter 2009-03 may be found online at <http://scc.virginia.gov/division/boi/webpages/adminlets/09-03.pdf>

Betty Dabrowski

## VA Develops Small Employer Group Health Insurance Medical History Form

On March 10, 2009, the Virginia Bureau of Insurance issued Administrative Letter 2009-04 advising carriers that it has developed the Virginia Small Employer Group Health Insurance Medical History Form to be used by small employers submitting group health insurance applications to insurers. Use of the form is completely voluntary and is intended to relieve small employers and their employees of the burden of completing multiple forms. If the form is used in the exact format, insurers may begin using it immediately without the Bureau's approval – it is, in fact, exempt from filing and approval requirements.

For a copy of Administrative Letter 2009-04, please access the following link:  
<http://scc.virginia.gov/division/boi/webpages/adminlets/09-04.pdf>

Betty Dabrowski



## Northeast Region News

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New England Chapter: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

### ME Addresses Medicare Supplement Claims

In Bulletin 354, issued February 25, 2009, the Maine Bureau of Insurance addressed the practice of some Medical supplement insurers of reopening paid claims to seek recovery from providers long after the services were provided. This is generally impermissible. With limited exceptions, when permitted such reopening must happen within one year after the date of the underlying Medicare claim. Any unnecessary delay between the denial of the Medicare claim and the denial of the Medicare supplement claim violates the Maine Unfair Claims Practices Act, 24-A M.R.S.A. §2164-D(3), which requires insurers to adopt and implement reasonable standards for the prompt investigation and settlement of claims and make a final decision within a reasonable time after having completed its investigation.

The bulletin may be found online at <http://www.maine.gov/pfr/insurance/bulletins/354.htm>

Cailie A. Currin, JD

### ME Explains Permitted Accounting Practices

The Maine Bureau of Insurance issued Bulletin 355 on March 3, 2009, after receiving an unprecedented volume of permitted accounting practice requests. The bulletin reiterates that pursuant to 24-A M.R.S.A. § 901-A(1), the admissibility of assets and the valuation of assets and liabilities for all insurers doing business in Maine are governed strictly by the NAIC Accounting Practices and Procedures Manual and Valuation of Securities Manual, unless at the request of the insurer additional or alternative accounting practices are permitted. Although some flexibility is built into the system through the permitted practice process, variances are intended to be used only in exceptional cases where there is some unique circumstance that is not addressed by the NAIC manuals or that makes them inappropriate to apply literally across the board.

The bulletin advised that recent declines in financial markets are widely shared and are not unique. The NAIC has determined that they do not justify changes in the accounting manuals. According to the bulletin, special accounting practices approved in a Maine-licensed insurer's home state will not be automatically approved for use in Maine. Financial statements include reconciliation to codified statutory accounting practices. Maine will follow those standards in evaluating an insurer's assets, liabilities, and surplus requirements unless the insurer can demonstrate with particularity why an exception should be made.

Thought From Those at the Top – Back again, Commissioners' Corner

The bulletin may be found online at <http://www.maine.gov/pfr/insurance/bulletins/355.htm>

Cailie A. Currin, JD

## ME Amends Regulations on Electronic Submission of Filings

The Maine Legislature has amended the state's insurance code with regard to requirements of electronic submission of filings, particularly Title 24-A, Sections 2304-A, 2382-C, 2412, 2736, 2839 and 4207. These amendments were approved March 23, 2009, and may be found online at <http://www.mainelegislature.org/legis/statutes/24-A/title24-Ach0sec0.html>

Cailie A. Currin, JD

## ME Explains Continuation of Non-COBRA Plans

In Bulletin 356, issued April 6, 2009, the Maine Bureau of Insurance clarified what constitutes being "temporarily laid off" and the continuation of coverage in non-COBRA plans.

The bulletin may be found online at <http://www.maine.gov/pfr/insurance/bulletins/356.htm>

Cailie A. Currin, JD

## ME Warns Against Coercive Claim Settlement Practices

The Maine Bureau of Insurance has warned insurers against coercive claim settlement practices in Bulletin 357, issued April 29, 2009. The bureau said there have been incidents in which automobile liability insurers sent adjusters to obtain statements from hospitalized accident victims, some of whom were in pain, medicated, or not fully conscious. The bulletin warned that such coercive claims handling practices violate Maine law.

The bulletin may be found online at <http://www.maine.gov/pfr/insurance/bulletins/357.htm>.

Darrell Turner, AIS, ARC, ACP

## NH Clarifies Rules on Medicare Supplement Insurance

The New Hampshire Legislature has amended the Code of Administrative Rules, Chapter Ins. 2600, Part Ins 2603 through 2603.17, to provide prospective buyers of Medicare supplement insurance with clear and unambiguous statements on the advertising of such insurance and to assure the clear and truthful disclosure of the benefits, limitations and exclusions of policies sold as Medicare supplement insurance.

The amended regulations may be found online at <http://www.gencourt.state.nh.us/rules/ins2600.html>

Cailie A. Currin, JD

## NH Explains Law's Effect on Continuation Coverage

The New Hampshire Insurance Department issued bulletins in March and April 2009 to provide guidance on the effect of the American Recovery and Reinvestment Act (ARRA) on state continuation coverage of health benefits. State continuation coverage establishes rights comparable to COBRA for employees who lose coverage under a self-insured arrangement.

The bulletins, 09-017-AB and 09-023-AB, may be found online at <http://www.nh.gov/insurance/media/bulletins/bulletins2009.htm>

Cailie A. Currin, JD

## NH Clarifies Offerings to Professional Employer Organizations

In Bulletin 2009-079-AB, issued March 11, 2009, the New Hampshire Insurance Department answered questions about whether an insurance carrier may issue a large policy to a professional employer organization (PEO) and whether a third party administrator may provide administrative services for a PEO that elects to provide self-insured benefits.

The bulletin may be found online at <http://www.nh.gov/insurance/media/bulletins/bulletins2009.htm>

Cailie A. Currin, JD

## NH Explains Health-First Standard Wellness Plan

The New Hampshire Department of Insurance answered questions about the Health-First Standard Wellness Plan in Bulletin 2009-019-AB, issued March 12, 2009. The bulletin discussed the potential of an additional actuarial review, hearings on rate filings, and modifications, including the removal of the second and third year wellness incentive payments. The plan was enacted to promote the availability of more affordable health coverage to the small group market and is to be made available to small employer groups on October 1, 2009, or as soon as practical thereafter.

The bulletin may be found online at <http://www.nh.gov/insurance/media/bulletins/bulletins2009.htm>

Cailie A. Currin, JD

## NH Restricts Sales of Life Insurance and Annuities

The New Hampshire Legislature has adopted administrative rules restricting the use of senior-specific certification and professional designations in the sale of life insurance and annuities. The rules, adopted March 1, 2009, are in Chapter Ins 300, Part Ins 311 of the Administrative Rules. These standards are based upon the current NAIC Solicitation of Life Insurance Model Regulation.

The rules may be found online at <http://www.gencourt.state.nh.us/rules/ins300.html>

Cailie A. Currin, JD

## NH Adopts Rules on Life Insurance Illustrations

The New Hampshire Legislature adopted rules in Chapter Ins 300, Part Ins 309 of the Administrative Rules regulating life insurance illustrations on March 9, 2009. The rules provide that such illustrations must improve buyers' ability to select the most appropriate plan of life insurance for their needs, improve a buyer's understanding of the basic features of the policy that has been purchased or is under consideration, and improve the ability of the buyer to evaluate the relative costs of similar plans of life insurance.

The rule may be found online at <http://www.gencourt.state.nh.us/rules/ins300.html>

Cailie A. Currin, JD

## NY Issues Guidance for Guaranteed Paid-Up Deferred Annuities

The New York Insurance Department issued a filing guidance note on guaranteed paid-up deferred annuities on March 13, 2009. The note explains the issues the department is concerned about with respect to longevity annuities.

The guidance note may be found online at [http://www.ins.state.ny.us/life/p\\_guide\\_annu.htm](http://www.ins.state.ny.us/life/p_guide_annu.htm)

Cailie A. Currin, JD

## NH Explains Health-First Standard Wellness Plan

The New Hampshire Department of Insurance answered questions about the Health-First Standard Wellness Plan in Bulletin 2009-019-AB, issued March 12, 2009. The bulletin discussed the potential of an additional actuarial review, hearings on rate filings, and modifications, including the removal of the second and third year wellness incentive payments. The plan was enacted to promote the availability of more affordable health coverage to the small group market and is to be made available to small employer groups on October 1, 2009, or as soon as practical thereafter.

The bulletin may be found online at <http://www.nh.gov/insurance/media/bulletins/bulletins2009.htm>

Cailie A. Currin, JD

## NY Updates Admission Application for Insurance Companies

The New York Insurance Department updated the life section of the Admission Applications requirements and forms for all insurance companies (other than Corporation subject to Article 43) on April 3, 2009. Insurers must use the NAIC's Uniform Certificate of Authority Applications available at the NAIC's website, [http://www.naic.org/industry\\_ucaa](http://www.naic.org/industry_ucaa). The primary application should be used by entities seeking a certificate of authority as a New York domestic insurer or for insurers wishing to redomesticate to New York. The Expansion Application should be submitted by all other insurance companies already licensed elsewhere.

The new application forms may be found online at [http://naic.org/industry\\_ucaa.htm](http://naic.org/industry_ucaa.htm).

Cailie A. Currin, JD

## NY Issues Letters on Disaster Preparedness and Response

The New York Insurance Department has issued circular letters addressing the responsibilities of property insurers in providing information on their disaster preparedness and response plans.

The circular letters, 2009-7 and 2009-8, may be found online <http://www.ins.state.ny.us/circltr/2009.htm>.

Cailie A. Currin, JD

## NY Amends Rules on Processing of Health Insurance Claims

The New York Legislature has amended Part 217 of NYCRR regarding the processing of health insurance claims. The amendments cover submission guidelines, prompt payment of claims, and coordination of benefit claims.

The amendments, which take effect July 15, 2009, may be found online at <http://www.dos.state.ny.us/info/nycrr.htm>

Cailie A. Currin, JD



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## Northwest Region News

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Northwest Chapter: Alaska, Idaho, Montana, Oregon, Washington, Wyoming

### AK Notes Changes for Electronic Application Filings

The Alaska Division of Insurance issued Bulletin B 09-04 on March 16, 2009, outlining procedural changes to accept electronic application filings for both resident and nonresident licensing filings and changes to continuing education requirements.

The division now accepts electronic applications from residents or nonresidents for most license classes via the National Insurance Producer Registry (NIPR). Acceptable applications may come from a person seeking to obtain, renew, amend or reinstate a license.

The bulletin may be found online at <http://www.dced.state.ak.us/insurance/bulletins/B09-04.pdf>

Doug Geraci, CPCU, ACP

### ID Reports Grants for Senior Health Benefits Advisors

The Centers for Medicare & Medicaid Services awarded 2009 grants to the Idaho Senior Health Insurance Benefits Advisors (SHIBA) program on April 3, 2009. The purpose of this funding is to help Medicare beneficiaries in Idaho to get more information about their health insurance choices. SHIBA will receive \$290,920 as part of nearly \$36 million being distributed to state health insurance assistance programs. CMS' acting administrator, Charlene Frizzera, said, "SHIBA plays an important role in providing information and support to people with Medicare in Idaho. The passage of the American Recovery and Reinvestment Act of 2009 provides an opportunity for SHIBA to build upon its existing referral network and partners. Working collaboratively with state and local governments, community-based organizations and other partners to help meet the needs, beyond healthcare, of our Medicare population will be crucial."

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The centers expects SHIBA to use the 2009 funding to conduct targeted community-based outreach to an beneficiaries who may be unable to access other sources of information. Prior funding received by SHIBA benefited Idaho seniors by allowing the implementation of a computer access program called PC Possible. The funding provided computers and internet access for 80 new counseling locations. This program allows greater access to one-on-one counseling for current and newly eligible beneficiaries, as well as reaching people who are expected to be eligible for Medicare's low income subsidy and those who may benefit from lower prescription drug costs. Idaho's SHIBA program has been rated among the nation's top ten best performing state health insurance assistance programs for the past two years.

A news release about the grants may be found online at [http://www.doi.idaho.gov/press/senior\\_health.pdf](http://www.doi.idaho.gov/press/senior_health.pdf)

Janet Vitus, CIC, MHP, HIA, CRM



## MT Upholds Uninsured Motorists Exclusions

Montana State Auditor Monica Lindeen issued an advisory memorandum on March 23, 2009, affirming that household members may be excluded from underinsured motorist coverage. In a recent case, the Montana Supreme Court ruled that in Montana, parties to an insurance contract may include provisions that exclude coverage without violating public policy if the exclusion applies to optional rather than mandatory coverage.

The advisory memorandum may be found online at <http://sao.state.mt.us/bulletins/Mandatory%20Liability.pdf>

Doug Geraci, CPCU, ACP

## WA Commissioner Proposes Guaranteed Health Benefit Plan

Washington State Insurance Commissioner Mike Kreidler has proposed a Guaranteed Health Benefit Plan that would provide health care coverage for all Washington residents up to age 65 and preserve the freedom of choice. He said the plan has “the potential to dramatically increase access to health care coverage with minimal disruption to the existing marketplace.”

More information on the proposal may be found online at <http://www.insurance.wa.gov/consumers/reform/index.shtml>

Doug Geraci, CPCU, ACP

## WA Updates 2009 Legislative Session Information

The 2009 Washington State legislative session was called to order in January, and the Office of the Insurance Commissioner set up a website to provide information on the status and development of Commissioner Mike Kreidler’s legislative agenda. His primary focus this session is on improving health care in Washington state.

The website may be found online at <http://www.insurance.wa.gov/legislative/index.shtml>

Doug Geraci, CPCU, ACP

## WY Amends Medicare Supplement Regulations

The Wyoming Insurance Department is amending its Medicare Supplement regulations so the state may continue to retain regulatory oversight of this program and allow policy forms to continue to qualify as Medicare Supplement policies in Wyoming. The department intends to adopt all changes to these regulations no later than July 1, 2009.

A statement of principal reasons for the amendments to Chapter 35 of the Medicare Supplement Regulations may be found online at:

<http://insurance.state.wy.us/regulations/09-01%20Statement%20of%20Prin-Reasons.pdf>

Doug Geraci, CPCU, ACP



## South Central Region News

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South Central Chapter: Arkansas, Louisiana, Oklahoma, Texas

### AR Mandates Benefits for Hearing Aids

Arkansas 2009 House Bill 1930, which took effect July 4, 2009, amends Arkansas Code Title 23, Chapter 79 by adding mandated offer benefits for hearing aids in an amount of not less than \$1,400 per year every three years without being subject to policy deductible or copayment requirements. An individual, blanket, or group health benefit plan that is offered, issued, or renewed in the state must offer coverage for a hearing aid or hearing instrument sold on or after January 1, 2010, by a professional licensed by the state to dispense a hearing aid or hearing instrument.

The bill defines "hearing aid" as an instrument or device, including repair and replacement parts, that is designed and offered for the purpose of aiding persons with or compensating for impaired hearing, is worn in or on the body, and is generally not useful to a person in the absence of a hearing impairment. The state Insurance Department will develop and promulgate rules for the implementation and administration of the new law.

The bill may be found online at  
<http://www.arkleg.state.ar.us/assembly/2009/R/Amendments/HB1930-H1.pdf>.

Hazel J. Delane

### AR Amends Mental Health Parity Act

Arkansas House Bill 2195, which takes effect July 7, 2009, amends the Arkansas Mental Health Parity Act in order to make the act consistent with federal law. The bill's amendments apply on or after October 3, 2009, for health benefit plans on the plans' anniversaries or start dates but no later than one year after October 3, 2009.

The law amends the following Arkansas insurance code sections: (1) 23-99-502 regarding legislative intent, (2) 23-99-503 regarding the definition of "mental illnesses" to include substance abuse disorders, (3) 23-99-504 regarding coverage exclusions under individual health benefit plans when such coverage is offered to individuals who satisfy the insurer's underwriting standards, (4) 23-99-505 regarding increased cost exemption to change the method of calculation of increased costs, (5) 23-99-506 regarding parity requirements to clarify language, (6) 23-99-507 regarding medical necessity to delete previous requirements and to provide that the criteria for medical necessity determinations for mental illness made under a health benefit plan must be made available by the insurer to any current or potential covered individual or contracting provider upon request. On request, the reason for a denial of reimbursement or payment for services to diagnose or treat mental illness under a health benefit plan must be made available by the insurer to a covered individual.

The law also amended 23-99-508 regarding permitted coverage provisions to allow an insurer to use common utilization management protocols, including, without limitation, preadmission screening, prior authorization of service, or other mechanisms designed to limit coverage of service for mental illness to individuals whose diagnosis or treatment coverage is considered medically necessary although the protocols are not used in conjunction with other medical illnesses or conditions covered by the health benefit plan.

The law also enacts 23-99-512 to provide that in the case of a health benefit plan that provides both medical benefits and mental illness benefits, if the health benefit plan provides coverage for medical benefits provided by out-of-network providers, the health benefit plan must provide coverage for mental illness benefits provided by out-of-network providers.

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The bill may be found online at: <http://www.arkleg.state.ar.us/assembly/2009/R/Amendments/HB2195-H1.pdf>.

Hazel J. Delane

## OK Specifies Definition of ‘Department’

Oklahoma 2009 House Bill 1065, which takes effect November 1, 2009, amends 63s 1-890 2 to define “Department” to mean the State Department of Health.

The bill may be found online at: [http://webserver1.lsb.state.ok.us/2009-10bills/SB/HB1065\\_SFLR.RTF](http://webserver1.lsb.state.ok.us/2009-10bills/SB/HB1065_SFLR.RTF)

Hazel J. Delane

## TX Requests 2009 Information on Disallowed Expenses

The Texas Department of Insurance issued Bulletin #B-0018-09, dated April 10, 2009, asking all companies writing property, residential, medical malpractice, other general liability, products liability, fidelity surety and auto insurance to submit information related to disallowed expenses.

Section 2251.101 of the Texas Insurance Code, prohibits the consideration of certain incurred expenses in the determination of individual company rates for lines of insurance regulated under this article. This call is designed to provide quantification of such “disallowed” expenses as defined under §2251.002. Insurers were advised that the submissions must be completed in accordance with the general instructions and returned no later than May 15, 2009.

More information regarding this submission and the necessary forms may be found online at <http://www.tdi.state.tx.us/bulletins/2009/documents/B-0018-09-attach.xls>

Lori Chambers, AIRC

## TX Declares Catastrophe Areas for Spring Storms

The Texas Department of Insurance has issued four bulletins declaring certain counties as catastrophe areas for the purposes of claims processing due to weather-related events in March and April. Claims resulting directly from these defined catastrophes in the affected counties will be subject to the additional time periods authorized by Section 542.059 of the Texas Insurance Code for the processing of claims.

Bulletin B-0016-09, issued April 9, 2009, relates to storms that occurred from March 25 to March 28. It may be found online at <http://www.tdi.state.tx.us/bulletins/2009/cc15.html>

Bulletin B-0019-09, issued April 13, 2009, relates to storms that occurred from March 30 to March 31. It may be found online at: <http://www.tdi.state.tx.us/bulletins/2009/cc18.html>

Bulletin B-0020-09, issued April 20, 2009, relates to storms that occurred from April 9 through April 12. It may be found online at: <http://www.tdi.state.tx.us/bulletins/2009/cc19.html>

Bulletin B-0022-09, issued April 29, 2009, relates to storms that occurred from April 16 to April 18. It may be found online at <http://www.tdi.state.tx.us/bulletins/2009/cc21.html>

Lori Chambers, AIRC

## TX Announces 2009 Call for Information Calendar

The Texas Department of Insurance issued Bulletin #B-0021-09, dated April 27, 2009, announcing the 2009 call for information for the calendar year ending December 31, 2009 for Title Insurance Agents Statistical Reporting. The bulletin also announces changes for 2009 and included links to forms and contact information for questions.

The bulletin may be found online at <http://www.tdi.state.tx.us/bulletins/2009/cc20.html>

Lori Chambers, AIRC



## Southwest Region News

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Western Regional Chapter: Arizona, California, Colorado, Hawaii, Nevada, New Mexico, Utah

### AZ Revises Personal Auto Cancellation and Nonrenewal Laws

The Arizona Department of Insurance has issued Bulletin 2009-01, noting revisions in the state's laws allowing insurers to cancel or nonrenew personal automobile policies. A.R.S. §20-1631(D) sets limitations after the policy has been in effect for 60 days. A.R.S. §20-1631(E) also includes a new provision that sets limitations and conditions for cancellation and nonrenewals.

The bulletin may be found online at: <http://www.id.state.az.us/bulletin/2009-01.pdf>

### HI Revises Personal Lines License Certificates

Hawaii has released Memorandum 2009-4LIC to notify personal lines insurance producers of the re-issuance of license certificates. Homeowners Personal Lines (HO-PL) and Vehicle Personal Lines (VE-PL) have been combined to comply with NAIC standards. The new coverage is Personal All Lines (PL-ALL).

The memorandum may be found online at: [http://hawaii.gov/dcca/areas/ins/main/whats\\_new/](http://hawaii.gov/dcca/areas/ins/main/whats_new/)

### HI Updates Form AC (Notice of Address Change)

The Hawaii Department of Commerce and Consumer Affairs has modified its address change notice form.

A copy of the revised Form AC may be found online at [http://hawaii.gov/dcca/areas/ins/main/whats\\_new/](http://hawaii.gov/dcca/areas/ins/main/whats_new/)

### NV Advises Consumers on Flood Coverage

The Nevada Department of Insurance has issued a news release to remind insurance customers that flood damage is not covered under standard homeowners and tenant policies.

The news release may be found online at: [http://doi.state.nv.us/Press-FloodFINAL\\_md.pdf](http://doi.state.nv.us/Press-FloodFINAL_md.pdf)

## NV Urges Taking No Chances on Insurance

The Nevada Department of Insurance has teamed up with the Nevada Surplus Lines Association to help educate “thrill-seeking” consumers on the proper types of insurance to buy. The “Take No Chance” educational campaign teaches consumers to be educated about their insurance policies, even if they are risk takers in their everyday lives. This campaign includes television spots, website banners and upgrades and features real-life stories of six people who participate in extreme outdoor activities while making responsible insurance choices.

A news release about the campaign may be found online at: <http://doi.state.nv.us/Press-4.14.09.pdf>

## NM Invites Insurance Consumers to Go Green

The New Mexico Department of Insurance has released a bulletin to help consumers find the right questions to ask about their insurance policies if they are planning on making environmentally friendly updates to their properties. Tips are provided for Standard Homeowners Insurance, Green Homeowners Insurance, and Green Energy Insurance.

The bulletin may be found online at: <http://www.nmprc.state.nm.us/news/pdf/042109greeninsurance09.pdf>

## NM Releases Consumer Alert for Influenza Outbreak

The New Mexico Department of Insurance has released a consumer alert to help insureds be prepared for any possible occurrence of an outbreak of Influenza A. The alert says it is important for consumers to make a comprehensive review of their insurance policies, including their health insurance, travel insurance, and business interruption insurance.

The consumer alert may be found online at: <http://www.nmprc.state.nm.us/news/pdf/050409fluinsurance09.pdf>

## UT Advises Consumers on Flood Coverage

The Utah Insurance Department has issued a news release to remind insurance customers that flood damage is not covered under standard homeowners and tenant policies. The bulletin reminds insureds that flood policies do not take effect for 30 days after purchase and urges consumers to plan ahead.

The news release may be found online at: <http://www.insurance.utah.gov/docs/PressReleases/PR-FloodInsCov.pdf>

## UT Invites Insurance Consumers to Go Green

The Utah Insurance Department has issued a news release to help consumers find the right questions to ask about their insurance policies if they are planning on making environmentally friendly updates to their properties. The release offers tips for purchasing standard homeowners insurance, green homeowners insurance, and green energy insurance.

The news release may be found online at:

<http://www.insurance.utah.gov/docs/PressReleases/PR-GreenHO4-09.pdf>



# United States

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## CMS Issues Guidance on Secondary Payer Reporting

The Centers for Medicare and Medicaid Services (CMS) has posted revised implementation dates plus user guides for liability (including self-insurance), no-fault insurance and workers' compensation, and group health plans as part of implementing Medicare secondary payer mandatory reporting changes.

Section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (PL 110-173) amends the Medicare secondary payer (MSP) provisions of the Social Security Act (Section 1862(b) of the Social Security Act; 42 U.S.C. 1395y(b)) to provide for mandatory reporting for group health plan arrangements, liability insurance (including self-insurance), no-fault insurance, and workers' compensation.

Medicare secondary payer reporting is classified under Coordination of Benefits provisions on the Medicare homepage. The purposes of the COB program are to identify the health benefits available to a Medicare beneficiary and to coordinate the payment process to prevent mistaken payment of Medicare benefits.

Documentation for reporting requirements is posted on the CMS website at <http://www.cms.hhs.gov/MandatoryInsRep>.

## FINCEN Report Focuses on Securities and Futures Industries

The Financial Crimes Enforcement Network (FINCEN), part of the Treasury Department, has published The SAR Activity Review: Trends, Tips and Issues (Issue 15, May 2009). In this issue, FINCEN's focus is on the securities and futures industries. Many life and annuities insurers sell variable insurance products that include securities, which include specific responsibilities for making Suspicious Activity Reports (SARs).

Topic headings include:

- Trends & Analysis
- Law Enforcement Cases
- Issues & Guidance
- Industry Forum

This issue includes a report on a \$60 million Ponzi scheme involving phony investments in pools of life insurance policies, promising investors a "risk free investment" with five-to-one returns. An investigation was initiated after a SAR from a depository institution.

Issue 15 of the SAR Activity Review is available at [http://www.fincen.gov/news\\_room/rp/files/sar\\_tti\\_15.pdf](http://www.fincen.gov/news_room/rp/files/sar_tti_15.pdf).

## GAO Analyzes Reciprocity and Uniformity in Producer Licensing

In Government Accountability Office (GAO) report GAO-09-372 (April 6, 2009), the agency recommends greater uniformity in producer licensing background checks, and notes improvements in insurance product approval requirements, use of the National Association of Insurance Commissioners' System for Electronic Rate and Form Filing (SERFF) and development of the market conduct annual statement regime.

The report says that because the insurance market is a vital part of the U.S. economy, Congress and other observers are concerned about limitations to reciprocity and uniformity, regulatory inefficiency, higher insurance costs, and uneven consumer protection. The GAO was asked to review the areas of producer licensing, product approval, and market conduct regulation in terms of progress by the NAIC and state regulators to increase reciprocity and uniformity, the factors affecting this progress, and the potential effects if greater progress is not made. GAO staffers analyzed federal laws and regulatory documents, assessed NAIC efforts, and interviewed industry officials.

The report concluded that reciprocity of producer licensing among states has improved, but consumer protection and other issues present challenges to uniformity and full reciprocity. Congress' passage of the Gramm-Leach-Bliley Act (GLBA) in 1999, the NAIC's Producer Licensing Model Act (PLMA) of 2000, and uniform licensing standards (2002) have helped improve reciprocity and uniformity. However, NAIC officials noted that as of March 2009, only 17 states were performing full criminal history checks using fingerprinting, and some states that conduct such checks have been unwilling to reciprocate with states that do not. In addition, some insurance regulators in the GAO sample noted that regulators do not have a systematic way to access disciplinary records of other financial regulators. Without full checks on applicants, states may less effectively protect consumers.

Licensing standards, including how state regulators define lines of insurance, also vary across states, further hindering efforts to create reciprocity in agent licensing. These differences may result in inefficiencies that raise costs for insurers and consumers.

The GAO report said state regulators' processes to approve insurance products have become more efficient, but barriers exist to greater reciprocity and uniformity. The NAIC and state regulators improved product approval filings by creating the System for Electronic Rate and Form Filing (SERFF) in 1998, which, according to some industry participants, has simplified filings and reduced filing errors. However, SERFF does not address differences in regulators' review and approval processes.

An Interstate Compact was created in 2006 to facilitate approval of certain life, annuity, disability income, and long-term care products, which are accepted across participating states. As of March 2009, 34 states participated in the compact. However, the GAO report noted that the compact leaves some decisions on approval up to the individual states, and several key states have not joined because they feel their processes and protections are superior to those used in the compact. Moreover, differences in state laws are likely to limit reciprocity in the approval of property/casualty insurance products. To the extent that these areas lack reciprocity and uniformity, some industry participants noted that there may be inefficiencies that slow the introduction of new products and raise costs for insurers and consumers.

### Face to Face – industry/regulator one-on-one opportunities

The NAIC and the states have taken steps to improve reciprocity and uniformity of market conduct regulation, but variation across states has limited progress, according to the GAO report. For example, the NAIC noted that in 2006 it developed uniform guidance, and in 2008 created core competency standards, which are intended to be part of an accreditation process for market conduct regulation. The NAIC noted that the accreditation plan has not been finalized, and the standards do not include adherence to all NAIC market conduct guidance.

In addition, the NAIC in 2002 developed the Market Conduct Annual Statement (MCAS) to promote uniform data collection and better target exams. However, industry participants have several concerns about the annual statement, and the NAIC noted that fewer than half of state insurance regulators use it for data collection. The NAIC has also created a working group to coordinate enforcement actions. Although better communication and coordination appears to have resulted, according




to some states in the GAO sample, the effect on uniformity of market conduct regulation is uncertain. The GAO report commented that lack of uniformity and reciprocity may lead to inefficiencies, higher insurance costs, and uneven consumer protection across states.

The GAO recommended that in order to improve how state insurance regulators identify insurance license applicants with criminal backgrounds and protect consumers, Congress may want to explore ways to ensure that all state insurance regulators can conduct nationwide criminal background checks as part of their producer licensing and consumer protection functions.

To continue the progress achieved through the NAIC's electronic and automated product filing processes, the GAO urged the NAIC and state regulators to work with the insurance industry to further identify differences in the ways state regulators review and approve filings received through SERFF, and take any necessary steps to improve consistency in their product approval processes.

The GAO report may be found online at <http://www.gao.gov/new.items/d09372.pdf>.



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# Canada

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Alberta (AB), British Columbia (BC), Manitoba (MB), New Brunswick (NB), Newfoundland and Labrador (NL), Nova Scotia (NS), Northwest Territories (NT), Nunavut (NU), Ontario (ON), Prince Edward Island (PE), Québec (QC), Saskatchewan (SK), Yukon (YT)

## IBC Publishes 2009 Insurance Fact Book

The Insurance Bureau of Canada (IBC) has published its 2009 Insurance Fact Book for the general insurance industry. IBC members include insurers and reinsurers. Associate members include attorneys and other service providers to Canadian insurers. The bureau's services include legal advisories, data collection and analysis, and rates and forms.

The 2009 Insurance Fact Book is available on the IBC website at [http://www.ibc.ca/en/Need\\_More\\_Info/documents/Facts%20book%202009\\_ENG.pdf](http://www.ibc.ca/en/Need_More_Info/documents/Facts%20book%202009_ENG.pdf).

## First Deadline Passes for Foreign Insurers

May 31, 2009, marked the first reporting deadline for certain foreign insurers doing business in Canada.

Under the provisions of 2007 legislation coming into force on January 1, 2010, foreign life insurance companies -- including fraternal benefit societies and property and casualty insurance companies -- are required to report risks located outside Canada that were insured in Canada before January 1, 2010. The amendments to Part XIII of the Insurance Companies Act also remove the exemption that currently excludes the application of this part to the insurance of risks falling within the class of marine. As a result, foreign companies that write insurance in the class of marine either on a monoline basis or in conjunction with several other lines will now become subject to Part XIII to the extent that these risks are insured in Canada.

Information regarding changes to Part XIII of the Insurance Companies Act is available on the website for the Office of the Superintendent of Financial Institutions (OSFI) at [http://www.osfi-bsif.gc.ca/osfi/index\\_e.aspx?ArticleID=2729](http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?ArticleID=2729).

## OSFI Issues Risk Assessment Framework for Pension Plans

The Office of the Superintendent of Financial Institutions Canada (OSFI) published its Risk Assessment Framework for Federally Regulated Pension Plans on April 27, 2009. It is designed to enhance transparency of OSFI's methodology for pension plans.

Key features of this methodology are:

- It is risk-focused, meaning that the degree of supervisory activity will generally be commensurate with the net risk in a plan. This permits efficient use of resources to supervise the 1,400 plans that the OSFI regulates.
- It identifies four significant activities that cover the operations of all pension plans: administration, communication to members, and actuarial and asset management.
- It involves a separate evaluation of the inherent risks and the quality of risk mitigants in respect of the four significant activities as well as the risks associated with the plan's solvency and funding.
- It puts the onus on plan administrators to carry out plans in compliance with the regulatory framework.

The methodology was adopted for pension plans in 2006, based on the approach that the OSFI has followed in the supervision of financial institutions since 1999. The framework documents the key elements of the process but does not necessarily address all the supervisory activities and actions that the OSFI might exercise with respect to a specific plan. In addition, the OSFI may not follow all the actions or processes described in the framework in every situation. The Guidance Notes supplement the framework and were developed as a resource tool that relationship managers may use to assist in making systematic and consistent risk assessments.

Additional information is available on the OSFI website at [http://www.osfi-bsif.gc.ca/osfi/index\\_e.aspx?ArticleID=2961](http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?ArticleID=2961).

## AB Issues Risk Based Market Conduct Survey Results

The Alberta superintendent of insurance has published the results of a Risk Based Market Conduct Survey that was sent to all licensed insurance companies operating in Alberta in April 2008. It was conducted to gather information regarding insurance companies' compliance with various sections of the Insurance Act related to their interaction with insurance agents, including restricted agents and insurance adjusters.

The survey results indicate that many insurance companies use more than one type of intermediary for marketing and distribution of insurance. Most respondents indicated that they use either independent or company intermediaries.

The survey found that most insurance companies licensed in Alberta have policies and procedures in place to ensure they are in compliance with the act and have mechanisms in place to regularly review their policies and procedures. Most of the companies responding indicated that senior-level staffers review these policies and procedures each year.

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In general the overall results of the survey indicate a low risk of non-compliance by insurance companies with respect to the surveyed sections of the act.

The survey may be found on the Alberta Finance and Enterprise website at [http://www.finance.alberta.ca/publications/insurance/2009\\_0428\\_risk\\_based\\_market\\_conduct\\_survey\\_results.pdf](http://www.finance.alberta.ca/publications/insurance/2009_0428_risk_based_market_conduct_survey_results.pdf)

## ON Publishes Five-Year Report on Auto Insurance

The Financial Services Commission of Ontario (FSCO) has published its required five-year review of provincial automobile insurance.

In 2003, the legislature amended the Insurance Act to include a requirement in section 289.1 that the superintendent of financial services undertake a review of Part VI of the Act and any regulations made under Part VI at least once every five years or more often if requested by the minister of finance. The superintendent is to report back with recommendations to improve the effectiveness and administration of Part VI of the act and the regulations. These provisions cover statutory accident benefits, court proceedings and dispute resolution.

The Financial Services Commission embarked on a stakeholder consultation process in the second half of 2008 to support the auto insurance review process. In addition, the commission regularly hears from stakeholders on numerous issues. The opinions expressed by stakeholders represent a broad range of experiences and perspectives. Many of the recommendations in this report reflect the comments received through the consultation process.

In the past few years, profitability has not been an issue for the P&C insurance sector in Canada or Ontario. However, financial results for the P&C industry declined in 2008. Following the 2003 auto insurance reforms, loss costs fell in 2004. Loss costs have been rising since then and have resulted in an upward swing of rate changes approved by FSCO in 2008. However, rate increases have not kept pace with rising loss costs, and the insurance sector reports significant rate inadequacy in the system. The report concluded that declining profitability, significantly lower earnings, and loss cost increases will accelerate in 2009 in the absence of structural changes to stabilize costs.

The 73-page report includes 39 recommendations, ranging from market conduct issues and forms simplification to liability for public transit agencies and use of e-commerce by insurers.

The report is available on the FSCO website at <http://www.fSCO.gov.on.ca/english/insurance/auto/5yr-review/FiveYearReviewReport.pdf>.

## ON Issues Automobile Insurance Filing Guidelines

The Financial Services Commission of Ontario (FSCO) released Bulletin No. A-02/09 Property & Casualty – Auto, Automobile Insurance Filing Guidelines and Technical Notes, on March 20, 2009.

The subjects covered by the bulletin are:

- Communication and timelines for rate filings
- Forms Filing Guidelines
- Rate Manual Filing Guidelines
- CLEAR Filing Guidelines
- Automated Rates and Classifications Technical Information Communication System (ARCTICS)
- Submission of Risk Profiles

The Bulletin is available on the FSCO website at [http://www.fSCO.gov.on.ca/english/pubs/bulletins/autobulletins/2009/a-02\\_09.asp](http://www.fSCO.gov.on.ca/english/pubs/bulletins/autobulletins/2009/a-02_09.asp).

A summary of the changes is posted at [http://www.fSCO.gov.on.ca/english/pubs/bulletins/autobulletins/2009/a-02\\_09-1.pdf](http://www.fSCO.gov.on.ca/english/pubs/bulletins/autobulletins/2009/a-02_09-1.pdf).

## ON Conducts Survey on Credit-Based Insurance Scoring

The Financial Services Commission of Ontario (FSCO) has asked selected chief executive officers and/or chief agents of property-casualty insurance companies to complete a survey on the use of credit-based insurance scoring for property-casualty insurance.

In a letter dated April 1, 2009, the commission defined credit-based scoring as “any kind of subjective or objective assessment, number, rating, ranking or score based in whole or in part on credit-related information about a consumer and used to predict the future insurance loss exposure of the consumer, whether or not derived from an algorithm, computer application, model or other process, and includes but is not limited to any information used by credit grantors to determine whether to grant or extend credit, credit scores and information contained in a credit report.”

The questionnaire was to be completed no later than April 14, 2009. The commission indicated the information gathered is to be used for analysis only.

The letter may be found online at <http://www.fSCO.gov.on.ca/english/insurance/credscoreltr09.pdf>.

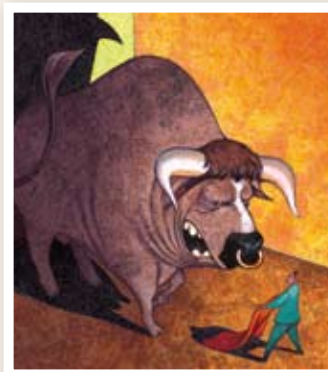
The questionnaire may be found online at <http://www.fSCO.gov.on.ca/english/insurance/credscorqst09.pdf>.

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Tax-exempt organizations must make their last three annual information returns and their approved application for recognition of exemption with all supporting documents available for public inspection. Pursuant to changes enacted as part of the Taxpayer Bill of Rights 2, the organization will be required to provide copies of these documents upon request without charge (other than a reasonable fee for reproduction and copying costs). Penalties are provided for failure to comply with these requirements.

If you need the information returns for AICP (IRS Form 990), please contact our Administrative Headquarters. Documents are available only in hard copy.

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