

Current Challenges Facing Insurance Regulation

Market Regulation in the United States

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Presentation Overview

- Goal of Market Regulation
- Focus of Market Regulation and Standards of Company Conduct
- Emerging Trends in the United States
- Emerging International Standards

Goal of Market Regulation

- The basic tenet of market regulation is to protect consumers by identifying and correcting insurer operating practices that are in conflict with contract provisions, state laws, rules, regulations, or orders of the Commissioner.

Focus of Market Regulation & Standards of Company Conduct

- Company Operations/Management
- Marketing & Sales
- Underwriting & Rating
- Policyholder Service
- Claim Handling
- Complaints
- Producer Licensing

Company Operations

- Company is licensed for the lines of business being written.
- Company has audit program, antifraud plan and disaster recovery plans.
- Company monitors the activities of MGAs, GAs, TPAs and independent adjusters.
- Company records comply with state record retention requirements.

Marketing and Sales

- All advertisements are truthful and not misleading in fact or by implication.
- Internal producer training materials comply with applicable rules.

Underwriting and Rating

- Company underwriting practices are not unfairly discriminatory.
- Rates charged for the policy coverage are in accordance with filed rates (if applicable) or the company rating plan.
- Company does not permit illegal rebating, commission cutting, or inducements.
- Cancellations/non-renewal notices comply with policy provisions and state laws.

Policyholder Service

- Policy issuance and insured-requested cancellations are timely.
- All correspondence directed to the company is answered in a timely and responsive manner.
- Company makes reasonable attempts to locate missing policyholders and beneficiaries.

Claims Handling

- Company conducts timely investigations.
- Company processes claims in accordance with policy provisions.
- Claim files are adequately documented.

Complaint Handling

- Company records complaints in the required format on the company complaint register.
- The company responds to complaints in a timely fashion.

Producer Licensing

- Producers are properly licensed and appointed (if required).
- Records of terminated producers adequately document reasons for terminations.

Current Issues

- Use of Retained Asset Accounts
- Suitability of Annuity Sales
- Market Conduct Annual Statement
- Use of Social Media in Insurance

Emerging International Standards

- International Association of Insurance Supervisors (IAIS)
 - ICP 18 Intermediaries
 - ICP 19 Conduct of Business
- Impact of implementing standards:
 - at a global level, establishes expectations on how customers should be treated
 - convergence of supervisory practices
 - improves the protection of consumers worldwide

Challenges for Implementing International Standards

- Drafting and implementing international standards on market conduct present a unique challenge:
 - Standards on solvency look at how one deals with *numbers*
 - Standards on market conduct looks at how one deals with *people*

Challenges for Implementing International Standards

- Business and sales practices are closely linked with a jurisdiction's traditions, culture, legal regime, degree of development of insurance markets, etc.
- Thus, approaches on regulating how companies and agents conduct business tend to vary.
- While approaches can vary, reaching the same *outcome* as set forth in international standards is the goal.
- Important for standards to be principles-based, not rules based.

Implementing Standards in the US

- IMF's Financial Sector Assessment Program – identifies what is observed and what needs improvement
- NAIC committee structure:
 - Tracks international developments and international standards
 - Addresses implementing FSAP results
 - Results in harmonization across the States

Questions/Comments