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NEWS

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FINAL ISSUE!

Editor's Note: This is the final issue of NAIC News. We appreciate your past support of this publication. The Communications Division is in the process of streamlining and consolidating all forms of communications from the NAIC. All paying subscribers will receive a letter in the mail explaining the credit/refund process. Please contact our Customer Service team with any questions.

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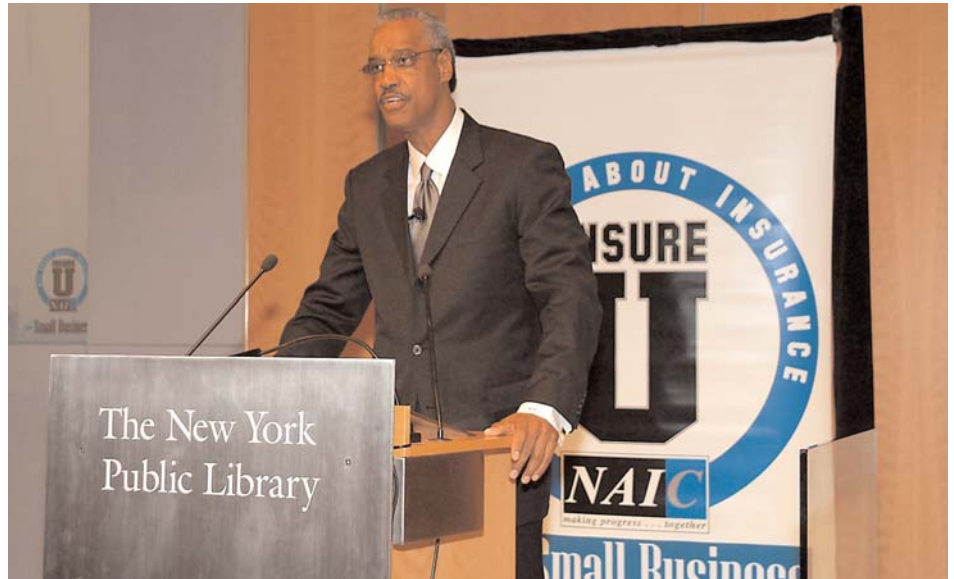
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NAIC LAUNCHES INSURE U FOR SMALL BUSINESS

New Public Education Program Kicks Off in New York City; Helps Small Businesses Understand and Address Business Risks



NAIC President and Alabama Insurance Commissioner Walter Bell addresses the crowd during the Insure U for Small Business launch April 24 at the New York Public Library in New York City.

The NAIC launched a comprehensive public education program to assist small businesses with information about business risks and insurance options on April 24 at the New York Public Library in New York City. Under the banner of Insure U for Small Business, the campaign includes an online education site, public service announcements in English and Spanish, and community outreach by public information officers of state insurance departments.

The Insure U for Small Business curriculum, available at www.insureuonline.org/smallbusiness, includes the following six categories of vital information to small businesses: workers' compensation, group health and disability, business property and liability, commercial auto, group life and key person life, and home-based business insurance. After reviewing the curriculum's helpful explanations, tips and considerations, small business owners and managers can test their knowledge about insurance issues by taking an online quiz. Upon successful completion, they can download an Insure U for Small Business diploma.

"Small businesses are a major engine for our national economy, employing millions of Americans and generating immense economic activity," said Walter Bell, NAIC President and Alabama Insurance Commissioner. "Small business owners need to understand the array of business risks they face, as well as how to protect themselves with the right insurance coverage. Insure U for Small Business — supported by state insurance departments across the United States — will help small business owners and managers make smarter insurance decisions."

Continued on page 2

INSURE U FOR SMALL BUSINESS *Continued from cover*



Research conducted by the NAIC in March revealed that many small businesses — defined as those with fewer than 100 employees — are exposed to serious risks that could be mitigated by a better understanding of insurance options, according to Catherine J. Weatherford, NAIC Executive Vice President and CEO. Key findings of the research show:

- Only 47 percent of small businesses offer health insurance to their employees. Of those, 24 percent report changing the fee structure, deductibles or other components in the past year to offset the rising cost of premiums.
- Only 59 percent of small businesses with fewer than 20 employees have workers' compensation insurance, which state law requires for most companies. Workers' compensation insurance protects business owners from claims by employees who experience a work-related injury or illness.
- Only 35 percent of small businesses have business interruption insurance, which covers expenses like payroll and utility bills that often continue after a major event (e.g., a fire or storm) shuts down a company.

Because rebounding from a disaster can take a considerable amount of time, small businesses need to understand this risk and the available insurance options.

- Only 48 percent of small businesses carry commercial auto insurance. The others apparently rely on personal auto insurance. However, personal auto insurance policies typically have lower liability limits and may even exclude business-related liability.
- While 71 percent of small businesses say they are very dependent on one or two key people for their success and viability, only 22 percent have Key Person life insurance, a type of policy that enables a business to weather the death of a key employee or buy out the key person's heirs if ownership rights are involved.
- Among home-based businesses — 22 percent of the NAIC survey — 48 percent depend on their homeowners insurance to protect their businesses. However, most homeowners insurance policies severely limit coverage of business property and may totally exclude business-related liability claims.

Continued on page 3

NAIC PRESENTS INSURE U TO U.S. DEPARTMENT OF TREASURY

NAIC President-Elect Highlights Consumer Protection and Insurance at Financial Literacy Conference

On behalf of the NAIC, Association President-Elect and Kansas Insurance Commissioner Sandy Praeger participated in the inaugural meeting of the National Financial Education Network April 17 at the U.S. Department of the Treasury.

The conference, entitled *Taking Ownership of the Future: The National Strategy for Financial Literacy*, was hosted by the Department of Treasury and the U.S. Office of Personnel Management.

Representatives from different areas of government across the nation assembled inside the Cash Room to share ideas and resources, with the goal of creating an open dialogue among associations, government officials and individuals to advance financial education at the state and local levels.

Praeger was featured on a panel to discuss consumer protection and insurance, and shared highlights of the NAIC's Insure U — *Get Smart about Insurance* public education program.



NAIC President-Elect and Kansas Insurance Commissioner Sandy Praeger at the U.S. Department of Treasury

“We are proud to participate in this important conference on consumer financial education,” Praeger said. “With our Insure U program, the NAIC is deeply committed to educating the public about insurance and consumer protection issues.”

Insure U's educational curriculum helps consumers evaluate insurance options that meet different life stage needs. Available in English and Spanish, the Insure U Web site (www.InsureUonline.org) covers basic information on the major types of insurance — life, health, auto and homeowners/renters insurance.

The site also offers special considerations and tips for saving money and selecting coverage for young singles, young families, established families and seniors/empty nesters. In addition, there is a quiz for each life stage, enabling consumers to test their knowledge on insurance issues and topics.

INSURE U FOR SMALL BUSINESS

Continued from page 2

“Insure U for Small Business represents a major commitment by the NAIC and its Members — the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories — to help small business owners,” Weatherford said. “It builds on the momentum of the NAIC's highly successful Insure U consumer education program introduced a year ago.”

The U.S. Treasury's Financial Literacy and Education Commission has embraced Insure U and made the program part of its National Financial Education Network.

In addition to launching Insure U for Small Business, the NAIC is expanding its efforts to help insurance consumers avoid being taken advantage of by insurance scams. Fighting fake insurance is the focus of newly updated English- and Spanish-language television public service announcements (PSAs) encouraging individuals to call their state insurance department prior to purchasing an insurance policy to confirm that they are dealing with a company or agent authorized to do business in their state.



INTERNATIONAL REGULATORS PARTICIPATE IN FIRST SPRING INTERNSHIP PROGRAM

In April, the NAIC welcomed six interns from Egypt, Albania and Jordan to the NAIC Executive Headquarters for its spring International Internship Program.

After the success of the fall internship program, which has been held since 2004, the NAIC decided to expand the program to be conducted twice a year. The goal of the International Internship Program is to advance working relations with foreign markets, emphasizing the exchange of regulatory techniques and technology.

“We are encouraged to see new regulators from the Middle East and Eastern Europe participating in this program, which will provide a wonderful opportunity for the NAIC to share its regulatory expertise,” said Walter Bell, NAIC President and Alabama Insurance Commissioner. “With the globalization of insurance markets, it is critical to offer regulators the opportunity to learn from one another and the system of regulation in the United States.”



The 2007 spring interns gather outside NAIC Executive Headquarters in Kansas City, Mo.

To participate in the program, non-U.S. regulators must complete a formal application and have at least three years of experience in insurance regulation. The interns will participate in a week-long orientation in Kansas City, Mo., focusing on the broad principles of insurance regulation in the United States. Following their training at the NAIC Executive Headquarters, the interns each will travel to a different state for five weeks, working in technical areas of their specialization under the supervision of a state insurance department staff member, who will serve as a mentor and host.

The internship program also will include attendance at the 2007 NAIC Summer National Meeting in San Francisco. The program will conclude in Washington, D.C., with a debriefing program, a seminar with industry representatives and a certificate ceremony to highlight the interns' accomplishments.

The NAIC is pleased to have New York, Pennsylvania and Georgia serve as host states for the spring internship program.

MARKET ANALYSIS LEGISLATION ESTABLISHES FRAMEWORK FOR INSURANCE REGULATION



Mike Kreidler, Washington Insurance Commissioner

The state of Washington recently adopted new legislation based on a NAIC model law, establishing innovative standards for regulating insurance company conduct throughout the state.

Washington Insurance Commissioner Mike Kreidler requested the law, which creates a market conduct oversight program within the Washington State Office of the Insurance Commissioner (OIC).

Gov. Chris Gregoire signed the legislation into law April 18.

“The Insurance Commissioner’s office regulates 1,400 insurance companies doing business in Washington state,” Kreidler said. “We ensure they are financially solvent, capable of paying claims and operating in the marketplace as they promised. As with other states, our current market conduct

review is retrospective. This new law gives us the tools to evaluate company behavior in real time.”

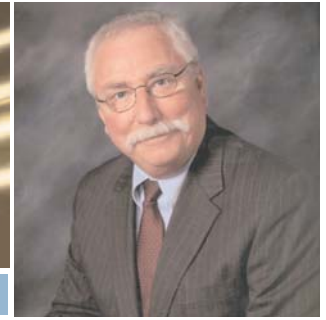
The OIC had been required by law to perform market conduct exams, which can be expensive and disruptive, every five years on all companies doing business in Washington. Under the new program, the mandatory five-year exam cycle is no longer required. Instead, exams will be called if an analysis of the marketplace indicates more corrective action is needed.

Under a market analysis program, states’ market conduct oversight processes are streamlined, Kreidler said. By utilizing market analysis, states can monitor companies’ current performance instead of past performance, therefore protecting consumers and directing resources toward problem companies.

“Regulating through a market analysis approach is an important shift occurring in many states,” Kreidler said. “With the push toward federal regulation of insurance, our success in passing this law shows that states take innovation and uniformity seriously. I’m pleased Washington state is taking the lead.”

Message from the Officers

by Roger Sevigny, NAIC Vice President and New Hampshire Insurance Commissioner



PARTNERSHIPS — ENHANCEMENTS TO AN EFFECTIVE AND SUCCESSFUL FRAUD UNIT

Much like McGruff the Crime Dog, state insurance department fraud units nationwide ‘take a bite out of crime.’ In New Hampshire, the introduction of a dedicated fraud prosecutor, also appointed as an assistant attorney general working in conjunction with our department’s in-house investigators, has allowed us to significantly expand the types of fraud prosecutions and investigations we carry out. We believe there’s a lesson here for all states that do not have this type of relationship with their top law enforcement office.

Historically, my department’s Fraud Unit focused primarily on property and casualty claimant and application fraud. However, a new analysis of our statutes has led us to view insurance fraud investigations and prosecutions differently from the traditional P&C claims fraud focus. Having a law enforcement prosecutor as a part of our fraud team has changed long-established narrow views of our legal authority to investigate and prosecute only activities that met these fraud interpretations.

With the addition of what is effectively a Department of Justice criminal prosecutor within the insurance department, we are now investigating and prosecuting insurance fraud crimes that include agent premium theft, agent forgery, workers’ compensation hearing perjury, employer theft of health insurance premiums, theft through the sale of fake insurance policies, acceptance of premiums by unlicensed agents, and fraudulent workers’ compensation insurance certificates.

Not only does this broader view of what constitutes insurance fraud result in more prosecutions, it sends a message to all who think this type of activity will be tolerated. Also, it has a more direct impact on protecting New Hampshire’s insurance consumers than concentrating on claims fraud prosecutions alone.

The department’s Fraud Unit is also taking a closer look at fraudulent health care claims made by medical providers and hospitals, and workers’ compensation premium fraud is now established as a priority — workers’ compensation premium fraud results in losses exceeding an estimated 10 times those losses associated with workers’ compensation claimant fraud.

In addition to this revitalized interpretation of our insurance fraud statutes, as part of our renewed emphasis on fraud investigations and prosecutions, I have created two task force panels to call attention to our two significant insurance fraud concerns. One panel will analyze the causes and propose cures for automobile insurance residency fraud. The second task force will investigate the problem and make recommendations for measures to stop, prosecute and prevent workers’ compensation fraud.

The Residency Task Force has been formed in partnership with the New Hampshire Division of Motor Vehicles, local law enforcement, the National Insurance Crime Bureau (NICB) and the state of Massachusetts’ counterparts for each participating New Hampshire agency. The Task Force will address the problem of out-of-state drivers that illegally register their cars and obtain insurance policies in New Hampshire to take advantage of lower personal auto insurance premiums.

This practice results in higher premiums for insured New Hampshire drivers and constitutes a fraud. This type of insurance fraud goes hand-in-hand with motor vehicle registration and title fraud. Thus, any successful effort to address this issue must rely on

coordination and partnership with law enforcement and motor vehicle authorities in this and neighboring states.

The Workers’ Compensation Fraud Task Force was developed in partnership with the New Hampshire Department of Labor to address both workers’ compensation premium fraud and claimant fraud. The Task Force is charged with evaluating existing labor and insurance laws as they relate to prosecution of workers’ compensation fraud, and to make recommendations for legislation that would enhance the ability of the insurance department’s assigned criminal prosecutor to prosecute such offenses.

Insurance fraud results in higher premiums for all consumers. As insurance commissioners, it is our responsibility to protect our constituents and to address this issue. I urge all of you to support efforts in your respective jurisdictions to strengthen insurance fraud statutes, to partner with other agencies and to take a broad view of what constitutes insurance fraud under your state’s insurance laws.

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SVO ARTICLES TO ADDRESS TRANSPARENCY

The Securities Valuation Office (SVO) of the NAIC on May 1 began publication of a series of five articles that discuss how state insurance regulators classify securities for statutory purposes and how the methodology is applied to hybrid securities.

The articles, each of which focus on a different aspect of the issue, will be published weekly and made available on the NAIC Web site. The introductory paragraphs of the first article will highlight the topics to be discussed in the series.

“We have worked diligently since December to deliver on the commitment we have made,” said Michael Moriarty, a senior regulator with the New York Insurance Department and Chair of the NAIC Financial Condition Committee’s Valuation of Securities Task Force. “In addition to the publication of these articles, we are pleased to have established the Invested Asset

Working Group, which is close to completing its first assignment.”

“Given the pace and complexity of structured finance, it is imperative that the insurance industry and its financial advisors work closely with regulators to understand regulatory concerns about potential risks in new securities and financial products,” Moriarty said. “These efforts will help us accomplish this objective.”

During the 2006 NAIC Winter National Meeting, the Valuation of Securities Task Force adopted five recommendations aimed at improving how regulators communicate opinions on risks in new financial products eligible for insurance companies to purchase.

Work continues on a process to allow the SVO to post its determinations regarding publicly traded securities on the NAIC Web site.

NAIC TESTIFIES BEFORE SENATE COMMITTEES



*Julie Benafield Bowman,
Arkansas Insurance
Commissioner*

NAIC President and Alabama Insurance Commissioner Walter Bell testified April 11 before the Senate Committee on Banking, Housing and Urban Affairs regarding the challenge of availability and affordability in coastal insurance markets.

That same day, Arkansas Insurance Commissioner Julie Benafield Bowman testified before the Senate Committee on Commerce, Science and Transportation on the overall state of the property/casualty market and its regulatory landscape.

“Coastal insurance markets are still dealing with the challenge of insurance availability and affordability, and state insurance departments are working to help consumers and businesses find coverage to manage the risk of living and working near the water,” Bell said.

Bell’s testimony to the Banking Committee highlighted the factors affecting availability and affordability, and provided snapshots of the market in a number of coastal states. He also encouraged Congress to consider an all-perils insurance policy, and reinforced the NAIC’s support for a national commission to analyze the problem.

In the Commerce Committee hearing, Bowman discussed regulators’ dual responsibility of ensuring the solvency of insurance companies, and making sure that those companies treat consumers and claimants fairly. She also addressed rate regulation and insurers’ claims settlement practices.

Bowman concluded her testimony by saying, “Our role as insurance commissioners is to foster an industry that prepares people before, and then provides for them after, some of the worst possible events that they may endure in their lifetime.”

NAIC HOSTS RATE FILING REVIEW COURSE

Thirty-two regulators from 24 state insurance departments gathered April 26–27 in Kansas City, Mo., for the Health Insurance Rate Filing Reviews course. Interest in developing the course, which is new this year, came from the Accident and Health Working Group, whose members saw the need to offer training to help bring about uniformity in the states’ rate filings review process for different health insurance products. Thanks to the number of state insurance departments represented, regulators were able to share information and best practices with each other.



NAIC PARTICIPATES IN HISPANIC PUBLICATIONS CONVENTION

As part of a year-long effort to educate Spanish-speaking consumers on insurance issues, the NAIC sponsored the National Association of Hispanic Publications, Inc. (NAHP) 2007 Convention and 25th Anniversary, April 11–14 at the Scottsdale Hilton Resort & Villas in Scottsdale, Ariz.

Arizona Insurance Director Christina Urias spoke with Hispanic journalists during the annual Hispanic media convention. As a sponsor, the NAIC co-hosted an editorial workshop, entitled *Attracting Readers to Consumer Education Issues*. NAIC

Communications Director Scott Holeman, along with Hispanic journalists from La Opinion, wire service EFE and AARP's Segunda Juventud, contributed to the workshop.

"We proudly support the NAHP as it celebrates its 25th anniversary and convenes its 2007 convention," Urias said.



Arizona Director of Insurance Christina Urias answers questions at the NAIC's Insure U Español exhibit booth at the National Association of Hispanic Publications 2007 Convention and 25th Anniversary in Scottsdale, Ariz.

"We look forward to sharing information on the important steps Hispanic consumers can take to better understand insurance issues and protect themselves from fraudulent insurance practices."

To better educate insurance consumers, the NAIC in February launched www.InsureUonline.org/espanol, a Spanish-language version of its education-based consumer Web site, Insure U. The site is organized by life stage to help Hispanic consumers get smart about insurance and better understand their evolving insurance needs.

The public education effort includes a new Spanish-language television and radio public service announcement (PSA), similar to the NAIC's currently running English-language PSA, offered to educate the public on how to avoid becoming a victim of fake insurance company scams.

NAIC PUBLICATIONS AVAILABLE ON STATENET FOR ON-DEMAND ACCESS

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- Navigate to the publication you'd like to download by using the links located on the left side of the page.
- Search by alphabetical listing or by the applicable section of the printed catalog (e.g., Legal, Accounting & Reporting, Supplementary Products, etc.).

Publications added to the regulator-only site in April and now available for download include:

- *Proceedings of the NAIC 2007 1st Quarter Life and Health Actuarial Subscription*
- *Journal of Insurance Regulation*
- *Compendium of State Laws on Insurance Topics*
- *Mutual Fund List and Bank List*
- *Quarterly Listing of Alien Insurers*
- *Synopsis*
- *NAIC News*
- *Statistical Compilation of Annual Statement Information*



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UPCOMING MEETINGS

2007 Summer National Meeting

June 1 – 4, 2007

San Francisco, CA

2007 Fall National Meeting

Sept. 28 – Oct. 1, 2007

Washington, DC

2007 Winter National Meeting

Nov. 30 – Dec. 3, 2007

Houston, TX

2008 Spring National Meeting

March 28 – April 1, 2008

Orlando, FL

UPCOMING PROGRAMS

Fundamentals of Health Insurance

Public

May 10 – 11

Washington, DC

Basic Insurance

Public

Online, Self-Study

Bundles of Learning

Regulators Only

Online