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A message to our readers:

It's baaack! NAIC Research Department staff changes and a year 2000 emphasis on implementing financial modernization provisions of the Gramm-Leach-Bliley Act have put the NAIC *Research Quarterly* somewhat out of commission over the past six months. But it's back, and beginning with this issue it's going to undergo a series of revisions which will, hopefully, boost the number of readers and subscribers and attract more contributing writers.

Traditionally the *RQ* has served as a vehicle to showcase insurance department and NAIC research projects and studies, to share regulator viewpoints and to present insurance topics of global, national and local interest to our readers. Its role is that of "little sister" to the *Journal of Insurance Regulation* and as such we are seeking to increase its circulation among regulators and other insurance professionals. In this issue, as in the past, the majority of articles were written by NAIC staff members in response to questions that come directly from our regulator members and others who attend NAIC meetings and use NAIC publications, products and services.

NAIC staff researchers and writers intend to keep you informed through the *RQ*. We will

continue to tell you about projects, programs and products developed by NAIC committees and working groups, and we will still inundate you with pages and pages of statistical and financial information from the world's most comprehensive database. But, we want the *RQ* to evolve. We want it to become a professional journal for our members. We want regulators to use the *RQ* as a forum to advocate regulatory viewpoints, share regulatory theories and promote regulatory ideas and innovations. Okay, we want you to write more articles.

If you would like to contribute an article(s) of interest on an insurance issue, share a department project or idea, provide written commentary in response to someone else's project or ideas, advertise an event or special activity or just plain get your name in print, PLEASE contact:

**Natalai Hughes, nhughes@naic.org or
Teresa Bozeman, tbozeman@naic.org for
information on getting your article
published.**

An annual subscription to the Research Quarterly is \$100; individual copies are \$25. Contact the NAIC Publications Department for order information.

A Note From the Editor,

Hello. As the new editor of the NAIC *Research Quarterly*, I would like to point out a few of the changes you will note in this issue and brief you on plans for future *RQ* issues now in progress.

Beginning with this issue, the *RQ* will be distributed on a quarterly basis and designated by *seasons* rather than months. This is intended to associate the distribution of each *RQ* issue with the NAIC quarterly national meetings which are also designated by season. We will schedule the release of the *RQ* approximately one month before each national meeting. Copies of each new issue, as well as back issue information and subscription forms, will be available at the NAIC Publications display booth set up at each quarterly meeting site. Contributing writers can submit articles and other information for publication with the expectation that each *RQ* issue will be exposed to more than 1,000 meeting attendees.

(Editor's note: Staff changes delayed production of the RQ this year. Therefore, the Spring, Summer, Fall and Winter issues will be published and distributed over the next four months as follows: Spring—August 1, Summer—September 1, Fall—October 1, and Winter—November 1. Beginning in 2001, the Spring issue will be available February 1, the Summer issue—May 1, the Fall issue—August 1, and the Winter issue—November 1)

You should recognize a common theme among the articles in this issue—Financial Modernization and Regulatory Re-engineering. While not every issue will contain articles on a single subject, we hope to publish more issues with related articles, so each *RQ* provides readers with as much information on a particular topic of interest as we have available.

Beginning with this year's Fall issue, we also plan to regularly feature a different state insurance department person(s), research project or event. The Kentucky Insurance Department will be our first victim...er, subject. We expect the articles to be fun, as well as informative, and hope readers enjoy the opportunity to find out what's happening in regulatory agencies throughout the United States and its territories.

Please e-mail your articles, suggestions for articles, comments, questions, surveys and survey results, highlights of department research projects and activities, and any other type of insurance and regulatory research information you want to share to my attention at nhughes.naic.org. The *RQ* is a global forum with subscribers in 17 countries. Subscribe today to the *RQ* for the only insurance research information written by and for regulatory insurance professionals.

Natalai Webster Hughes,
Editor, *Research Quarterly*

Financial Modernization Gramm-Leach- Bliley Act of 1999

By NAIC Staff

On November 12, 1999, President Clinton signed the Gramm-Leach-Bliley Act (GLB) into law. The new law repeals the Glass-Steagall Act that for six decades has kept the banking, securities and insurance businesses separate. By rewriting federal banking laws, the GLB Act establishes a framework covering the responsibilities of federal and state regulators for these financial industries. It permits financial services companies to merge and engage in a variety of new business activities, including insurance, while attempting to address the regulatory issues raised by such combinations.

The NAIC strongly supported the objectives of the GLB Act and actively participated in the debate on financial services modernization. Members provided congressional testimony on the NAIC's position on consumer protection issues, particularly the need to preserve the state authority to protect the privacy of its citizens. Augmented by the efforts of individual state

insurance commissioners, who directly contacted members of Congress representing their states, the NAIC sent letters presenting the views of state regulators throughout the debate on the Act.

As a result of NAIC and insurance commissioner efforts, improvements were made to the financial services bill that was finally passed that ensure that the GLB Act is a law that enables states to continue effective supervision of insurance entities and consumer protection efforts.

The NAIC has made the implementation of the provisions of the GLB Act a priority in the year 2000. In doing so, NAIC members established nine new working groups to implement the Act and to set regulatory priorities for the future.

According to NAIC President and Kentucky Insurance Commissioner George Nichols III, "The world's financial markets are undergoing rapid change fueled by increasing reliance on technology, the globalization of the marketplace and changes in United States financial services laws. State insurance regulators are moving ahead aggressively to implement the changes embodied in the Gramm-Leach-Bliley Act and to set our regulatory priorities in this new financial marketplace. The establishment of these working groups will help us design a blueprint to achieve those goals."

The Gramm-Leach-Bliley Act Implementation Working Groups

The five GLB Working Groups report to the Financial Services (G) Task Force, through the Special Insurance Issues (G) Committee, which reports to the Executive Committee.

(1) NARAB Working Group; Terri Vaughan (IA), Chair

This working group will track the implementation of the NAIC Producer Licensing Model Act and explore using all the technology resources available to the NAIC, including its affiliates. Its goal is to assume that state regulation of the licensing of agents and brokers is preserved. A deadline of November 22, 2002 is codified in the GLB Act for this important work.

(2) Definition of Insurance Working Group; Bill Kirven (CO), Chair

This working group will work on the definition of insurance that is needed to implement functional regulation in accordance with Title III of Gramm-Leach-Bliley Financial Services Modernization Act.

(3) Consumer Protections Working Group; Nat Shapo (IL), Chair

This working group will look at standards for consumer protections that states can adopt to provide greater uniformity among states. It is concentrating on the “safe harbors” specified in the GLB Act for bank insurance sales.

(4) Privacy Working Group; Kathleen Sebelius (KS), Chair

This working group will explore the uniform approach that the states should take with respect to the consumer privacy provisions under the Gramm-Leach-Bliley Act.

(5) Coordinating with Federal Regulators Working Group; Terri Vaughan (IA), Chair

This working group will explore all aspects of coordinating with federal regulators to make functional regulation a reality.

The Regulatory Priority Working Groups

(6) Market Conduct Issues; Steve Larsen (MD), Chair

Reports to the Market Conduct and Consumer Affairs (D) Committee.

This working group will examine market conduct programs in the states to identify the issues and concerns that exist because of a lack of uniformity among the states and evaluate of the merits of establishing voluntary uniform national standards.

(7) The Speed to Market Working Group; Frank Fitzgerald (MI)/Diane Koken (PA), Co-Chairs

Reports directly to the Executive Committee

This working group will be asked to develop state-based, uniform standards for policy form-and-rate filings for appropriate product lines. They will consider development of a system for domiciliary deference using one-stop filing based on minimum standards for products issued on a multistate basis. They also will consider the feasibility of developing an electronic repository for filings and tracking data and a voluntary certification process.

(8) National Treatment of Companies; George Nichols (KY)/ Betsy Costle (VT), Co-Chairs

Reports directly to the Executive Committee.

This working group will explore all options that could offer greater uniformity within a state-based system, including development of a proposal for national treatment of insurance companies through a single, uniform regulatory process or development of a proposal for a state-based system that could provide the same

efficiencies as a federal charter for insurance companies.

(9 Financial Services Holding Company Analysis/Examination/Review Working Group; Jose Montemayor (TX)/ Al Gross (VA), Co-Chairs

Reports to the Financial Condition (E) Committee

This working group will make recommendations regarding the implications of the GLB Act on the regulatory authority, focus and procedures provided by the NAIC Insurance Holding Company System Model Act and accompanying Model Regulation and recommend changes for consistency with the functional regulatory

scheme set forth in the GLB Act and related Federal regulations.

Follow the progress of the nine working groups in the NAIC National Meeting Proceedings now available online through the NAIC Website: www.naic.org.

Related Publications Available through the NAIC Website: www.naic.org

- 1) NAIC Position Letters to Federal Agencies on Gramm-Leach-Bliley
www.naic.org/news/releases/grammleachbliley_act_naic.htm
- 2) Statement of Intent:
The Future of Insurance Regulation

Comments of State Insurance Authorities Re: Federal Consumer Privacy Regulations Under The Gramm-Leach-Bliley Act

By NAIC Staff

Led by Kathleen Sebelius, Kansas Commissioner of Insurance, Vice President of the NAIC, and Chair of the Privacy Working Group, the NAIC submitted eight comment letters to federal agencies in response to the Consumer privacy provisions of the Gramm-Leach-Bliley Act (GLB). Incorporating language drafted by members of the Financial Services Modernization (G) Task Force, the letters respond to three issues of considerable regulatory concern with regard to the privacy of insurance consumers.

Issue One: Defining Nonpublic Information

Federal agencies have proposed that GLB's express statutory protection of a consumer's "nonpublic personal information" means that any information collected through the private business operations of a financial firm be considered nonpublic information, even if some of that information could be found elsewhere publicly.

Issue Two: Consumer "Opt-Out" Procedures

The GLB Act requires that consumers be given a fair opportunity to opt-out of having their non-public personal information shared with non-affiliated third parties.

Issue Three: Clarifying the Scope of Federal Privacy Regulations

The privacy regulations proposed by federal agencies expressly include state insurance authorities in the list of regulators applying federal regulations, even though federal privacy regulations will not apply to insurance providers and state insurance regulators will have no role in enforcing federal rules.

The letters were addressed to each of the federal agencies responsible for issuing the final standards and will become part of the public comment record maintained by these agencies. The separate letters, sent March 31, 2000, to the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board, Federal Trade Commission (FTC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), and Securities and Exchange Commission (SEC) are essentially the same, with minor technical differences to address the specifics of each agency's rule proposal. The text of the letters follows:

Section 504(a)(1) of the Gramm-Leach-Bliley Act (GLB Act) requires that federal banking agencies prescribe consumer privacy regulations mandated by the Act "after consultation as appropriate with representatives of State insurance authorities designated by the National Association of Insurance Commissioners" (NAIC). The comments in this letter represent the views of State insurance authorities

designated by the NAIC in order to comply with the GLB Act.

To make our comments easier to read and understand, we have avoided using precise statutory or rule citations. Instead, we have referred to sections of the proposed federal rules by using the general numbering system for privacy regulations that is shared by all the Federal agencies.

1. Except as noted below, state insurance authorities support issuing final federal privacy regulations using the same language and provisions contained in the proposed rules released for public comment on February 22, 2000.

We agree with the bulk of the federal rule proposal. The absence of specific comments on any provision means we believe the proposed language should be adopted as the final rule language.

2. State insurance authorities recommend adding a new section to the proposed Federal rules that will clarify Federal and State jurisdiction over financial privacy requirements.

The GLB Act is very complex and confusing regarding consumer privacy protections required or permitted under the Act. We have already encountered mistaken views about who will prescribe and enforce privacy standards for insurance providers. Some people mistakenly think the Federal Trade Commission will establish privacy standards for insurance, while others believe federal banking regulators will establish privacy standards that apply to the insurance activities of insured depository institutions.

Such regulatory confusion is unnecessary and counterproductive to effective functional supervision of financial services firms. Because federal regulatory authority is widely perceived

as always superseding state regulatory authority, it would be useful for federal agencies to expressly say their privacy rules do not apply to insurance providers.

State insurance authorities recommend that each Federal functional regulator include a separate section in its privacy regulations addressing the limits of its authority over privacy protections regulated by the states. This section should clearly say that none of the agency's privacy regulations apply to any insurance provider that is functionally regulated by state insurance authorities under Titles III and V of the GLB Act.

3. State insurance authorities support using practical examples to illustrate and clarify general privacy rules.

Section __.2 of the proposed federal rules asks whether the use of typical examples in the marketplace is a good way to explain how a generally stated privacy rule may work in practice. We agree that this method is very helpful, and that using hypothetical examples to communicate regulatory requirements is a good way to achieve "plain English" rules.

4. State insurance authorities believe "nonpublic personal information" should be defined according to the source of the information, not its content.

Section __.3(n) asks whether certain nonpublic personal consumer information should be allowed to be disclosed without a consumer's consent if it could be obtained from publicly available sources. Alternative A gives consumers greater protection by requiring that publicly available information actually be obtained from widely available public sources, such as telephone listings and government data, before it can be used without giving the consumer a chance to opt-out. Alternative B would permit financial firms to use personal data without the opportunity for a consumer to opt-out if the data could possibly be obtained from a public source,

even though the information has not actually been obtained from that source.

We support giving consumers the greater protection they would normally expect as set forth in Alternative A. Everyone agrees that cross-marketing permitted under the GLB Act will not succeed unless consumers trust that their personal information will be kept confidential by financial institutions. People generally expect that disclosures of names, addresses, and telephone numbers will be available to the public if given to most government agencies or telephone companies. For that reason, some people are willing to pay extra fees to have the telephone company not list their personal information.

By contrast, people normally expect that all personal information given to a financial firm will only be used for conducting transactions with that firm. Considering the GLB Act permits financial firms to freely exchange nonpublic personal information among affiliates without consumer consent, it does not seem a significant burden to require that normal consumer expectations be followed by requiring an opportunity for people to opt-out of having their names, addresses, and other information shared if they are the source of that information.

5. State insurance authorities support the current proposed definition of “personally identifiable financial information” that protects consumer health information.

Section __.3(o) asks whether its definition of “personally identifiable financial information” is correct since it protects consumer health information provided during a transaction with a financial firm. We believe this definition is correct as it stands. Personal health information provided when seeking insurance and other financial services must always be protected.

In addition, state insurance authorities believe the Federal privacy regulations issued

under the GLB Act must be compatible with privacy protection regulations being issued by the Department of Health and Human Services regarding personal medical information. We recommend a coordinated approach among federal agencies to ensure that medical information is fully protected.

6. State insurance authorities believe “publicly available information” should be defined to mean information that is actually obtained from public sources.

Section __.3(p) presents the question raised in item 4 above. It also offers the same alternatives. We believe the same interpretation of consumer fairness should apply, and that Alternative A is the right choice for federal regulators to adopt.

Quite simply, publicly available information should be gathered from public sources, not taken from consumers who do not intend to make their personal information public when seeking financial services. Nobody benefits if consumers are faced with guessing whether some of their personal information is publicly available elsewhere, and thus is subject to being used by financial firms with no opportunity for a consumer to opt-out.

7. State insurance authorities believe 60 days is a more reasonable period of time to permit consumers to exercise their opt-out right.

Section __.7 asks if 30 days is a reasonable amount of time to permit consumers to exercise their statutory right to opt-out of information sharing in the case of notices sent by mail. Considering mail delays and daily personal activities that demand a person’s attention, we do not believe 30 days provides an adequate opportunity to receive an opt-out notice and respond to it. Since this only applies to personal information given to nonaffiliated third parties, we do not believe consumers should be forced to

reach a hasty judgment or stop their daily activities to respond in a two or three week period.

Sixty days is a more reasonable period of time to allow the sending of opt-out notices and the receipt of responses from consumers who choose to do so.

8. State insurance authorities recommend the Federal rules clearly require that opt-out notices sent to consumers should be easy and cost-free for those who wish to exercise their opt-out right.

Section __.8 sets forth the acceptable methods by which financial firms can satisfy their responsibility to notify consumers that nonpublic personal information will be disclosed to nonaffiliated third parties. We believe the present proposed rules and examples are fine as far as they go. However, we recommend clearly requiring that:

- Acceptable opt-out decisions should not be given orally by consumers.
- Opt-out notices with convenient consumer checkoff boxes should be pre-addressed with return postage paid.
- Opt-out notices and returns given in electronic form by consumers who choose this option should comply with the Uniform Electronic Transactions Act (UETA) in states that have adopted that law.

To avoid unnecessary trouble, consumer opt-out consent should be given in a written or acceptable electronic form that matches the way personal privacy notices are provided to consumers by financial firms. Consumers should not need to hunt for stamps or envelopes to exercise their opt-out right. Preaddressed and postage-paid return forms are common in the business world. We see no significant commercial burden in requiring that they be used to implement basic consumer rights under the GLB Act.

States are presently modernizing the legal requirements for conducting electronic business transactions through adoption of UETA. This model law provides necessary regulatory flexibility to deal efficiently with special situations relating to the importance of financial transactions to consumers. Recognizing that trend will help keep federal privacy regulations current and compatible with electronic commerce initiatives in the States.

The NAIC and state insurance regulators are pleased to offer our comments and recommendations to support and improve federal privacy regulations under the GLB Act. Any questions regarding this comment letter should be directed to Jack Chesson in the NAIC Washington office at 202-624-7790.

State insurance authorities have an important stake in consumer privacy regulations established by federal agencies because they will set the standard by which state privacy standards will be compared. We look forward to working closely with federal functional regulators as we strive to implement the GLB Act promptly and efficiently.

George Nichols III
Commissioner of Insurance, Kentucky
President, NAIC

Kathleen Sebelius
Commissioner of Insurance, Kansas
Chair, NAIC Privacy Working Group

The letters are also available on the NAIC Website: www.naic.org/1news/releases/grammleachbliley_act_naic.htm.

The NAIC Adopts a Statement of Intent to Modernize Insurance Regulation

By Eric Nordman, CPCU, CIE

In perhaps the most significant development for insurance regulation since the adoption of the McCarran-Ferguson Act in the 1940s, the National Association of Insurance Commissioners (NAIC) has unanimously adopted the *Statement of Intent: The Future of Insurance Regulation*. This revolutionary agreement among the nation's insurance regulators lays out a blueprint for significant and substantial regulatory reforms that go way beyond anything that is required of them by the recently adopted Gramm-Leach-Bliley Financial Services Modernization Act (GLB).

In the *Statement of Intent*, the insurance regulators recognize that their "primary goal is to protect insurance consumers" They also recognize "that consumers as well as companies are well served by efficient, market-oriented regulation of the business of insurance."

Eric Nordman is Director of the NAIC Research Division.

The *Statement of Intent* notes, "Insurance is unique in the world of financial services. Historically, insurance markets have developed from state to state reflecting the differences in population, geography, weather patterns and delivery systems. State regulation has addressed that marketplace efficiently and effectively."

Recognizing changing markets related to developments in technology and globalization, the insurance commissioners "are committed to modernize insurance regulation to meet the realities of an increasingly dynamic, and internationally competitive financial services marketplace." They pledge "to work cooperatively with all our partners—governors, state legislators, federal officials, consumers, companies, agents and other interested parties—to facilitate and enhance this new and evolving marketplace..."

The remainder of this article provides the details that have been outlined through the *Statement of Intent*. It has led to the formation of nine commissioner-level working groups (see pages 1-2 of this issue for working group names and charges) within the NAIC charged with timely implementation of the NAIC's aggressive agenda. Since it is such a historic document it is presented in its entirety, except for the preamble.

"Implementing" the Gramm-Leach-Bliley Act

Proposed Amendments of State Laws

Working with our governors and state legislators, we will undertake a thorough review of our respective state laws to determine needed regulatory or statutory changes to achieve functional regulation as contemplated by the Gramm-Leach-Bliley Act. Anti-affiliation statutes, licensure laws, demutualization statutes, and various essential consumer

protections, including sales and privacy provisions, will be part of this review. We will move forward quickly to both promulgate regulations and suggest statutory changes to facilitate implementation of the new law.

Streamlined Licensing for Producers

We are committed to uniformity in producer licensing and will work to implement effective uniform producer licensing standards. As a necessary interim step, the NAIC adopted the Producer Licensing Model Act for consideration by state legislatures. This model act provides specific multistate reciprocity provisions to comply with the requirements of the Gramm-Leach-Bliley Act.

While reciprocity is a short-term answer, uniformity is the efficient, long-term solution. As a result, we have empowered the NAIC's non-profit affiliate the National Insurance Producers Registry (NIPR) to develop recommendations for a streamlined, national producer licensing process that will reduce the cost and complexity of regulatory compliance related to the current multistate process. We believe that by leveraging work already done on the Producer Database and the Producer Information Network and by using NIPR as a central clearinghouse for non-resident licensing information, efficiencies will be realized that exceed expectations outlined in the National Association of Registered Agents and Brokers (NARAB) provisions of the Gramm-Leach-Bliley Act.

Financial Examinations and Reviews of National Companies

We will consider the implications of the Gramm-Leach-Bliley Act on the regulatory authority, focus and procedures provided by the NAIC Insurance Holding Company System Model Act and accompanying Model Regulation and will recommend changes for consistency with

the functional regulatory scheme set forth in the Gramm-Leach-Bliley Act and related federal regulations.

Building on initiatives already under way, we will review our financial reporting and financial analysis and examination processes in light of the new law and changes occurring in the market place. We will refine our risk-based approach to examining the insurance operations of financial holding companies to place greater emphasis on a company's unique risk exposures and how it manages those risks.

We will recommend mechanisms to enhance communication and coordination among all functional regulators, and we will review the role of the NAIC resources in supporting such communication and coordination.

We will pursue development of a group-wide approach to regulating insurer groups and enhancing coordination among states. As a part of this initiative, we will consider consolidated financial statements for the insurance operations of groups.

Implementing Functional Regulation and Sharing Regulatory Information

We will continue to use the NAIC process for the development of model agreements, and we will build on our progress to date. We will actively encourage the execution of information sharing agreements between the individual states and each of the key federal functional regulators.

In addition, we will develop a comprehensive agreement for the sharing of information among states.

The NAIC adoption of the model confidentiality law provisions demonstrates its commitment to break down barriers to sharing information between the states. We will work

with state legislators to support such confidentiality legislation. We will pledge to form coalitions with interested parties to promote uniform and consistent enactment of the confidentiality provisions.

Year 2000 National Regulatory Priorities

“Speed to Market”

Working with our governors and state legislators, we will take steps to improve speed to market for insurance products. This will include development and implementation of a system of deference to the state of domicile using one-stop filing for products issued on a multi-state basis, where appropriate. To support this system, we will develop and implement state-based uniform standards for policy form and rate filings for appropriate product lines. In pursuing this evaluation, we will keep in mind the need for flexibility to allow local treatment of conditions produced by local markets. For lines that do not lend themselves to uniform standards, we are committed to reviewing market barriers for further efficiencies. We will take steps to shift the focus of states away from a prior approval system, where appropriate. We will also develop an e-repository for filings, a system for tracking data, and a state certification process.

Regulatory Re-engineering

The benefits of uniform regulatory procedures for insurers selling products to large, sophisticated commercial policyholders are compelling. Many states have adopted and are implementing laws to re-engineer their commercial lines regulatory functions.

We will evaluate the progress of specific states with respect to commercial lines reform and compare those actions with the Property and Casualty Model Rate and Policy Form Law.

Based on this evaluation, we will consider amending the model and taking other appropriate steps to achieve greater uniformity and consistent application of rate and form requirements with our members.

We will continue to explore avenues to reduce unnecessary requirements for policies sold to insurance purchasers with insurance knowledge and market power. Where appropriate, we will explore increased reliance on the benefits of open competition.

Market Conduct Reform

Market conduct is an essential regulatory tool. Its importance to regulators, producers and consumers will increase as the “Speed to Market” reforms are implemented and the marketplace evolves.

We will examine the current focus, structure and implementation of market conduct programs in the states to identify the issues and concerns that currently exist in this area. This examination will help us determine the merits of voluntary uniform national standards as a basis for market conduct examinations and enforcement actions. In pursuing this evaluation, we will keep in mind the need for flexibility to allow local treatment of conditions produced by local markets.

Facilitating Electronic Commerce that Protects Consumers

The insurance-buying public and industry must be allowed to benefit from the broad range of opportunities that e-commerce offers. As a result, we adopted the recommendations of the Electronic Commerce and Regulation Working Group and endorsed the Uniform Electronic Transactions Act (UETA) for consideration and enactment in each of the states. As e-commerce

evolves, we will continue to identify necessary reforms that will facilitate e-commerce while maintaining important consumer protections.

Treatment of National Insurance Companies

We are committed to exploring all options that could offer greater uniformity within the state-based system of insurance regulation.

An initial step toward this streamlined system is already available through the Accelerated Licensure Evaluation and Review Techniques (ALERT) program, which is a streamlined insurer licensing procedure. We will encourage all states to join ALERT and initiate use of the newly developed expansion application process. This will allow streamlined admissions for those companies already admitted in one ALERT state simply through the filing of an expansion application in another ALERT state. The expansion application process introduces

elements of reciprocal reliance on the more detailed work of the state reviewing the complete application. We will pursue development of an e-repository for company applications to facilitate one-stop filing.

In addition, we will evaluate the broad range of regulatory issues and concerns and develop a proposal for a state-based system that could provide the same efficiencies as a federal charter for insurance companies.”¹

As you can see from this comprehensive declaration to reform the state regulatory system, the insurance commissioners, directors and superintendents of this nation intend to make regulation more effective for consumers and more responsive for insurers. The *Research Quarterly* will closely follow the progress of the nine commissioner level working groups that the NAIC has charged with moving forward this aggressive plan. Watch for details in upcoming issues.

¹ Excerpts taken from the National Association of Insurance Commissioners Statement of Intent: The Future of Insurance Regulation that was adopted by the NAIC on March 13, 2000.

State Regulation 2000

By NAIC Staff

State Regulation 2000 consists of 11 NAIC technology initiatives designed to increase the efficiency of state regulation of the insurance industry through increased uniformity and consistency of state regulatory processes. Implementation of these initiatives is expected to enhance and strengthen state regulation of the insurance industry in this 21st century. An SR2000 “Certification of Compliance” is awarded by the NAIC to any state that implements all 11 initiatives. Currently 11 states and the District of Columbia have implemented all SR2000 initiatives. They are Arkansas, Colorado, Indiana, Iowa, Kansas, Michigan, Minnesota, Montana, North Dakota, Ohio and Oklahoma.

The SR2000 goals are to:

- Provide states with new regulatory tools to enhance their ability to regulate a \$750 billion industry
- Leverage state and NAIC technology to achieve economies of scale through automation initiatives

- Increase the uniformity and consistency of regulation and regulatory processes across state boundaries
- Eliminate licensing and approval barriers for insurer operation in multiple states

These technology initiatives will dramatically enhance communication and interaction between the nation’s insurance industry and its regulators in the areas of:

- Agent and broker licensing and continuing education requirements
- Multistate insurer licensing procedures
- Rate and form filing
- Financial/market conduct examinations
- Insurance law changes
- Solvency Surveillance

Agent Licensing and Continuing Education

National Insurance Producer Registry (NIPR)

State regulators and the NIPR are dedicated to creating uniformity in producer licensing are working to implement effective uniform producer licensing standards. By using NIPR as a central clearinghouse for non-resident licensing information, efficiencies will be realized that exceed expectations outlined in the National Association of Registered Agents and Brokers (NARAB) provisions of the Gramm-Leach-Bliley Act.

1) *Producer Information Network (PIN)*

PIN is a project designed to streamline the producer licensing process. It is an electronic communication network that links state insurance regulators with the entities they regulate to facilitate the electronic exchange of producer information. The PIN project will benefit insurers, regulators and consumers through a reduction in paperwork and data entry

that will result in reduced costs and faster turnaround time for licensees. Several elements make up PIN. These include the Producer Database (PDB), automated producer licensing and appointment processes, resolution of reciprocity concerns, and harmonizing continuing education requirements. National data standards will be developed for the electronic transmission and exchange of license application, license renewal, and appointment and termination information. All data flowing over PIN will conform to these standards.

2) *Producer Database (PDB)*

The PDB is an electronic database consisting of information relating to insurance agents and brokers (producers). The PDB links participating state regulatory licensing systems into one common system establishing a repository of producer information. The PDB will also access other information sources such as the Regulatory Information Retrieval System (RIRS). The PDB provides immediate access to detailed producer disciplinary history. The system will send an electronic notification to state a user if administrative action is taken against a licensed producer in their state, or if a producer no longer holds an active resident license.

The following information is maintained in the database and is updated *daily* by participating state insurance departments:

- General demographic information relating to all producers such as name, Social Security number, address(es) and phone number(s)
- License information such as states licensed, license numbers, authorized lines, license status and continuing education compliance indicator
- Appointment information such as company appointments, effective date, termination date and termination reason

For more information on PIN and PDB contact:

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 Kansas City, MO 64108-2604 - (816) 783-8466
 troark@naic.org

3) *Uniform Treatment*

The uniform treatment project is an initiative intended to address the multi-state licensing system currently in place. Uniform treatment means that all participating states agree to license non-resident producers, who are in good standing in their resident states, without imposing additional restrictions or qualifications not required of resident producers. To help facilitate this process, the Producer Information Network (PIN) Working Group of the NAIC developed

- the Declaration of Uniform Treatment,
- the Uniform Application for Individual Non-Resident License and
- the Uniform Application for Business Entity Non-Resident License/Registration.

The Declaration of Uniform Treatment is a common statement of principles concerning non-resident licensing. By signing the Declaration, a state commits itself to treating resident and non-resident producers in the same way and commits to accepting the uniform applications as the only non-resident licensing applications. Under the new system, a producer residing in a state that participates in the uniform treatment project is able to take advantage of a more streamlined, efficient licensing system. A producer only needs to complete one non-resident uniform application that can be filed in states that have agreed to accept the uniform non-resident application. All producers must continue to meet and fulfill the state specific licensing requirements that may be in place in the participating states.

In December 1999, the PIN Working Group changed its name to the Uniform Producer Licensing Initiatives Working Group to better reflect the overall goal of the working group. In response to the passage of the Gramm-Leach-Bliley Act (GLB) and the potential creation of the National Association of Registered Agents and Brokers (NARAB), the Uniform Producer Licensing Initiatives Working Group modified the Declaration of Uniform Treatment and developed the Declaration of Reciprocity. The Declaration of Reciprocity was circulated to the state insurance commissioners, directors and superintendents in July, 2000 and sets forth the key licensing reciprocity mandates of the Gramm-Leach-Bliley Act. While the Declaration of Reciprocity is a necessary interim step to preventing the creation of NARAB, the NAIC continues to pursue uniform licensing standards that can be utilized in all states. States will continue to use the Uniform Non-Resident License Applications.

For more information contact:

Tim Mullen
NAIC, 2301 McGee, Suite 800
Kansas City, MO 64108-2604 - (816) 783-8260
tmullen@naic.org

4) *Continuing Education Reciprocity (CER)*

On July 1, 1998, the NAIC's Midwestern Zone launched a project to simplify continuing education (CE) course approval filings for regulators and CE providers. Members of the Midwestern Zone signed a reciprocity agreement that provides, in essence, that one member state will accept the CE credit award given to a course by another member state. The agreement does not require any state to accept CE filings that it would not approve otherwise. For example, if a state does not award CE credit for a topic such as sales and marketing, that state would not have to give credits for the portion of a course

that included that topic. The Midwestern Zone now invites other states to consider joining this project. If your state is interested in participating, the process is as follows:

1. Review the information and forms on the NAIC web site: www.naic.org
2. Make any needed changes in policies or forms to comply with the Reciprocity Agreement.
3. Forward a commissioner-signed "Addendum to the Zone Agreement" to the Midwestern Zone Chair. (Please include a letter stating the date your state will be prepared to accept reciprocity filings).
4. The Midwestern Zone will act on requests to join the project at Zone meetings held at the NAIC quarterly meetings.
5. Inform your providers of the start date for reciprocity filings.

For more information about CER contact:

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Asst. Deputy Director
Illinois Department of Insurance
320 West Washington Street
Springfield, Illinois 62767-0001
217-785-2263
Ron_Hartsock@ins.state.il.us

Multistate Insurer Licensing Procedures

1) *Accelerated License Evaluation Review Techniques (ALERT)*

The Accelerated Licensure, Examination and Review Techniques Project is another initiative that is designed to streamline the insurer licensing process in multiple states. The ALERT Working Group has designed the Uniform Certificate of Authority Application (UCAA) and an expansion application to reduce the timeframe, paperwork, and expense of licensing insurers in multiple states.

The Uniform Certificate of Authority Application (UCAA)

The UCAA is designed to allow foreign insurers to file copies of the same application for admission in Uniform States. A "Uniform State" is one that is committed to using the UCAA review process for company admissions. Each Uniform State still performs its own independent review of each application; however, the project is designed to eliminate the need for an insurer to file different applications, in different formats in each state.

The UCAA includes two applications. The Primary Application is for newly formed companies seeking admission into their state of domicile and for insurers wishing to re-domesticate to a Uniform State. The Expansion Application is for use by insurers that wish to expand into one or more Uniform States.

This UCAA has five sections designed to guide an insurer through the admission process:

- Application Review Process;
- Instructions and Format for Submission of Application;
- Uniform Admission Requirements;
- Guidelines & Sample Language; and
- Referrals to Other Agencies & Resources.

For more information contact:

Donna Garrett
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2) *Regulatory Information Retrieval System (RIRS)*

The Regulatory Information Retrieval System is a nationwide database containing adjudicated regulatory actions against producers and

insurers. RIRS enables state insurance regulators to track the regulatory history of an individual or firm seeking licensure in their state. The database contains more than 100,000 adjudicated actions including the origin, reason and disposition of the action. Information about cease and desist orders, license revocations, refusals, suspensions, rehabilitations, fines and civil actions is also maintained in the database. RIRS has been operational since the 1960s and has been computerized since 1985. Users can make single or batch inquiries and data and reports are publicly available.

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mmontgom@naic.org

Jeff Jackson
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Kansas City, MO 64108-2604 - (816) 783-8463
jjackson@naic.org

3) *Special Activities Database (SAD)*

The Special Activities Database is a collection of information that can be used for investigative purposes when reviewing the activity of an insurer or individual engaged in the business of insurance. SAD tracks investigative actions and "Suspicious Activities For Entities Of Regulatory Concern." The database has been in operation

since 1989 and currently monitors more than 7,200 entities and 11,800 activities. Information includes state contacts, demographics and cross-referenced relationships. Because of the confidential nature of the information contained, only regulators have access to SAD

For more information contact:

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ppiette@naic.org

Melissa Montgomery
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Kansas City, MO 64108-2604 - (816) 783-8474
mmontgom@naic.org

4) *The Complaints Database System (CDS)*

The Complaints Database System is a nationwide database, available to insurance regulators only, that is used for referencing and analyzing consumer complaints filed with state insurance departments. Complaints reported to the insurance departments are submitted to the NAIC where trend analyses are performed and complaint index reports are developed. Regulators are able to review this information during market conduct exams and to analyze complaint experience relative to premium volume and to other insurance companies. The CDS has been operational since 1991. The database contains more than 1.3 million closed consumer complaints that are broken down by type, reason and disposition. CDS information also facilitates federal Medicare supplement reporting requirements.

For more information contact:

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Kansas City, MO 64108-2604 - (816) 783-8474
mmontgom@naic.org

Jeff Jackson
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Kansas City, MO 64108-2604 - (816) 783-8463
jjackson@naic.org

Rate and Form Filing

System for Electronic Rate and Form Filings (SERFF)

The System for Electronic Rate and Form Filing is a project designed to provide efficiency through technology for the insurance rate and form filing process. SERFF is unique in that it is a joint, cooperative initiative between the state insurance departments and the insurance industry. SERFF uses a point-to-point electronic communication tool where filings are sent from insurers over the Internet and routed to the state from a central server that captures only information related to tracking the filing. State regulators and insurers communicate about the filing electronically using the network. All filings are stored locally at the state site. Since SERFF reduces the time and cost involved in making regulatory filings and facilitates the management, analysis, disposition, and storage of the filings, both insurers and regulators benefit from the electronic communication that SERFF provides. Earlier access to insurance products enables consumers to also benefit from SERFF.

For more information contact:

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Kansas City, MO 64108-2604 - (816) 783-8470
jlattema@naic.org

Joy Morrison - SERFF Business Analyst,
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Kansas City, MO 64108-2604 - (816) 783-8471
jmorriso@naic.org

Financial/Market Conduct Examinations

Exam Tracking System (ETS)

Operational since 1985, the Examination Tracking System is designed to store financial and market conduct examination information in a centralized database, and to reduce duplication of effort by allowing regulators to share the information from state to state. Information stored into the database includes entity demographics, exam type, examination dates, examiners involved and exam results. The ETS facilitates the automated notification of exam call and examiner assignment information. The system also tracks current and historical exam details and generates Jumpstart and Analysis Reports. The information in the ETS is confidential and available to insurance regulators only.

For more information contact:

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ppiette@naic.org

Melissa Montgomery
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jjackson@naic.org

Insurance Law Changes

RegCast®

Receiving pending regulations in a timely fashion plus providing a means to communicate with the regulators directly responsible or affected by the pending regulation is a key to increasing regulatory efficiencies and reduced costs. RegCast is a communication system designed to distribute pending state regulations and pending NAIC model laws in an electronic format for review and feedback.

Using information provided by state insurance departments, RegCast tracks the progress of proposed changes in state insurance regulation throughout the rulemaking process. Initiated as a partnership between the NAIC and state insurance departments, the system uses the NAIC as a central receiving point for information about pending laws and regulations from states. The NAIC classifies the information into a common format to ease and expedite search and reference capabilities, ties the pending law change or regulation to current NAIC models and to the state of origin and distributes the information to interested parties. Interested parties can use RegCast to Communicate their concerns with regulatory officers.

For more information contact:

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Solvency Surveillance

In addition to the 11 SR2000 initiatives, the NAIC is enhancing several other technological projects in order to improve the financial data reporting system and enable regulators to readily access financial information in order to maintain effective solvency surveillance over an ever-changing industry.

I-SITE

I-SITE is an Internet browser-based application that allows regulators to access the NAIC financial, market conduct and producer information. I-SITE replaces the NAIC CUI client/server application in order to reduce system and hard-disk requirements and provide state regulators with remote access to the NAIC database.

Internet Filing Project

The NAIC's financial database is one of the most sophisticated in the world. The database allows insurance regulators to maintain effective solvency surveillance over the insurance industry. Currently more than 4,800 insurers file financial information electronically using diskettes. The Internet Filing Project uses a state-of-the-art Web site filing method developed to increase the speed and convenience of filing financial information. As of February 2000 insurers are able to submit NAIC Annual Statement filings for all business types.

Financial Database Re-Engineering (FDR) Project Requirements

The NAIC Financial Data Repository Working Group and its parent group, the Information Systems (G) Task Force, have proposed adding the implementation of five

Financial Database Re-engineering (FDR) Project Requirements as a 12th SR 2000 initiative. The five FDR requirements are:

1. States should mandate that domiciliary insurers submit all financial filings required to be filed with the NAIC's Executive Headquarters electronically (either through the Internet or on diskette) and in hard copy format per NAIC guidelines.
2. States should mandate that domiciliary insurers submit all financial filings required to be filed with the NAIC's Executive Headquarters by the filing deadlines established by the Blanks Task Force and the Risk-Based Capital Task Force.
3. States should participate in the state filing checklist initiative of the Standard Reporting Formats Working Group of the Blanks Task Force, post their updated state filing checklist to the Web site and provide the URL to the NAIC by the date established by the Standard Reporting Formats Working Group of the Blanks Task Force.
4. States should update the licensing information in the code list at least once per quarter.
5. In order to reduce the cost of regulatory compliance, states should not require insurers to file separate diskettes with state insurance departments if that data is required to be filed with the NAIC's Executive Headquarters.

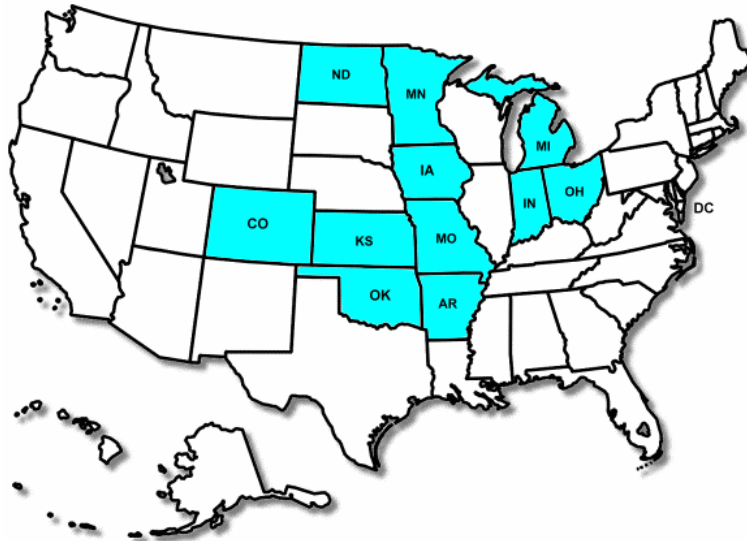
Note: The NAIC Regulatory Re-engineering (G) Task Force surveyed NAIC members to assess the impact of adding the FDR requirements as a 12th initiative to the SR2000 initiatives. Of the 27 states that had responded

at the time this article was written, 20 ascertained that the additional requirement would not impede the state's ability to receive the SR 2000 Certificate of Compliance. Among those states that indicated the requirements would be an impediment to SR2000 compliance, law changes necessary to mandate FDR requirements were cited as the reason.

For more information on the FDR requirements contact Eric Nordman, enordman@naic.org; (816) 783-8232.

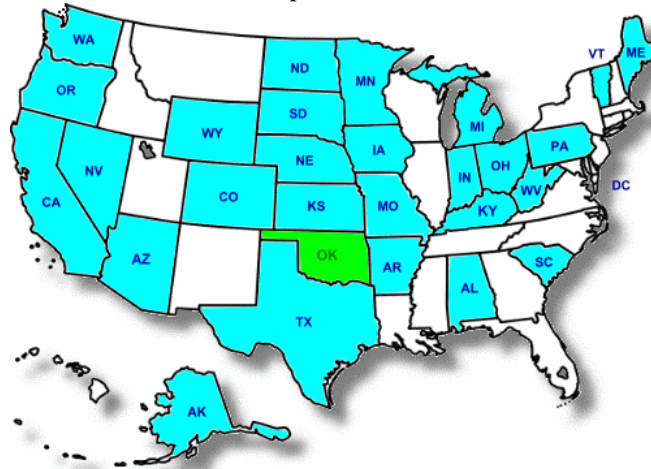
In light of the information gained from the survey, the NAIC's Regulatory Re-engineering (G) Task Force adopted a recommendation that adds the FDR requirements as a 12th initiative effective January 1, 2001.

100%SR2000 Compliant States
Last Update: 6/12/2000



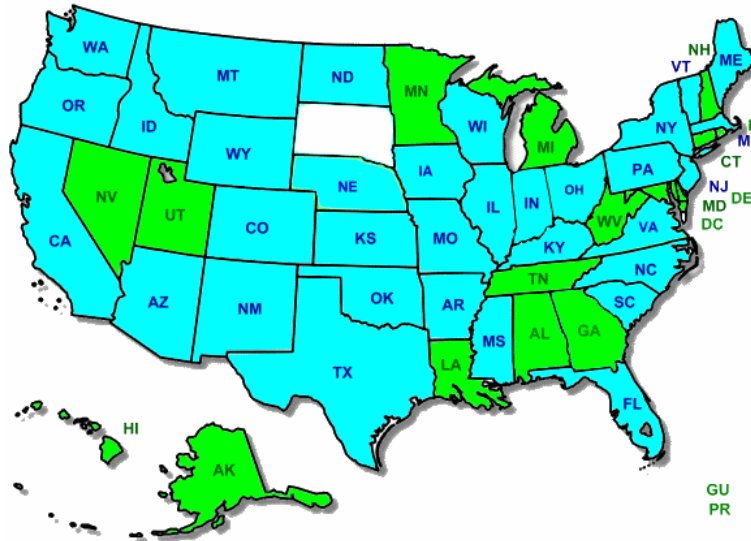
States 100% Compliant
AR, CO, DC, IN, IA, KS, MI, MN, MO, ND, OH, OK

UCAA States Participating
Last Update: 6/12/2000



States Participating
AL, AK, AZ, AR, CA, CO, DC, IN, IA, KS, KY, ME, MI, MN, MO, NE, NV, ND, OH, OR, PA,
SC, SD, TX, VT, WA, WV, WY
States Currently Parallel Processing Applications
OK

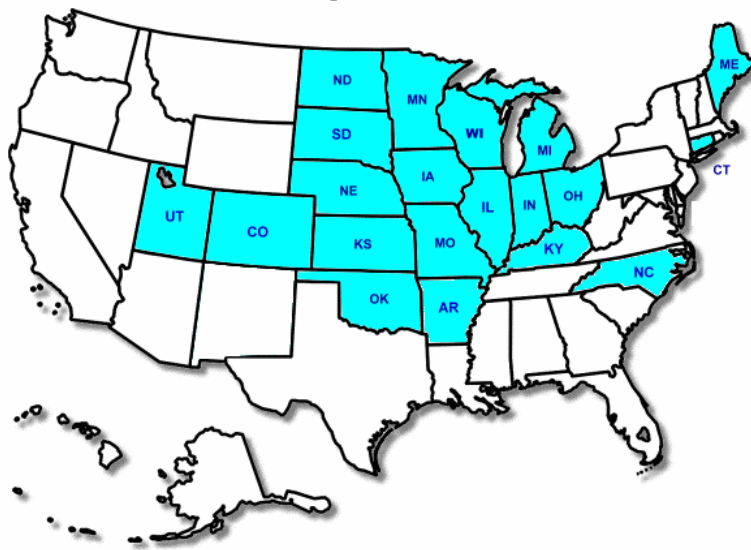
CDS States Participating
Last Update: 6/12/2000



States Participating - All Complaints
AZ, AR, CA, CO, FL, ID, IN, IL, IA, KS, KY, ME, MA, MS, MO, MT, NE, NJ, NM, NY, NC, ND, OH, OK, OR, PA, SC, TX, VA, VT, WA, WI, WY

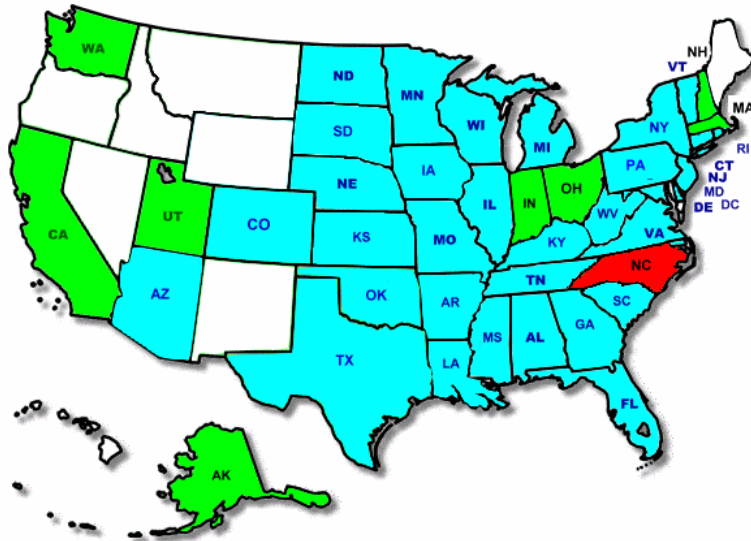
States Participating - Med Supp Only
AL, AK, CT, DE, DC, GA, GU, HI, LA, MD, MI, MN, NV, NH, PR, RI, TN, UT, WV

Continuing Education Reciprocity
States Participating
Last Update: 6/12/2000



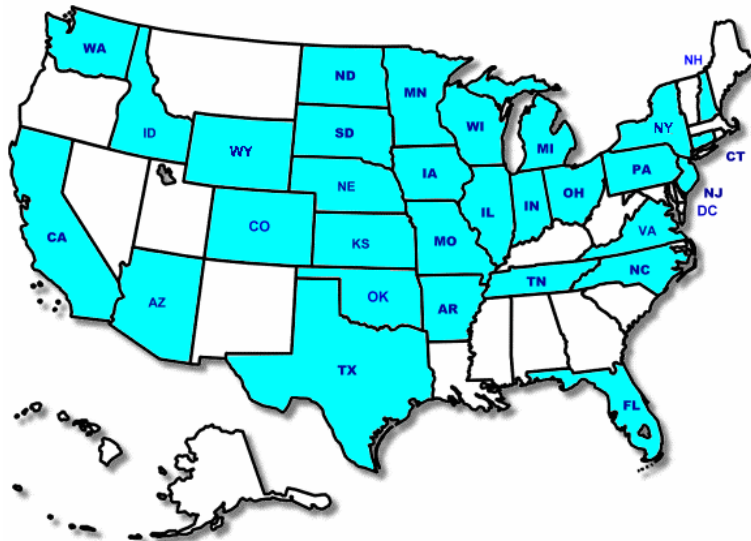
States Participating
AR, CO, CT, IL, IN, IA, KS, KY, ME, MI, MN, MO, NE, NC, ND, OH, OK, SD, UT, WI

ETS Participating States
 Last Update: 6/12/2000



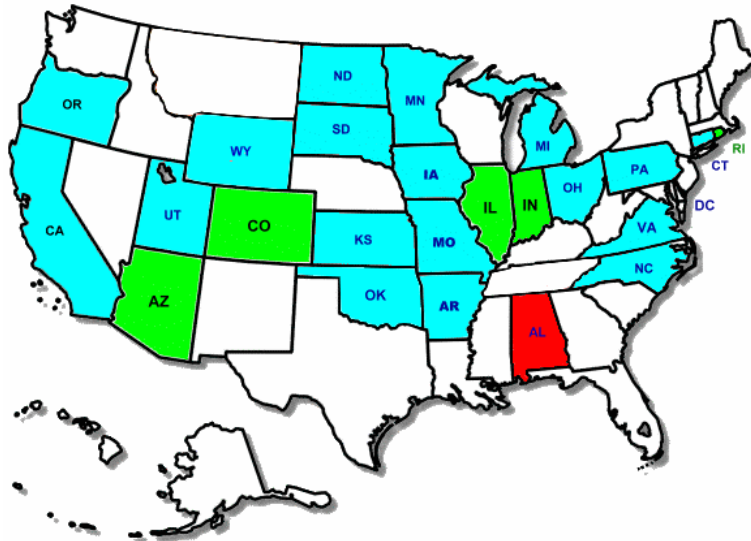
- States Participating - Call Market & Financial Exams
 AL, AZ, AR, CO, CT, DE, FL, GA, IL, IA, KS, KY, LA, MD, MI, MN, MS, MO, ND, NE, NJ, NY,
 OK, PA, RI, SC, SD, TN, TX, VT, VA, WI, WV
- States Participating - Call Financial Exams Only
 AK, CA, DC, IN, MA, NH, OH, UT, WA
- States Participating - Call Market Exams Only
 NC

PDB States Participating
 Last Update: 6/12/2000



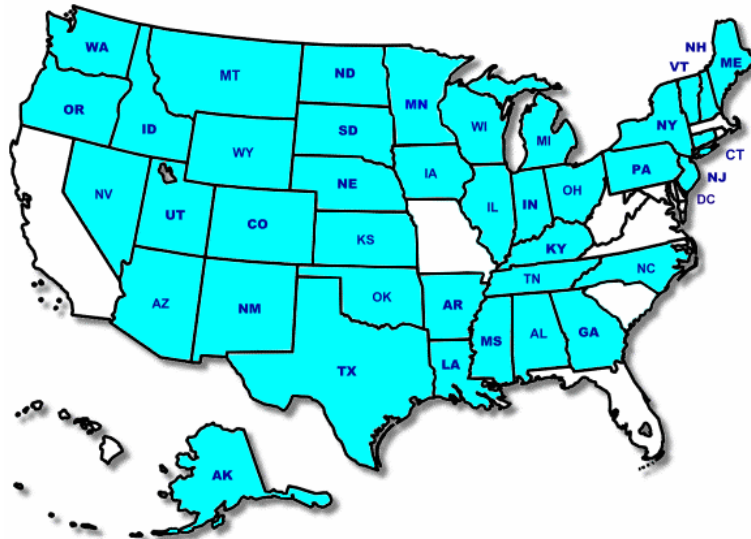
- States Participating
 AZ, AR, CA, CO, CT, DC, FL, ID, IL, IN, IA, KS, MI, MN, MO, NC, ND, NE, NH, NJ,
 NY, OH, OK, PA, SD, TN, TX, VA, WA, WI, WY

PIN States Participating
Last Update: 6/12/2000



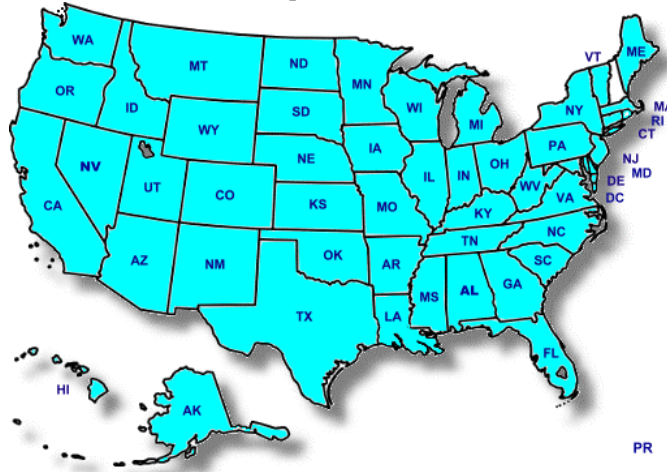
States Participating
AR, CA, CT, DC, IA, KS, MI, MN, MO, NC, ND, OH, OK, OR, PA, SD, UT, VA, WY
States Completing Programming or Testing
AL
States that do not Process Appointments
AZ, CO, IL, IN, RI

RegCast States Participating
Last Update: 5/16/2000



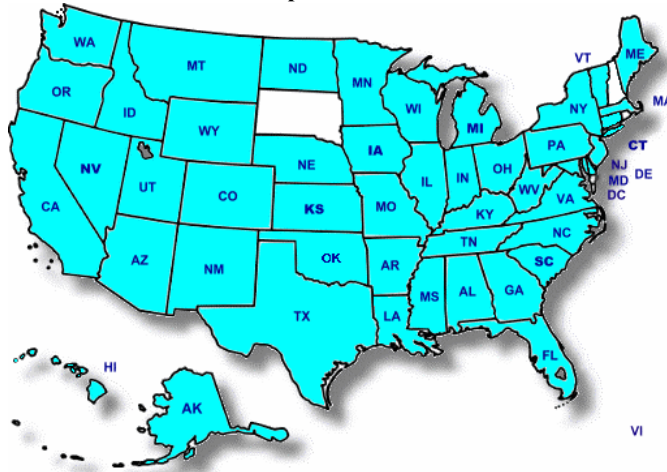
States Participating
AL, AK, AZ, AR, CO, CT, DC, GA, ID, IL, IN, IA, KS, KY, LA, ME, MI, MN, MS, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, SD, TN, TX, UT, VT, WA, WI, WY

RIRS States Participating
Last Update: 5/16/2000



States Participating
 AL, AK, AZ, AR, CA, CO, CT, DE, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NJ, NM, NY, NC, ND, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY

SAD States Participating
Last Update: 6/12/2000



States Participating
 AL, AK, AZ, AR, CA, CO, CT, DE, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NJ, NM, NY, NC, ND, OH, OK, OR, PA, SC, TN, TX, UT, VI, VT, VA, WA, WV, WI, WY

Streamlining Commercial Lines Insurance Regulation

By NAIC Staff

In 1998, the NAIC's Commercial Lines—Property and Casualty Insurance (D) Committee produced a white paper on regulatory re-engineering of commercial lines insurance. The paper concluded that certain aspects of commercial lines rate and form regulation should be changed to improve service in the marketplace. To accomplish this, it was agreed that a new model law should be developed to replace two current model rating laws—one “file and use” and the other “prior approval”—and should include standards and requirements for form filings. The new model law would most importantly, 1) recognize the effectiveness of competition as a means to regulate rates; 2) provide flexibility as respects rate and form filing and/or approval authority, so that variations in the need for regulation of various lines and classes of insurance and types and sizes of insureds, can be accommodated; and 3) deregulate the largest risks.

The Commercial Lines Re-engineering Working Group was appointed to draft the new

model law along with a model regulation containing detailed implementation provisions that correspond to the model law. The Working Group completed its task in December 1999 and presented the Property and Casualty Rate and Policy Form Model Law (#775) and its companion Property and Casualty Rate and Policy Form Model Regulation to the Property and Casualty Insurance (C) Committee at the NAIC Spring National Meeting in March 2000.

As drafted, the new model law would provide the insurance commissioner with both the authority and the charge to recognize the effectiveness of competition as a means to regulate rates. It would also provide the authority and the charge to recognize situations where the benefits of filing and prior approval of forms are outweighed by the burden and cost these review procedures place upon commercial lines insurers and insureds. The basic assumption used to develop the proposed model is that rate filings will default to file and use and that policy form filings will default to prior approval, unless exceptions are determined to be appropriate.

The New Versus The Old

The new model law is different from the two models it replaces in the following ways:

- It regulates forms;
- It establishes uniform non-renewal and cancellation provisions;
- It recommends the commissioner be granted authority to monitor competition and react with appropriate changes to regulatory processes through implementation of regulations
- It establishes an exemption from rate and form requirements for large commercial policyholders called exempt commercial policyholders (ECPs).

It was anticipated that the determination of what defines an ECP will vary between states based on a variety of economic factors; therefore, a key provision in the model provides the regulator with authority to define an ECP and to change the definition as necessary to accomplish the objective.

- It provides authority for regulators to waive, by regulation, some or all of the diligent search requirements related to placement of ECPs in the approved surplus lines market.
- It enables the degree of regulation to vary so as to fit the needs of each marketplace as they evolve.
- It addresses inefficiencies for multistate commercial policyholders by introducing a limited form of reciprocity for insurers selling policies to risks operating in more than one state;
- It promotes the use of the System for Electronic Rate and Form Filing (SERFF).

Consistency with the NAIC's "Statement of Intent"

In spite of the fact that the Working Group finished developing the new model before the NAIC's *Statement of Intent* was developed, the results of their work are amazingly consistent with the objectives espoused.

The *Statement of Intent* says:

"Working with our governors and state legislators, we will take steps to improve speed to market for insurance products. This will include development and implementation of a system of deference to the state of domicile using one-stop filing for products issued on a multistate basis, **where appropriate** (Emphasis added)... We will take steps to shift the focus of states away from prior approval system **where appropriate.**" (Emphasis added.)

The new model law contemplates several possible approaches to rate regulation, but defaults to "file and use." A prefatory drafting note to the sections relating to rate regulation emphasizes the long held NAIC conclusion that "competition could be an effective regulator of property/casualty insurance rates." It further notes, "The NAIC has not taken a position respecting any particular line of insurance in any particular state," and, "It is expected that each state will consider whether other approaches are more appropriate for specific or all lines." Thus, the rate filing part of the model is consistent with the *Statement of Intent*.

The "default" of prior approval, selected for policy form filings, has elicited a considerable amount of industry commentary regarding an inconsistency with the *Statement of Intent*. However, it is important to remember that the NAIC did not have a general policy form model law prior to the inclusion of policy form standards and filing requirements in this model. It was necessary; therefore, to first establish a baseline and then to make it flexible so that a less restrictive stance for the sophisticated commercial buyer could be implemented. Despite its unpopularity among insurers, the prior approval default reflects the reality of how the regulation of policy forms is accomplished in most states today.

The model law does not require prior approval for policy forms sold to ECPs, policy forms designed for a unique individual risk or when the commissioner has adopted a regulation, for commercial forms, that are more expansive in nature. However, it recognizes the importance of assuring, prior to use, that policy forms meet certain minimum standards so that less sophisticated commercial insurance buyers maintain regulatory protection.

The *Statement of Intent* also says:

“We will develop and implement state-based uniform standards for policy form and rate filings for appropriate product lines. In pursuing this evaluation, we will keep in mind the need for flexibility to allow local treatment of conditions produced by local markets. For lines that do not lend themselves to uniform standards, we are committed to reviewing market barriers for further efficiencies.”

Though the model law, as currently drafted, does not achieve uniformity, it does promote it in various ways:

- It promotes a file and use system for rate filings and provides standard alternative language for alternative systems;
- It promotes a prior approval system for policy form filings and provides standard alternative language for alternative systems;
- It contains standard cancellation and non-renewal provisions;
- Its drafting notes contain eight uniform policy form standards that the working group considered;
- It promotes multistate reciprocity by requiring the commissioner to adopt regulations to provide that a state’s form approval requirements shall apply only to insurance written for individual commercial risks that are primarily located in the state. The provision addresses a major problem cited by insurers having to comply with various states’ insurance laws when writing a multistate risk.

The Property and Casualty Insurance (C) Committee received the revised model law and regulation at the Spring National Meeting. However, the committee was sensitive to the concerns of the industry and recognized that some additional revisions may need to be made in order to be consistent with objectives espoused in the *Statement of Intent*. The committee has, therefore, referred the model law and model regulation to the Speed to Market (EX) Working Group so that any modifications the working group considers necessary to achieve consistency may be made.

For additional information contact:

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 816-783-8005

Related publications/articles:

“White Paper on Regulatory Re-engineering of Commercial Lines Insurance—June 23, 1998”

Journal of Insurance Regulation
 Spring 2000 Volume 18, Issue No. 3
 “Point/Counter Point: is the NAIC Commercial Lines Deregulation Effort on Track?”

Both are available through NAIC Publications
www.naic.org/1publications/
 816-783-8300

NAIC Education & Training Department
August through December 2000


Regulator-only Programs
(in Kansas City, MO unless noted)


SOLVENCY

Financial Examiners
August 7-10

Regulating for Solvency
October 23-26

HEALTH

 *The Regulation of
Medicare Supplement Insurance*
August 17-18, Chicago

 *Financial Regulation of Managed Care
Organizations*
November 13-14

GENERAL

Surplus Lines
October 2-4

INFORMATION TECHNOLOGY

Automating the Examination Process
September 18-20

Public Programs

ANNUAL STATEMENT

*Annual Statement Changes
with a Codification Update*
August 9-11, Baltimore

Annual Statement Investment Schedules Seminar
August 8, Baltimore


Health Annual Statement Preparation Workshop
Basic – August 21-24, Boston
September 25-28, Atlanta
Advanced – Nov. 28-Dec. 1, Baltimore

P&C Annual Statement Preparation Workshop
October 16-19, Charlotte

Life Annual Statement Preparation Workshop
October 30-November 2, Dallas

CURRENT ISSUES

CLE Seminar: The Clock is Running
September 9, Dallas

 *Training on Life Insurance Scams*
October 12-13, Washington, D.C.

*For more information on any of the programs listed above or to receive a 2000 program catalog,
contact the NAIC Education and Training Department at 816-460-7544 (fax),
816-783-8200 (phone) or etrainin@naic.org (e-mail).*

The 2000 catalog is found on the Internet, www.naic.org, under "Products & Services."