

Louisiana Insurers' Conference

**ANNUAL LOUISIANA
INSURANCE COMPLIANCE
SEMINAR & LEGISLATIVE REVIEW**

August 5-7, 2015
Renaissance Hotel | Baton Rouge, LA

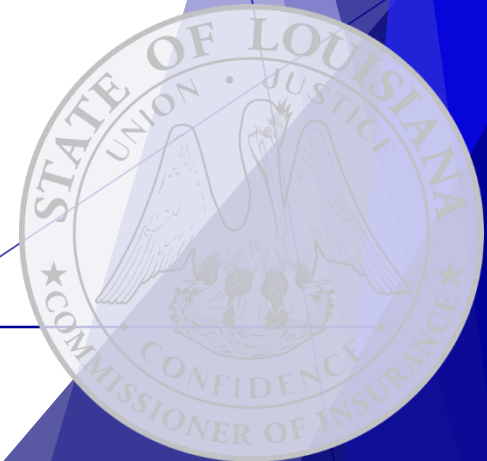


COMPLIANCE CONNECTIONS

Market Regulation

A collaborative connection to Market Conduct

Office of Consumer Services
Market Conduct Division
August 7, 2015



Can you name a few facts about Insurance and Market Regulation?



- Did you know that ...
- Benjamin Franklin helped found the insurance industry in the U.S. in 1752.
- Paul v. Virginia is the 1869 Supreme Court Case that determined “issuing a policy of insurance is not a transaction of commerce”?
- A need to discuss common concerns led to the formation of the NAIC in 1871.
- The first Insurance Commissioner was appointed in 1851 by the state of New Hampshire.
- The first state to conduct a market conduct examination was Illinois in the year 1969.
- The concept of market conduct examination was developed in the late 1970s.

Market Regulation Initiatives

- ▶ Market regulation attempts to ensure fair and reasonable prices, products and trade practices for the citizens of this state.
- ▶ Procedures are in place that assist the Market Conduct Division in monitoring the activities of the insurance industry.
- ▶ Effective ways to monitor the insurance industry are:
 - The Continuum
 - Analysis
 - Examinations
 - Collaborative Actions



The Purpose of Market Conduct

- To analyze and examine the activities of the insurance industry in the state of Louisiana and determine:
 - ❖ If unfair or deceptive acts/practices are being carried out in this state
 - ❖ If any acts/practices are in violation of the insurance laws and/or regulations of this state
- To investigate unfair or illegal activities and assist persons harmed by such activities
- To recognize issues in the marketplace that need to be addressed by legislation, regulations or other means
- To take appropriate action, including the imposition of penalties required by statute
- To develop a staff of competent, well-trained market conduct examiners and market analysts

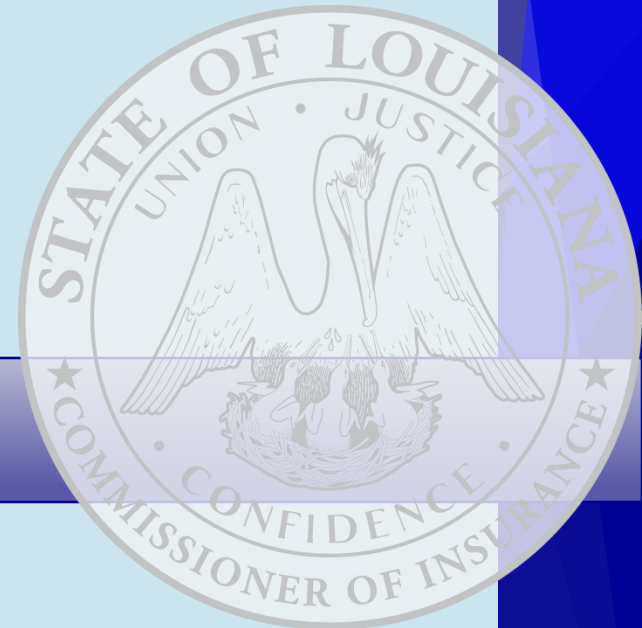
Responsibilities of Market Regulation

- Protect the public interest
- Validate compliance with the statutes and rules/regulations
- Ensure that consumers have access to beneficial and complaint insurance products
- Actively monitor the insurance marketplace

The Market Conduct Division should monitor the activities of regulated entities under its jurisdiction to detect issues or potential problems as early as possible.



The Continuum



Determining the type of Continuum

- Consumers - how does the issue/concern affect the consumer? Is immediate action required? How significant is the harm?
- Regulators - What are the jurisdictional boundaries? Multi-state collaborative effort? Has this issue been addressed by another jurisdiction?
- Regulated Entities - Is the regulated entities history for proactive and responsive market conduct acceptable? Previous market conduct compliance?
- Actions - evaluate the concern and recommend corrective action? Steps to take if concerns of fraudulent activity arise? Is action, restitution or procedural changes required?

A broad continuum of regulatory response may be used by regulators when determining the appropriate response to an identified issue or concern and is usually divided into four categories.

- **Contact** - may be in the form of correspondence, interrogatories or issues sheet, information gathering, and review of policy and procedures
- **Examination** - include a review of the company operations and methods of conducting business
- **Enforcement** - action addressing non-compliance matters
- **Closure** - Act of communicating the LDI's position and the action(s) necessary to uphold that position

Moving up the Continuum

Gathering Information

May take the form of a survey or data request and/or policy and procedure reviews of:

- Written guidelines
- Training manuals
- Policy content
- Rating rules
- Complaint trends

Interview Process

Provides for an open dialogue, allowing the regulator and the regulated entity the opportunity to:

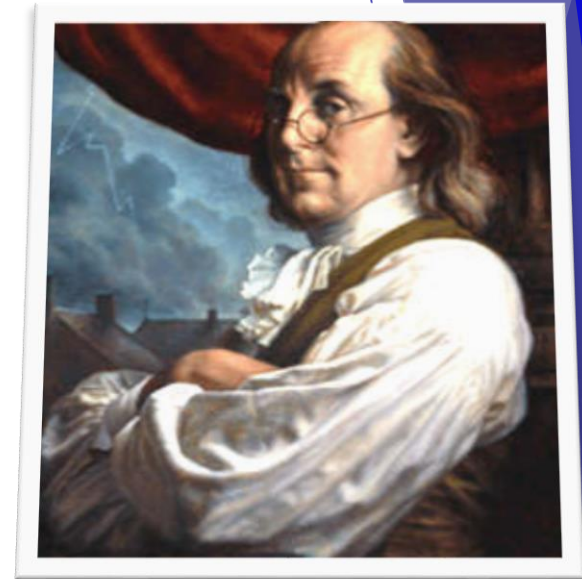
- Ask questions
- Provide clarification
- Open discussions
- Verbalize points of views about compliance matters

Face-to-face meetings or conference calls

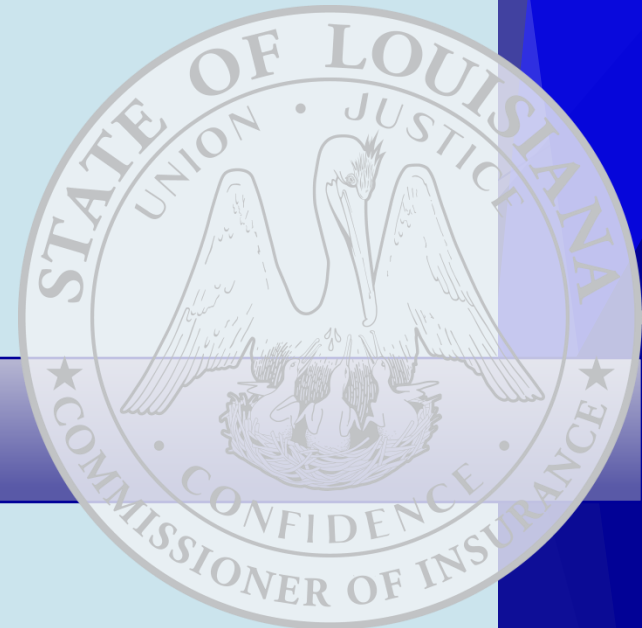
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- Open discussion
- Verbalize points of view

A more formal method of interview is a statement under oath.



Market Conduct Annual Statement (MCAS)



The Market Conduct Annual Statement is a uniform method for states to collect key data elements

Currently MCAS data is collected on:

- Individual Life
- Individual annuities
- Private passenger
- Homeowners

New to MCAS reporting is:

- Long-term care policies

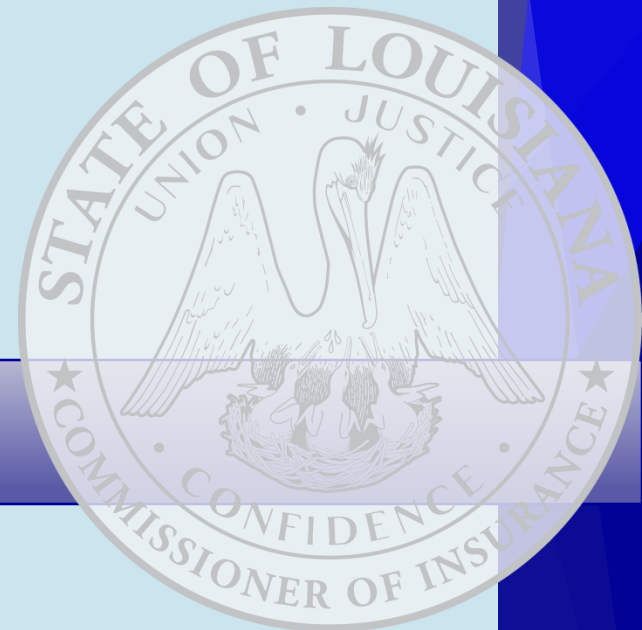


Long-term care (LTC)

- Beginning April 30 2015, all companies with in-force policies for the following coverage lines are required to report:
 - LTC stand alone policies
 - Life hybrid products
 - Annuity hybrid products



Unfair methods, acts and practices



Market Conduct review also ensures that all methods, acts and practices are fair.

Some examples of unfair methods, acts and practices which are defined as misleading or deceptive are:

- Misrepresentations and false advertising of insurance policies
- Reasonable and good faith claim handling
- Unfair claims settlement practices
- Compelling insureds/claimants to file suit
- Unfair discrimination
- Value added services



Questions & Comments

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