

# Department of Insurance

## I. INTERNAL SCAN

The Utah Insurance Department (UID) was created to ensure the solidity of insurers doing business in Utah; ensure that policyholders, claimants and insurers are treated fairly and equitably; ensure that Utah has an adequate and healthy insurance market, characterized by competitive conditions, the spirit of innovation, and the exercise of initiative; provide for an insurance department that is expert in the field of insurance and able to enforce the Insurance Code effectively; encourage co-operation between the Insurance Department and other Utah regulatory bodies, as well as other federal and state governmental entities; preserve and improve state regulation of insurance; maintain freedom of contract and enterprise; encourage self regulation of the insurance industry; and keep the public informed on insurance matters.

The UID has three strategic objectives: (1) to ensure that financial capacity of insurance companies is sufficient to meet their contractual and other obligations, (2) to protect and maintain public confidence in insurance products and the insurance industry, and (3) to enable insurance companies and producers (agents) to reasonably grow their businesses.

The state's population age dynamics will greatly impact the UID's programs and policies with respect to automobile, life, property, health, fraud, market conduct, consumer protection and education to the consumers. To a lesser degree it may have an effect on producer (agent) licensing and their education of products. IT issues are being supported in their Department submission. Some aspects under consideration include:

**Automobile Insurance:** Adults living 70+ years can create an increased exposure to accidents due to their age and the fact older adults are not as quick to react in their response time to sudden events. With the need for independence, the older population is not willing to give up their driving privileges. This may result in the need for restrictions on driving privileges with a maximum age, limit the time of day they may operate a vehicle and/or limit the size and type of vehicles they may operate. It may also mean that insurers put restrictions of what risks they are willing to allow for the older population on these policies.

**Life Insurance:** There are issues with annuities and the length of payout for annuitants if they live into their eighties or longer. Insurers will have to plan for this issue and create a larger reserve contingency fund to allow for the longer life spans. Also, issues with life insurance 'scams' that take advantage of the older population.

**Property Insurance:** With homeowners and property insurance it may require a need for more safety equipment in homes, apartments or condos in order to prevent accidents, or more effective alert systems in the event of emergencies.

**Health Insurance:** Several current issues in health insurance will be multiplied as the population ages. Policies that will need to be better understood through education include long-term care, Medicare supplement, Medicare Part D, and short term and long-term disability. The insurers selling these products will need to be closely monitored for solvency and correct premium pricing. Their sales staff and producers/agents will need better training and understanding of the products to better understand suitability of client with product.

**Fraud:** The Fraud Division of the UID currently identifies fraudulent behavior from three categories: 1) the 'white collar' criminal who is well educated and a licensed, certified professional, who abuses his position of trust; 2) the 'habitual' criminal who has an extensive criminal history and utilizing insurance fraud as his newest scheme; and 3) the 'opportunist' who has a legitimate claim and changes the circumstances to enhance the payout. The elderly victims that we see now are from a generation where honor and integrity were expected, where your word was your bond and the dishonest individual was the anomaly. That is why they tend to be easy victims for con men. The baby-boomers, as they age, will probably not be victimized in the same manner as their parent's generation. They are more skeptical and savvy when it comes to insurance and investments. They most likely will continue to be victimized via affinity fraud.

**Market Conduct and Consumer Protection:** The Market Conduct Division sees the need for stiffer penalties for those entities incurring violations that are targeting "vulnerable adults". The Division sees a need for more and better education of insurance products to the older population and better training for those providers of services to the older population.

**Producer Licensing:** The Producer Licensing Division foresees an increased need for Utah producers to become more knowledgeable in the increasingly varied and complex insurance products. More retirees pursuing insurance sales as second career or part time supplemental income due to declines in pension plans, reductions in government programs, reduces saving rates, etc., which may create an increased demand for licensing. The increased numbers of "baby boomers", who become senior citizens, including licensees, will be more likely to utilize the internet and other electronic communications than do current senior citizens. This can be met by

increasing the availability and use of electronic and web-based systems for performing license applications, continuing education courses, on-line address changes, etc.

**Company Examinations:** This Division needs to be aware that the elderly are more likely to be victims of misleading or fraudulent schemes. Variable UL's and viatical settlement companies may be areas of abuse. Another concern is Medicare supplemental insurance risks. More claims changes reserve requirements. Anticipate financial stability challenges, including upward pressure on premiums as claims increase. And staff needs to be aware of increased pension related liabilities for Life companies in reviewing balance sheets or transfers to trust or third party accounts.

**Department Staff Issues:** The Utah Insurance Department has an average worker age of 48.43 or roughly 48 ½ years of age. We have fifteen employees that are 60 or older and they are as follows:

<u>AGE</u>	<u># of People</u>
61	4
62	3
63	2
64	3
65	1
66	2

We also have 3 staff members that will have reached their 30-year retirement eligibility by the year 2009. With these statistics in mind, a 23% turnover in the next five years, management needs to look at training and scheduling replacement overlap personnel in budgetary evaluations.

## II. PRIORITIZATION

All stakeholders, Division heads and the Deputy Commissioner and Assistant Commissioner reviewed the nine areas of the department. Each person qualified where they thought the most important needs and issues where. We used a ranking of 1 to 9, with being the most important. In tabling the results it was interesting to see that some changed their thinking from initial discussions.

The top issue is in the Health insurance arena. Specifically, correct products being sold to the buying public. Education and training of both the buying public and the agent/producers to the extent that products that are being sold are completely understood and not 'oversold' to the trusting senior population. The changes that are continuing to go forward with Medicare create a great deal of confusion for the buyers of Medicare Advantage, Medicare Part D, and Medicare Supplement policies. The need to hire a trainer within the insurance department to train at senior centers and fairs is very great.

The next highest issue is the suitability of life and annuity products for the older buying public. Concerns again of overzealous agent/producer marketing to the uninformed buyer cause grave concerns.

The third highest concern for our Department is in the area of the Market Conduct Division. This overlaps with the first two with regard to training of agent/producers and suitability of products being sold to the uniformed.

A close fourth is our Fraud unit issues of ‘intentional misrepresentation’ of products to seniors for the sellers gain. Where the Market Conduct Division usually is involved in issues that involve uneducated salespersons selling to uneducated buyers, the Fraud Division prosecutes intentional harm to buyers in changing from one product to another. An example is “Company Y is rated as a B rating, Company Z is rated at an A rating. In school we liked A’s better than B’s didn’t we?” In reality Company Y may be a B rated company, but has the better overall product for the buyer.

Our decision was to try and write for a grant to hire one or two trainers, one to train the buying public and one to train the selling public. When we offer continuing education credits to the agent/producer community, we tend to get good attendance. Currently we are understaffed to do this presently on a regular basis. We hope through this process and the help from agencies that have written grants, we might be able to staff where it is needed. When budgets are submitted to the Governor’s Office, those positions that are not budget neutral get left on the cutting board. This is an area that needs to be beefed up for both our industry that we regulate and to help with the SHIP program in the Division of Aging.

**Health Insurance Division - January 2008 Objective**

To develop processes and training with which the public and producers can be adequately informed and trained on senior population insurance products and options and their suitability to the buying public.

**Health Insurance Division - Action Plan**

<u>Issue</u>	<u>Activities</u>	<u>Person/Unit Responsible</u>	<u>Target Date</u>
Proactive Measures	1. Create presentations for seniors to be taught at Community Health Centers regarding the products available for supplements to Medicare parts ! & B, as well as to simplify the explanation of how Medicare Advantage substitutes for parts A & B.	Health Analyst	2Qtr07

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| 2. Create a continuing education course for producers on the options, changes and suitability with the Medicare Modernization Act.   | Health Analyst   | 2Qtr07  |
| 3. Create national standards for Long Term Care (LTC) policies and standards for their companies to require producers to be better informed on suitability and to develop marketing regulations through the collaboration with the National Association of Insurance Commissioners (NAIC). | Health Dir/<br>NAIC  | Ongoing |
| 4. Create a true online comparison tool that the public can use to study LTC insurance companies similar or better than the Medicare Supplement comparison that is currently on the UID website.   | IT Director/<br>Health Director                              | 1Qtr 08 |
| 5. Apply for a Robert Wood Johnson Foundation grant to improve our website and provide the resources needed to train at senior centers.  | Dept of<br>Aging/<br>Comm on<br>Aging/<br>Health<br>Director | 2Qtr07  |
| 6. Train trainers at senior centers and train producers to provide more explicit information on senior issue policies in the market.   | Health Analyst/<br>Market Conduct Examiner                   | 2Qtr07  |

Administrative  
Action Matrix

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| 1. Review with Assistant Insurance Commissioner, Producer Licensing Director and Market Conduct Director on all proposed training and presentations. | Health Dir | 2Qtr07 |
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Education	1. Evaluate and list by priority the education needs for specific products and services targeting the elderly.	UID Directors	2Qtr07
	2. Develop a list of liaison agencies and organizations that can assist with an educational program and with the dissemination of insurance product and services information and warning bulletins.	UID Directors	2Qtr07
	3. Develop, schedule, and accredit continuing education classes for the licensed producers to improve the delivery of the targeted products and services.	Producer Lic, Health, MC Dir	3Qtr07
	5. Organize teams consisting of a MC Examiner and Health to deliver the education information and instruct the CE classes.	Health, MCE Div	3Qtr07
	6. Monitor results and adjust as needed.	Health Director	Ongoing

### **Life & Property Casualty Division – Objectives**

To have fully a staffed division of knowledgeable life and property casualty insurance employees who are capable and effective in addressing consumer complaints and inquiries; develop a process of training employees to recognize new insurance practices that are harmful to consumers; focus on developing new material(s) to educate our consumers, particularly in the area of life insurance retirement products and those products which effect the elderly/senior consumer.

Plan of Action:

Responsible

<u>Issue</u>	<u>Activity</u>	<u>Party</u>	<u>Target</u>
	1.Establish an electronic tracking method for documenting problem issues referred to the Life Unit. This will assist in trending reoccurring problems in Life Ins. Issues.	Sr. Analyst	April 7
	2.Establish educational seminars for seniors on Life Insurance issues impacting this age group of consumers. This could be accomplished in presentations at senior centers, for example.	Director & Sr. Analyst	April 07
	3.Training for all members of the Life Unit on Life Insurance issues & P&C Unit on P&C Insurance issues not compliant with Utah Code, or which are harmful to consumers.	Director & Sr. Analysts	Ongoing
	4.Establish a library of educational materials about Life Insurance and Property Casualty Insurance products that are easy to understand, consumer friendly and can be made available to consumers.	Director & Sr. Analysts	July 07
	5.P&C Analysts will be available to address Property Casualty Insurance issues with consumer groups, insurance industry personnel or other interested party's.	All P&C Analysts	Ongoing
	6.Life & P&C personnel will work closely with all divisions within the Department to accomplish the tasks of the regulation process. Some of the tasks will need to be coordinated under the direction of the Director.	Director	Ongoing
	7.There will be a need to evaluate the above noted tasks to assure they are on track for meeting the needs of consumers, the insurance industry and the department. These evaluations should be made on an annual basis	Director	July 07

to validate the need for the program or process.

8. The P&C Analysts will be assigned the Responsibility of re-formatting the Auto & Homeowner Comparison table which is produced and made available to consumers and insurance industry. This will expand the information available in the document to address new issues within the industry.

Director & P&C Analysts      Sept. 07

9. A review of all current reporting and tracking systems to analyze the information we are retaining. This will assist us in updating our processes to assure we capture the necessary information for our regulation responsibilities.

Director & Life, P&C Analysts      Sept 07

Market Conduct Division - January 2008 Objective

To develop proactive measures to audit and, as regulator, to oversee the marketing practices of insurance products focused on the “vulnerable adults” (elderly and other senior groups); to implement changes in the administrative actions matrix for fines and other penalties to increase the severity of the action if “vulnerable adults” have been wronged; to develop and implement educational processes to better educate the “vulnerable adults” segment, along with related service providers, on the analysis of insurance products and services targeting them.

Market Conduct Division - Action Plan

<u>Issue</u>	<u>Activities</u>	<u>Person/Unit Responsible</u>	<u>Target Date</u>
Proactive Measures	1. Conduct training and educational classes to develop an effective market conduct examiner team.	MCE Director	1Qtr09
	2. Conduct product MCE staff knowledge training to include rate filings, forms filings, and capitalization standards for products and services targeting elderly.	UID Directors	4Qtr08
	3. Develop a tracking program on “key” providers of products and services targeting elderly on a state-wide basis as well as the national level.	Market Analyst	2Qtr07

	4. Organize and implement an audit schedule within the Utah insurance industry that maintains visibility and active enforcement of the UID regulations.	MCE Division	3Qtr07
	5. Identify and establish an effective role with liaison groups within and without the insurance industry as a joint task force in the protection and oversight of the elderly consumer.	MCE Division	2Qtr08
	6. Implement and use full capacity of software and other technological systems and developments to aid in the identification, monitoring and enforcement of violations to the UID regulations, especially those targeting the elderly.	MCE Director IT Director	Ongoing
	7. Continue building a trained and experienced MCE staff to the numbers effective with the case load of examinations and investigations of potential violators under the UID regulations.	A I C MCE Director	Ongoing
	8. Monitor results and adjust as needed.	MCE Director	Ongoing
Administrative Action Matrix	1. Review with Assistant Insurance Commissioner (AIC) the matrix currently in use and the need to reassess both the categories of violations and as well as the severity of fines and penalties associated with those categories.	MCE Director	4Qtr06
	2. Call for market conduct examiners to sit on a working group with the	MCE Director	4Qtr06

enforcement attorney and the producer licensing director to evaluate and make recommendations for changes.

3. Present the recommendations to the AIC and adjust as needed, then present the proposed adjustments to the UID Management Council for input and approval.

MCE Director Working Group 2Qtr07

4. Process the changes according to the regulatory processes and approval protocols

Information Specialist 2Qtr07

5. Implement those changes on the effective date of the approval on all pending and new cases.

UID Directors MCE Staff Financial Exam 2Qtr07

6. Monitor results and adjust as needed.

MCE Director Ongoing

Education

1. Evaluate and list by priority the education needs for specific products and services targeting the elderly.

UID Directors 4Qtr07

2. Develop a list of liaison agencies and organizations that can assist with an educational program and with the dissemination of insurance product and services information and warning bulletins.

UID Directors 1Qtr08

3. Calendar educational meetings and opportunities to educate the public in such products and services.

MCE Division 4Qtr07

4. Develop, schedule, and accredit continuing education classes for the licensed producers to improve the delivery of the targeted products and services.

MCE Division 2Qtr08

5. Organize teams consisting of two or more market conduct examiners to deliver the education information and instruct the CE classes. MCE Division 3Qtr08

6. Monitor results and adjust as needed. MCE Director Ongoing