

SEMINAR NAIC/ASSAL/SVS
REGULATION & SUPERVISION OF MARKET CONDUCT

Regulation and Supervision of the Market Conduct in the United States

PRESENTATION OVERVIEW

- Goal of market conduct regulation
- Regulator activities before the sale
- Regulator activities after the sale
- Specific standards of conduct
- Essential lessons learned

GOAL OF MARKET REGULATION

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

REGULATOR ACTIVITY BEFORE THE SALE

- Company licensing
- Producer licensing
- Rate and form review

REGULATOR ACTIVITY AFTER THE SALE

- Consumer Inquiries and Complaints
- Investigations
- Market Analysis
- Market Conduct Examinations
- Enforcement

STANDARDS OF COMPANY CONDUCT

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

COMPANY OPERATIONS

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

MARKETING AND SALES

- Misrepresentation of policy benefits is prohibited.
- Failing to disclose limitations is prohibited.
- Making unfair or incomplete comparisons with other products is prohibited.

UNDERWRITING AND RATING

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

POLICYHOLDER SERVICE

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

CLAIMS HANDLING

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

COMPLAINT HANDLING

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

PRODUCER LICENSING

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

CURRENT CHALLENGES

- Social Media
- Driverless Cars
- Catastrophes
- Point of Sale Disclosures
- Mis-selling of Products
- Long Term Care Insurance
- Universal Health Care

ESSENTIAL LESSONS LEARNED

- Competitive markets are necessary.
- Consumers do not understand insurance.
- Open lines of communication are needed.
- Regulation must change as markets change.

QUESTIONS/COMMENTS