State Debate: Modernization or Retrenchment?

BIA’s Kevin McKechnie attended the quarterly meeting of the National Council of Insurance Legislators (NCOIL) last week. He commented that developments at the organization make it seem as though states are heading toward retrenchment rather than modernize insurance regulation. Just last week, National Association of Insurance Commissioners (NAIC) President and Kansas Insurance Commissioner Sandy Praeger — along with National Conference of Insurance Legislators (NCOIL) President, Rhode Island State Rep. Brian Patrick Kennedy, and National Conference of State Legislatures (NCSL) Communications, Financial Services and Interstate Commerce Standing Committee Chair, Maryland State Sen. Delores Kelley — reaffirmed their commitment to working together to protect U.S. insurance consumers and support state-based insurance regulation. NCOIL is considering officially opposing the Optional Federal Charter, a move it has avoided until now.

This comes just when a new study was released that shows that optional federal chartering of insurance companies would have little or no impact on state economies and any effects are more likely to be positive than negative. Entitled “The Effects of an Optional Federal Charter for Life Insurers on State Economies,” the study found that the increases in competitiveness and efficiency that would be fostered by an optional federal charter (OFC) will likely benefit states by boosting economic activity and insurance industry-related employment. While the employment changes would vary across states, and some states might experience a decrease, the impact would be relatively small, the study says. The study finds that state insurance department revenue from fees and other charges would likely decrease if insurers opt for federal regulation. However, insurance department expenses would also decrease. In terms of tax revenue, the study notes that the OFC legislation pending before Congress preserves the rights of states to collect premium and retaliatory taxes. Read more.
Newsbytes

Insurance Fraud

Insurance fraud expert Barry Zalma reports in the March 1, 2008 issue of Zalma’s Insurance Fraud Letter, that he expects insurance fraud to increase as the economy declines. Read more. (3/1)

D&O Up for Banks

Directors' and officers' liability insurance costs for financial institutions significantly increased in the fourth quarter of 2007, according to a D&O pricing index released today by Aon. The index explains these findings by pointing to the fact that financial institutions were impacted particularly hard by the subprime crisis during the last three months of 2007. As a result, D&O underwriters associated larger amounts of risk with the directors and officers of these firms and thus increased D&O costs for the financial services sector. Read more. (2/27)

WTC Insurance

World Trade Center developer Larry A. Silverstein announced the placement of the Workers’ Compensation, General Liability, Excess Liability, and Specialty insurance programs for the construction of Towers 2, 3, and 4 (200, 175, and 150 Greenwich Street). Read more. (2/25)

Insurance & Movies

According to Fireman’s Fund, the winner of this year’s most risky film is “Into the Wild,” the Sean Penn-directed production about a young man who abandons a normal lifestyle to explore the Alaskan wilderness. Read more. (2/19)

NAIC Completes Producer Licensing Assessment

The National Association of Insurance Commissioners (NAIC) just completed a review national of state producer-licensing laws, practices and processes. The report identifies areas where the states’ reciprocity and uniformity initiatives need improvement, along with areas where such efforts have been successful.

One of the primary purposes of the project was to review states certified as compliant by the NAIC’s 2002 reciprocity standard which is based on an interpretation of the NARAB provisions of the Gramm-Leach-Bliley Act (GLBA), which demanded that states either enact uniform laws and regulations for licensure or reciprocity laws for non-resident individuals and entities. All 43 states who were certified as compliant in 2002 were again certified as compliant, and 3 more states were found to be in compliance.

The report also identifies additional requirements that were not specifically addressed within the NAIC’s 2002 reciprocity standard and recommends further review by the NAIC membership. The requirements include:

- Requiring an underlying life license prior to the issuance of a non-resident variable life license;
- Verifying legal work authorization for non-resident applicants who are non-U.S. citizens;
- Requiring the designated responsible producer to be licensed or appointed prior to the issuance of a non-resident business entity license;
- Requiring a non-resident business entity to submit articles of incorporation;
- Requiring individuals seeking a fraternal non-resident license to have an accident/health license and have a fraternal certificate from a company;
- Requiring non-resident producers to renew licensure annually, while resident producers renew biennially; and
- Verifying an applicant for a non-resident license renewal has paid all undisputed taxes and unemployment insurance contributions.

Read more. (2/20)

Florida Makes First Report on Freedom to Travel

Florida insurance commissioner Kevin McCarty made his first Freedom to Travel Report, required under Florida State’s “Freedom to Travel Act.” Several years ago, Representative Debbie Wasserman Schultz (D-FL) was denied life insurance because she stated on an application that she planned to travel to Israel in the next two years. In 2006, the Florida legislature passed the Freedom to Travel Act, and last year Representative Wasserman Schultz introduced similar legislation at the Federal level. The Florida law states that an insurer may not refuse to issue life insurance to; refuse to continue the life insurance of; or limit the amount, extent, or kind of life insurance coverage available to an individual based solely on the individual's past lawful foreign travel experiences or future travel plans.

The report documents a decline in the number of instances and companies that have denied or limited coverage. It also reviews seven instances where companies were not in line with the statute and were fined. Listed in the report are the names of 105 insurance companies that ask travel-related questions on at least one of their life insurance applications. Read more. 3/3

NOTE: Insurance News will be changing to monthly publications. It will be sent the second Wednesday of each month. The first publication on the new schedule will be Wednesday, April 9.
Member News

Indexed Universal Life

Pacific Life announced a new indexed universal life insurance product where credited interest is based in part on the positive performance of the S&P 500. Pacific Indexed Accumulator III is the first indexed universal life product to feature a 5 Year Indexed Account with 100% guaranteed participation, no current growth cap and a 1% annual minimum guarantee. Read more. (2/28)

MetLife Claims Services

Wachovia Corporation earned more commissions from annuity sales than any U.S. bank holding company (BHC) in 2007. The North Carolina bank reported $483.00 million in fees and commissions from annuity sales. It was followed by JPMorgan Chase & Co. ($163.00 million), Bank of America Corp. ($125.53 million), Wells Fargo & Company ($116.00 million), and Suntrust Banks, Inc. ($114.90 million), the Bank Insurance Market Research Group reported. Read more. (2/19)

Mass Mutual- SunTrust

Mass Mutual announced an agreement to purchase The First Mercantile Trust Company from SunTrust Banks. First Mercantile provides retirement plan recordkeeping and investment management services nationally to more than 3,100 plans with a total of approximately 140,000 participants and nearly $5 billion in assets under management. Read more. (2/28)

Mass Mutual- SunTrust

MetLife Foundation donated $2 million to the Martin Luther King, Jr. National Memorial Project Foundation, to build a Memorial on the National Mall, adjacent to the Franklin Delano Roosevelt Memorial. Read more. (2/29)

OK and WY Legislatures Make Good Insurance Moves

Legislators in Oklahoma and Wyoming for voting to defeat onerous insurance-regulatory legislation in those states. In Oklahoma, the state senate struck down SB 2190 in the Appropriations Committee, which would have repealed the state’s current file and use law for both personal and commercial lines of insurance. In Wyoming, House Bill 125 would have prohibited the use of credit scoring as a rating or underwriting factor in determining risk before it was similarly rejected in committee.

Planning For Families with Special Needs: OBRA Trusts

By By David Eisenberg, Advanced Marketing Consultant, Transamerica Insurance & Investment Group (TIIG)

If you haven’t yet had a client with special needs planning, it’s likely at some point you will. A special-needs individual (SNI) requires assistance in nearly every aspect of his or her life, and this can be astronomically expensive. Typically, these services are provided by the government, unless the SNI’s family or caregiver is affluent. If family members leave an SNI an inheritance, it could disqualify him or her from most federal assistance programs such as SSI and Medicaid.

This one fact underscores the complications associated with special-needs planning. However, understanding of the Omnibus Reconciliation Act (OBRA) of 1993 as it relates to SNIs can help you be better prepared.

An OBRA trust is an irrevocable trust established using assets set aside for and owned by an SNI for his or her benefit. The SNI would not be disqualified from receiving government aid and would still be able to use the proceeds of the OBRA trust to supplement his or her lifestyle. When the SNI dies, the OBRA trust remainder would be used to repay the government for the benefits provided during his or her lifetime.

Benefit repayment is a major distinction between an OBRA trust and more traditional special needs trusts. In a traditional special-needs trust, assets are gifted to an irrevocable trust for the benefit of an SNI. If the trust lists contingent beneficiaries, they would receive any remaining assets when the primary beneficiary dies.

While there are many different ways to fund a trust, life insurance may be an ideal option. Life insurance proceeds are free from federal income tax and available shortly after the insured’s death. The proceeds help the SNI maintain the level of health and welfare that existed when their caregiver was alive.

When setting up an OBRA trust for an SNI, life insurance professionals should work with a team of professionals including to ensure that proper trust documents are drafted, applicable laws and regulations are followed, and that the primary asset held in the trust is one that can provide the greatest long-term benefit. To learn more, contact Jess Nadelman, TIIG’s divisional vice president for bank distribution, at (508) 886-8811 or jess.nadelman@transamerica.com.

This information and more on special needs trusts will be available at the next Life Coverages Best Practices Panel call, which will be held April 24th at 1:00 eastern time. For more information or to participate in the call, contact Mike Polychrones at 202-663-5221, mpolychr@aba.com.
Member News
NY Life LTC Dividend
New York Life Insurance Company announced today that its LTCSelect Premier long-term care insurance product will pay a dividend to policyholders this year. This is the fourth consecutive year New York Life has paid a long-term care dividend. “Our strong sales growth indicates that more Americans are taking the necessary steps to help protect themselves and their financial assets by purchasing long term care insurance and entrusting their financial future to one of the nation’s strongest insurance companies,” said Dennis O’Brien, senior vice president, Long Term Care. Read more. (2/21)

Prudential Term Life
Prudential announced that it has repriced its term life insurance products, Term Essential® and Term Elite®, to be more competitive in the marketplace, especially for policies over $1 million of protection and across 10, 15, 20 and 30 year level premium paying periods. Read more. (2/21)

MetLife Study: Retirement
Planning for retirement is tougher and more complicated for middle-aged Americans who are single or married with children from previous relationships than it is for those with "traditional" families. According to the MetLife Mature Market Institute’s Family Matters study, 40 to 65-year-olds with non-traditional families face more challenges with regard to saving and investing and are less likely than others to have a distinct retirement vision. They are more unlikely to have specific income vehicles, such as 401(k)’s, pension plans and annuities. The study determined that family structure largely influences how people plan for retirement. Read more. (2/20)

Data & Directions
NAIC: Baby Boomers Confused about Medicare
According to new research from the National Association of Insurance Commissioners (NAIC), many baby boomers are confused about their post-retirement health insurance options, including their Medicare eligibility. Of the Americans born between 1946 and 1964 — found that only 36 percent correctly knew that Medicare eligibility begins at age 65. Twenty-one percent thought Medicare coverage began at age 62; 9 percent said age 67; 6 percent said age 59½; and 28 percent said they were unsure of the age. In addition to these findings, the NAIC survey also revealed a considerable lack of familiarity with Medicare’s coverage options. Sixty-six percent of respondents said they were “not very familiar” or “not at all familiar” with options such as Medicare Part B, Medicare Advantage plans, Medicare prescription drug coverage and Medicare supplement (Medigap) insurance. This number jumped to 72 percent among younger baby boomers, those 44–54 years of age. Read more. (2/26)

2008 ABIA Annual Conference

ABIA Welcomes Charlie Wilson
There are very few originals in American Politics anymore. Most of our elected officials tend to look and sound alike. One of the true originals is former Texas Congressman Charlie Wilson, who served as the Democratic U.S. Congressman from District Two in Texas from 1973 until 1997. His story is the inspiration for the book and movie, Charlie Wilson’s War—but the real tale of how Charlie Wilson helped end the Cold War is even better. Join us for a behind-the-scenes look at clandestine CIA Operations, Congressional power plays, and the Afghan struggle against the Soviet Union—a story that is by turns funny, thrilling and moving.

Register Now
Sign up to play in the Golf Tournament
See the preliminary Advanced Program
(Event & session times are subject to change)
The ABIA Best Practice Panels are underway again for 2008. Thanks to the Panel Co-Chairs, the Speakers and the panel members for their hard work and attendance to make these teleconferences successful in 2007. The schedule below is for all of the panel teleconferences’ for 2008. Mark your calendar and plan to attend a future teleconference of interest to you. If you have not already signed up to participate, please contact Mike Polychrones at mpolychr@aba.com and he will add you to the panel(s) of your choice. Don’t miss out on one of the best benefits of ABIA membership!!

**Annuities Panel**

**Co-Chairs:** Paul Field, SunTrust Insurance and Kenneth Kehrer, Kehrer-LIMRA LLC

The teleconference calls will be every other month on the 3rd Tuesday of the month @ 3:30 p.m. Eastern according to the following schedule:

**April 17:** John Diehl with Hartford Life: Longevity Insurance

June 17
No call in August
September 22-24 (Phoenix, AZ) - Annual Conference Presentation

**Community Bankers Panel**

**Chair:** Chris Melton, ProfitStars, The Insurance Agency Solutions Group and Val Teagarden, First United Insurance Group

The teleconference calls will be held quarterly on the 3rd Thursday of the month @ 11:00 a.m. Eastern according to the following schedule:

May 15
September 22-24 (Phoenix, AZ) - Annual Conference Presentation

**Compliance Panel**

**Co-Chairs:** Cathy McLaughlin, Wachovia Insurance Services and Doug Harrison, BB&T Insurance

The teleconference calls will be held quarterly on the 2nd Tuesday of the middle month @ 2:00 p.m. Eastern according to the following schedule:

May 20
July 15
September 22-24 (Phoenix, AZ) - Annual Conference Presentation

**Agency Integration Panel**

**Co-Chairs:** Jim Bradner, TowneInsurance Agency and Valerie Jordan, Jordan and Jordan Associates

The teleconference calls will be every other month on the 2nd Monday of the month @ 4:00 p.m. Eastern according to the following schedule:

**April 14:** Utilizing a Service Call Center - Bob Coopersmith, Zurich North America

June 9
No call in August
September 22-24 (Phoenix, AZ) - Annual Conference Presentation

October 6

**Life Coverages Panel**

**Chair:** William Keffer, WHK Consulting

The teleconference calls will be held quarterly on the 4th Thursday of the month @ 1:00 p.m. Eastern according to the following schedule:

**April 24:** Disability Trusts with Transamerica

July 24
September 22-24 (Phoenix, AZ) - Annual Conference Presentation
Credit Insurance and Debt Cancellation Panel
Co-Chairs: Kathy Sullivan-Maye, Wells Fargo Insurance and Bruce Bradley, Life of the South

The teleconference calls will be held at 3:00 p.m. Eastern according to the following schedule:

March 27
May 15
July 17
September 22-24 (Phoenix, AZ) - Annual Conference Presentation

P & C Panel
Chair: Missy Elder, Omni Builders Risk

The teleconference calls will be held every other month on the 3rd Thursday of the month @ 1:00 p.m. Eastern according to the following schedule:

February 21: Integrate Commercial Insurance Within the Bank with Featured Speaker Tom Linn with MarshBerry

April 17
June 19
No call in August
September 22-24 (Phoenix, AZ) - Annual Conference Presentation
October 16

Direct Marketing Panel
Co-Chairs: Dodi Iverson, DRIASI and Jack Hollingsworth, Regions Insurance

The teleconference calls will be held every other month on the 4th Tuesday of the month @ 3:00 p.m. Eastern according to the following schedule:

March 18: Marketing to the Hispanic Community with featured speakers Sarah Abend and Dave Peters

May 20
July 22
September 22-24 (Phoenix, AZ) - Annual Conference Presentation

Reinsurance & Risk Management Panel
Chair: Tim Tobin, Bank of America and Brian Green, Edwards Angell Palmer & Dodge LLP

The teleconference calls will be held quarterly on the 2nd Tuesday of the month @ 2:00 p.m. Eastern according to the following schedule:


June 10
September 22-24 (Phoenix, AZ) - Annual Conference Presentation
October 14

RESOURCES

Government Relations
Contact Kevin McKechnie at kmkechn@aba.com

Insurance News
Contact Deanne Marino at dmarino@aba.com

Conference Questions?
Contact Valerie Barton at vbarton@aba.com

ABA Job Bank
For more information visit the Job Resume Bank at: http://aba.careerbank.com/default.cfm

Dues and Publications
Contact Valerie Barton at vbarton@aba.com

ABIA Best Practices Panels
Contact: Mike Polychrones at: mpolychr@aba.com
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Contact the ABIA Office for information on how to become a Premier Member.