



Consumer Federation of America

**STATEMENT OF
J. ROBERT HUNTER¹,
DIRECTOR OF INSURANCE
BEFORE THE
JOINT PUBLIC HEARING
OF THE
ASSEMBLY INSURANCE COMMITTEE
AND THE
OFFICE OF THE PRESIDENT
OF THE
BOROUGH OF BROOKLYN**

NOVEMBER 12, 2003

Mr. President and Mr. Chairman, thank you for inviting me to testify before you today.

Before I answer your questions about auto insurance in Brooklyn, we need to put the issue in a broader context. There are two reasons why New Yorkers overall pay more for auto insurance than consumers in forty-eight other states. First, is the decline in regulatory excellence in the state and second, is the no-fault insurance system.

REGULATION

In 1989, the average auto insurance customer in New York spent \$665.07 on insurance. New York ranked eighth most expensive in the nation. The average consumer here paid 20.5% more than the nation generally, where the average amount spent nationally was \$551.95.

In 1989, New York had what was generally agreed to be the best insurance regulation in America. It was tough, efficient and, in many ways, led the nation in regulatory innovation for the benefit of insurers and consumers alike. The rest of the country looked to New York for regulatory leadership, in part because of New York's extra-territorial

¹ Mr. Hunter served as Federal Insurance Administrator under Presidents Ford and Carter and as Texas Insurance Commissioner.

Consumer Federation of America is a federation of some 300 pro-consumer groups with a combined membership of over 50 million Americans, of which more than 3 million are New Yorkers.

reach, but mostly because of its excellence. Unfortunately, New York is no longer looked to as a leader in regulatory excellence.

In 1989, the average auto insurance customer in California spent \$747.97 on insurance. California ranked third most expensive in the nation. The average consumer there paid 35.5% more than the nation generally.

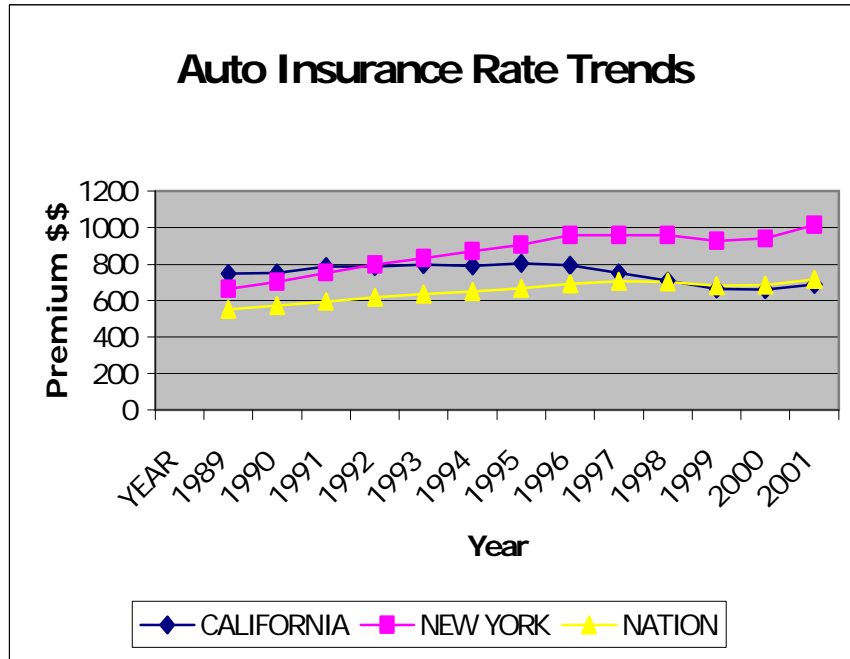
In 1989, the people of California had already passed Proposition 103, which was about to be implemented into law. California was about to toughen regulation and enhance competition for auto insurance.

By 2001, the average auto insurance customer in New York spent \$1,014.96 on insurance. New York ranked second most expensive in the nation. The average consumer here paid 43.4% more than the nation generally, where the average amount spent by a consumer was \$717.70.

In 2001, the average auto insurance customer in California spent \$688.89 on insurance. California ranked twenty-fourth most expensive in the nation. The average consumer there paid 4.0% less than the nation generally.

Between 1989 and 2001, California auto insurance went from being virtually unregulated to being well-regulated. Prop. 103 increased competition by removing the state anti-trust exemption for insurance and by taking other important pro-competitive steps. As a result, California now has the best regulatory regime in the nation for auto insurance. At the same time, New York fell from being the best in the nation to being far less than that. California's auto insurance rates have dropped by 7.9%, the nation's auto rates have gone up by 30.0% and New York's rates have skyrocketed by 52.6%.

Here are some charts that show the recent trends, trends that are bad for New York consumers compared to those in California and the nation.



AVERAGE AUTO INSURANCE EXPENDITURE TRENDS

YEAR	CALIFORNIA	NEW YORK	NATION	California as % of NY	NY as % of Nation
1989	747.97	665.07	551.95	112.5%	120.5%
1990	751.32	705.03	571.69	106.6%	123.3%
1991	786.75	754.29	596.44	104.3%	126.5%
1992	786.78	798.62	617.65	98.5%	129.3%
1993	796.3	832.26	637.11	95.7%	130.6%
1994	789.54	870.01	650.73	90.8%	133.7%
1995	803.19	905.91	668.27	88.7%	135.6%
1996	792.53	959.83	691.48	82.6%	138.8%
1997	752.68	959.32	705.34	78.5%	136.0%
1998	708.61	959.76	702.74	73.8%	136.6%
1999	662.93	930.05	683.36	71.3%	136.1%
2000	660.66	939.43	686.32	70.3%	136.9%
2001	688.89	1014.96	717.7	67.9%	141.4%

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**AUTO INS EXPENDITURE CHANGE BY STATE
1989 TO 2001**

STATE	1989 Ave. Expenditure	2001 Ave. Expenditure	Percent Change
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California	747.97	688.89	-7.9%
New Jersey	982.93	1027.71	4.6%
Hawaii	673.36	705.1	4.7%
Pennsylvania	646.03	726.41	12.4%
New Hampshire	609.13	685.62	12.6%
Rhode Island	725.82	880.06	21.3%
Maryland	646.18	783.77	21.3%
Connecticut	740.02	912.19	23.3%
South Carolina	494.25	616.87	24.8%
Maine	434.84	545.42	25.4%
Dist. Of Columbia	796.72	1011.76	27.0%
Massachusetts	728.39	936.01	28.5%
Florida	610.21	788.02	29.1%
Georgia	531.01	703.07	32.4%
Michigan	550.84	735.12	33.5%
Illinois	505.32	682.59	35.1%
Ohio	447.73	613.75	37.1%
Oregon	466.29	642.52	37.8%
Virginia	437.87	610.14	39.3%
Arizona	581.42	822.35	41.4%
Alabama	426.3	605.32	42.0%
Vermont	423.43	602.52	42.3%
Indiana	426.29	614.86	44.2%
Tennessee	423.26	610.65	44.3%
Mississippi	440.8	637.62	44.7%
Nevada	586.6	851.15	45.1%
North Carolina	388	564.76	45.6%
Wisconsin	392.46	573.46	46.1%
Louisiana	571.96	838.96	46.7%
Missouri	430.05	633.52	47.3%
Alaska	560.27	826.1	47.4%
Texas	497.35	735.46	47.9%
Delaware	574.04	850.56	48.2%
New Mexico	443.76	662.27	49.2%
Idaho	348.31	523.38	50.3%
New York	665.07	1014.96	52.6%
Washington	490.5	749.74	52.9%
Oklahoma	399.19	621.58	55.7%
Colorado	515.31	807.51	56.7%
Minnesota	460.41	735.2	59.7%
West Virginia	437.09	706.9	61.7%
Iowa	315.02	512.66	62.7%

Kansas	340.76	555.9	63.1%
Wyoming	318.28	527.63	65.8%
Utah	385.44	640.12	66.1%
Montana	336.04	572.06	70.2%
Kentucky	375.71	645.21	71.7%
North Dakota	283.11	497.79	75.8%
South Dakota	273.51	510.42	86.6%
Arkansas	364.68	690.9	89.5%
Nebraska	284.86	553.83	94.4%
Countrywide	551.95	717.7	30.0%

Had New York’s auto rates gone up at the same clip as the nation’s overall, the average rate in 2001 would have been \$864.59 rather than \$1,014.96. Had New York’s auto rates gone down in the same way as California’s did, the average rate today would be \$612.53.

Competition and regulation can work together in a market to benefit consumers and the insurance industry if Prop. 103 is used as the model. Before Prop. 103, Californians had experienced significant price increases under a system of so-called “open competition.” Prop. 103 sought to maximize competition by eliminating the state antitrust exemption, laws that forbade agents to compete, laws that prohibited buying groups from forming, and so on. It also imposed the best system of prior approval (of insurance rates and forms) in the nation, with very clear rules on how rates would be judged. It has efficiency standards that would not allow inefficient insurers to pass along excessive costs to consumers. It adopts expense disallowances for costs such as fines, penalties, bad-faith verdicts and excess executive compensation. It requires full reflection of investment income in prices. And it rolled back rates by 20% unless the insurer could show that this action would produce inadequate returns. It also allows consumers to intervene in cases and have their intervention costs paid for by the insurer that made the filing if the consumers make a substantial contribution to the final outcome as determined by the commissioner. Prop. 103 also requires that California’s Insurance Commissioner is be elected.

As our in-depth study of regulation by the states revealed,² California’s regulatory transformation--to rely on both maximum regulation and competition—has produced remarkable results for auto insurance consumers and for the insurance companies doing business there.

Consumer groups came together to write a white paper to list the consumer protections we believe produces the sort of result California enjoyed. That paper, “Consumer Principles and Standards for Insurance Regulation,” is attached to this statement.

NO-FAULT

² “Why Not the Best? The Most Effective Auto Insurance Regulation in the Nation,” June 6, 2000; one copy has been supplied for the record. It is also available on line at www.consumerfed.org.)

I have been a long-term support of no-fault insurance. As Federal Insurance Administrator, I helped convince President's Ford and Carter to support a national no-fault system.

But New York's system is failing, with skyrocketing costs related to fraud. Either New York should go back to a pure tort system or it ought to look to Michigan for solutions.

Michigan has, arguably, the best system for consumers in the nation. Michigan's no-fault plan pays unlimited benefits for medical and rehabilitation costs. Yet, as can be seen above, these ultra-rich benefits cost only slightly above the national cost and the trend in costs has been close to the national trends as well.

How Michigan controls costs, fights fraud and otherwise keeps rates low for its very rich benefit system should supply important information for New York in combating the explosion in costs you have experienced in this state.

QUESTIONS POSED BY THE CHAIRS

1. What accounts for the high auto insurance rates paid by Brooklyn drivers?

A 20-year old unmarried male pays \$897 from the AIP for required coverages in Clinton County, New York but in Brooklyn the same driver pays \$5,159, 5.75 times as high. The lowest rate for a 20-year old Brooklyn unmarried male driver for required coverages is \$2,276 from USAA, but few would qualify for that.

The state requires this insurance. This is really an outrage.

If the 20-year old unmarried male driver chose to add Comprehensive and Collision to his coverage, and raise his liability limits to \$100/300/50 (i.e., full coverage), the bill from AIP would jump to an astounding \$14,458!

Even a 35-year old male would pay \$3,420 (\$10,418 for full coverage) for required insurance from AIP and a retired person aged 69 would pay \$2,991 (\$9,777 for full coverage).

And many of the brokers selling coverage in Brooklyn have no voluntary market outlet...they only have AIP.

No wonder people do not buy coverage and go uninsured or try to get licensed in North Carolina. Who could blame them?

The state must act to make the insurance that it requires to be affordable. In Brooklyn, it is not.

Besides the regulation and no-fault issues, the state must act to assure that no redlining is occurring in the market. The fact that per-capita more people in Brooklyn are assigned to AIP than in other parts of New York is troublesome.

When I was insurance commissioner in Texas, we developed data by zip code to test which insurers were writing in which areas. We determined what were the underserved markets in the state and held hearings in Houston, Dallas and San Antonio to discuss the findings.

In Houston, I worked with the city leaders, representatives of low income and minority communities, state legislators and the congressional delegation to address the redlining we discovered. After we released information on the underserved areas in Houston and took testimony from persons who could not get reasonably priced auto and home insurance (including small businesses and non-profits such as Habitat for Humanity), insurers came to me to request a way forward.

We started a series of meetings where insurance executives and all of the leaders from the community met to discuss how to work out of the situation. After several of these meetings, we had a bus tour with the insurance executives and the leaders sitting side-by-side on the bus. Insurers saw the lovely areas they were not writing and were surprised. The community leaders saw the problems that the insurers pointed out. All learned to understand each other better.

As a result, insurers opened agencies in storefronts and committed to write a lot of new insurance in these underserved areas.

The public availability of the zip code data was the key to progress, in my view. You should get it for Brooklyn – and get it company by company.

You should also critically question the use of credit scores in auto insurance. As I understand it, credit scoring can only be used in New York for the placing of risks into tiers or for rejecting new risks. This has an adverse effect on low income and minority communities, I believe. Insurers deny that, but that should be tested. The legislature should commission a truly independent study into this question.

2. What accounts for the disproportionate number of Brooklyn drivers forced to seek auto insurance coverage through the New York Automobile Insurance Plan (AIP)?

Redlining may be the culprit, as discussed above. To the extent that the rates in Brooklyn are representative of the real risk incurred by insurers, there should be no reason for the Borough to have any higher percentage of the AIP than anywhere else in the state. The fact that the percentage is higher is very troubling and may indicate redlining.

3. What is being done to address the lack of voluntary market participation in Brooklyn?

The use of zip code data and market shares for all of Brooklyn should be made public by company to determine who is and who is not serving this market. That information should identify the slackers and the good guys. The information should be given to Brooklyn political and community leaders and work begun with the insurance department to get the slacker insurers up to snuff.

4. What will be the impact on Brooklyn drivers of the AIP's proposal to eliminate careful driver credits?

Careful driver credits are particularly important in an area where rates are high, like Brooklyn. When auto insurance is required by the state, all steps possible to protect those with no claims and tickets must be made. AIP has over half of its population with clean records. These clean drivers must be protected by the state that requires them to purchase auto insurance.

5. What measures are being taken by state Insurance Department to address the problems faced by Brooklyn drivers?

The Insurance Department must answer this question.

6. According to the state Insurance department, 1/3 of insurer complaints of fraud to the state's Insurance Department Fraud Bureau come from Brooklyn. What measures are being taken and what resources are devoted to addressing this problem, and what more could be done by (a) insurers (b) law enforcement (3) the state insurance department (d) licensing and disciplinary authorities and professional associations?

Research into fraud suggests that the higher the rate charged, the more likely the consumer will tell a pollster that it is OK to pad a bill to cover a deductible to recoup some of the insurance premium. Obviously, it is never OK to do an immoral thing. This padding is known as "soft" fraud. You should add consumers to your list because education of consumers can help lower this sort of fraud.

The rings staging crashes and the like are part of what is known as "hard" fraud. This can and must be sternly addressed by the police and other authorities. Most insurers now have units that deal with fraud. Recently, crackdowns in New York have produced some breakthroughs. Insurers, law enforcement, the department and licensing and disciplinary authorities must work together on the hard fraud front.

I would be happy to offer CFA's actuarial and other analytic services to you in determining the underserved areas of Brooklyn and to determine if the rates being charged here are fair or not. We can work with you on such determinations if data are produced to make such findings.

We suggest that, at a minimum, you obtain auto insurance data for the required coverages by zip code, by insurer for the entire state. It is required that you obtain the most recent year of data on exposures and premiums, but not losses in this detail. We do also need the insurer's territorial development in their latest rate filing for AIP and the ten leading writers statewide and, to the extent it varies from statewide, Brooklyn. If the filing does not contain the territory development for at least three years of data, the insurer should be asked to supply this. For the AIP, if the territory development is based on other than AIP data alone, we need a territory development based upon just AIP experience.

We look forward to meeting with you on the data call to expand this initial list as necessary based upon our discussions and your needs.

I would be happy to respond to your questions.



Consumer Principles and Standards for Insurance Regulation

1. Consumers should have access to timely and meaningful information of the costs, terms, risks and benefits of insurance policies.

- ? Meaningful disclosure prior to sale tailored for particular policies and written at the education level of average consumer sufficient to educate and enable consumers to assess particular policy and its value should be required for all insurance; should be standardized by line to facilitate comparison shopping; should include comparative prices, terms, conditions, limitations, exclusions, loss ratio expected, commissions/fees and information on seller (service and solvency); should address non-English speaking or ESL populations.
- ? Insurance departments should identify, based on inquiries and market conduct exams, populations that may need directed education efforts, e.g., seniors, low-income, low education.
- ? Disclosure should be made appropriate for medium in which product is sold, e.g., in person, by telephone, on-line.
- ? Loss ratios should be disclosed in such a way that consumers can compare them for similar policies in the market, e.g., a scale based on insurer filings developed by insurance regulators or independent third party.
- ? Non-term life insurance policies, e.g., those that build cash values, should include rate of return disclosure. This would provide consumers with a tool, analogous to the APR required in loan contracts, with which they could compare competing cash value policies. It would also help them in deciding whether to buy cash value policies.
- ? Free look period with meaningful state guidelines to assess appropriateness of policy and value based on standards the state creates from data for similar policies.
- ? Comparative data on insurers' complaint records, length of time to settle claims by size of claim, solvency information, and coverage ratings (e.g., policies should be ranked based on actuarial value so a consumer knows if comparing apples to apples) should be available to the public.
- ? Significant changes at renewal must be clearly presented as warnings to consumers, e.g., changes in deductibles for wind loss.
- ? Information on claims policy and filing process should be readily available to all consumers and included in policy information.
- ? Sellers should determine and consumers should be informed of whether insurance coverage replaces or supplements already existing coverage to protect against over-insuring, e.g., life and credit.
- ? Consumer Bill of Rights, tailored for each line, should accompany every policy.
- ? Consumer feedback to the insurance department should be sought after every transaction (e.g., after policy sale, renewal, termination, claim denial). Insurer should give consumer

notice of feedback procedure at end of transaction, e.g., form on-line or toll-free telephone number.

2. Insurance policies should be designed to promote competition, facilitate comparison- shopping and provide meaningful and needed protection against loss.

- ? Disclosure requirements above apply here as well and should be included in design of policy and in the policy form approval process.
- ? Policies must be transparent and standardized so that true price competition can prevail. Components of the insurance policy must be clear to the consumer, e.g., the actual current and future cost, including commissions and penalties.
- ? Suitability or appropriateness rules should be in place and strictly enforced, particularly for investment/cash value policies. Companies must have clear standards for determining suitability and compliance mechanism. For example, sellers of variable life insurers are required to find that the sales that their representatives make are suitable for the buyers. Such a requirement should apply to all life insurance policies, particularly when replacement of a policy is at issue.
- ? “Junk” policies, including those that do not meet a minimum loss ratio, should be identified and prohibited. Low-value policies should be clearly identified and subject to a set of strictly enforced standards that ensure minimum value for consumers.
- ? Where policies are subject to reverse competition, special protections are needed against tie-ins, overpricing, e.g., action to limit credit insurance rates.

3. All consumers should have access to adequate coverage and not be subject to unfair discrimination.

- ? Where coverage is mandated by the state or required as part of another transaction/purchase by the private market, e.g., mortgage, regulatory intervention is appropriate to assure reasonable affordability and guarantee availability.
- ? Market reforms in the area of health insurance should include guaranteed issue and community rating and where needed, subsidies to assure health care is affordable for all.
- ? Information sufficient to allow public determination of unfair discrimination must be available. Zip code data, rating classifications and underwriting guidelines, for example, should be reported to regulatory authority for review and made public.
- ? Regulatory entities should conduct ongoing, aggressive market conduct reviews to assess whether unfair discrimination is present and to punish and remedy it if found, e.g., redlining reviews (analysis of market shares by census tracts or zip codes, analysis of questionable rating criteria such as credit rating), reviews of pricing methods, reviews of all forms of underwriting instructions, including oral instructions to producers.
- ? Insurance companies should be required to invest in communities and market and sell policies to prevent or remedy availability problems in communities.
- ? Clear anti-discrimination standards must be enforced so that underwriting and pricing are not unfairly discriminatory. Prohibited criteria should include race, national origin, gender, marital status, sexual preference, income, language, religion, credit history, domestic violence, and, as feasible, age and disabilities. Underwriting and rating classes should be demonstrably related to risk and backed by a public, credible statistical analysis that proves the risk-related result.

4. All consumers should reap the benefits of technological changes in the marketplace that decrease prices and promote efficiency and convenience.

- ? Rules should be in place to protect against redlining and other forms of unfair discrimination via certain technologies, e.g., if companies only offer better rates, etc. online.
- ? Regulators should take steps to certify that online sellers of insurance are genuine, licensed entities and tailor consumer protection, UTPA, etc. to the technology to ensure consumers are protected to the same degree regardless of how and where they purchase policies.
- ? Regulators should develop rules/principles for e-commerce (or use those developed for other financial firms if appropriate and applicable)
- ? In order to keep pace with changes and determine whether any specific regulatory action is needed, regulators should assess whether and to what extent technological changes are decreasing costs and what, if any, harm or benefits accrue to consumers.
- ? A regulatory entity, on its own or through delegation to independent third party, should become the portal through which consumers go to find acceptable sites on the web. The standards for linking to acceptable insurer sites via the entity and the records of the insurers should be public; the sites should be verified/reviewed frequently and the data from the reviews also made public.

5. Consumers should have control over whether their personal information is shared with affiliates or third parties.

- ? Personal financial information should not be disclosed for other than the purpose for which it is given unless the consumer provides prior written or other form of verifiable consent.
- ? Consumers should have access to the information held by the insurance company to make sure it is timely, accurate and complete. They should be periodically notified how they can obtain such information and how to correct errors.
- ? Consumers should not be denied policies or services because they refuse to share information (unless information needed to complete transaction).
- ? Consumers should have meaningful and timely notice of the company's privacy policy and their rights and how the company plans to use, collect and or disclose information about the consumer.
- ? Insurance companies should have clear set of standards for maintaining security of information and have methods to ensure compliance.
- ? Health information is particularly sensitive and, in addition to a strong opt-in, requires particularly tight control and use only by persons who need to see the information for the purpose for which the consumer has agreed to sharing of the data.
- ? Protections should not be denied to beneficiaries and claimants because a policy is purchased by a commercial entity rather than by an individual (e.g., a worker should get privacy protection under workers' compensation).

6. Consumers should have access to a meaningful redress mechanism when they suffer losses from fraud, deceptive practices or other violations; wrongdoers should be held accountable directly to consumers.

- ? Aggrieved consumers must have the ability to hold insurers directly accountable for losses suffered due to their actions. UTPAs should provide private cause of action.
- ? Alternative Dispute Resolution clauses should be permitted and enforceable in consumer insurance contracts only if the ADR process is: 1) contractually mandated with non-binding results, 2) at the option of the insured/beneficiary with binding results, or 3) at the option of the insured/beneficiary with non-binding results.
- ? Bad faith causes of action must be available to consumers.
- ? When regulators engage in settlements on behalf of consumers, there should be an external, consumer advisory committee or other mechanism to assess fairness of settlement and any redress mechanism developed should be independent, fair and neutral decision-maker.
- ? Private attorney general provisions should be included in insurance laws.
- ? There should be an independent agency that has as its mission to investigate and enforce deceptive and fraudulent practices by insurers, e.g., the reauthorization of FTC.

7. Consumers should enjoy a regulatory structure that is accountable to the public, promotes competition, remedies market failures and abusive practices, preserves the financial soundness of the industry and protects policyholders' funds, and is responsive to the needs of consumers.

- ? Insurance regulators must have clear mission statement that includes as a primary goal the protection of consumers:
- ? The mission statement must declare basic fundamentals by line of insurance (such as whether the state relies on rate regulation or competition for pricing). Whichever approach is used, the statement must explain how it is accomplished. For instance, if competition is used, the state must post the review of competition (e.g., market shares, concentration by zone, etc.) to show that the market for the line is workably competitive, apply anti-trust laws, allow groups to form for the sole purpose of buying insurance, allow rebates so agents will compete, assure that price information is available from an independent source, etc. If regulation is used, the process must be described, including access to proposed rates and other proposals for the public, intervention opportunities, etc.
- ? Consumer bills of rights should be crafted for each line of insurance and consumers should have easily accessible information about their rights.
- ? Insurance departments should support strong patient bill of rights.
- ? Focus on online monitoring and certification to protect against fraudulent companies.
- ? A department or division within regulatory body should be established for education and outreach to consumers, including providing:
 - ? Interactive websites to collect from and disseminate information to consumers, including information about complaints, complaint ratios and consumer rights with regard to policies and claims.
 - ? Access to information sources should be user friendly.
 - ? Counseling services to assist consumers, e.g., with health insurance purchases, claims, etc. where needed should be established.
- ? Consumers should have access to a national, publicly available database on complaints against companies/sellers, i.e., the NAIC database.

- ? To promote efficiency, centralized electronic filing and use of centralized filing data for information on rates for organizations making rate information available to consumers, e.g., help develop the information brokering business.
- ? Regulatory system should be subject to sunshine laws that require all regulatory actions to take place in public unless clearly warranted and specified criteria apply. Any insurer claim of trade secret status of data supplied to regulatory entity must be subject to judicial review with burden of proof on insurer.
- ? Strong conflict of interest, code of ethics and anti-revolving door statutes are essential to protect the public.
- ? Election of insurance commissioners must be accompanied by a prohibition against industry financial support in such elections.
- ? Adequate and enforceable standards for training and education of sellers should be in place.
- ? The regulatory role should in no way, directly or indirectly, be delegated to the industry or its organizations.
- ? The guaranty fund system should be prefunded, national fund that protects policyholders against loss due to insolvency. It is recognized that a phase-in program is essential to implement this recommendation.
- ? Solvency regulation/investment rules should promote a safe and sound insurance system and protect policyholder funds, e.g., rapid response to insolvency to protect against loss of assets/value.
- ? Laws and regulations should be up to date with and applicable to e-commerce.
- ? Antitrust laws should apply to the industry.
- ? A priority for insurance regulators should be to coordinate with other financial regulators to ensure consumer protection laws are in place and adequately enforced regardless of corporate structure or ownership of insurance entity. Insurance regulators should err on side of providing consumer protection even if regulatory jurisdiction is at issue. This should be stated mission/goal of recent changes brought about by GLB law.
- ? Obtain information/complaints about insurance sellers from other agencies and include in databases.
- ? A national system of “Consumer Alerts” should be established by the regulators, e.g., companies directed to inform consumers of significant trends of abuse such as race-based rates or life insurance churning.
- ? Market conduct exams should have standards that ensure compliance with consumer protection laws and be responsive to consumer complaints; exam standards should include agent licensing, training and sales/replacement activity; companies should be held responsible for training agents and monitoring agents with ultimate review/authority with regulator. Market conduct standards should be part of an accreditation process.
- ? The regulatory structure must ensure accountability to the public it serves. For example, if consumers in state X have been harmed by an entity that is regulated by state Y, consumers would not be able to hold their regulators/legislators accountable to their needs and interests. To help ensure accountability, a national consumer advocate office with the ability to represent consumers before each insurance department is needed when national approaches to insurance regulation or “one-stop” approval processes are implemented.
- ? Insurance regulator should have standards in place to ensure mergers and acquisitions by insurance companies of other insurers or financial firms, or changes in status of insurance

companies (e.g., demutualization, non-profit to for-profit), meet the needs of consumers and communities.

- ? Penalties for violations must be updated to ensure they serve as incentives against violating consumer protections and should be indexed to inflation.

8. Consumers should be adequately represented in the regulatory process.

- ? Consumers should have representation before regulatory entities that is independent, external to regulatory structure and should be empowered to represent consumers before any administrative or legislative bodies. To the extent that there is national treatment of companies or “one-stop” (OS) approval, there must be a national consumer advocate’s office created to represent the consumers of all states before the national treatment state, the OS state or any other approving entity.
- ? Insurance departments should support public counsel or other external, independent consumer representation mechanisms before legislative, regulatory and NAIC bodies.
- ? Regulatory entities should have well-established structure for ongoing dialogue with and meaningful input from consumers in the state, e.g., consumer advisory committee. This is particularly true to ensure needs of certain populations in state and needs of changing technology are met.