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Terrorism Insurance Data Call 2017: "Small Insurers" Beware–*It's Not Voluntary Anymore*

Author:
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Compliance Officers of Property & Casualty insurers who participate in the Terrorism Insurance Program are probably still having nightmares from the 2016 battle of wills between the NAIC and the FIO regarding their Terrorism Insurance Data Calls. The good news—we haven't heard anything from the NAIC about a possible 2017 Terrorism Data Call. The bad news—the FIO has proposed one.

On December 27, 2016, Treasury proposed data templates and instructions regarding its 2017 Terrorism Data call.[1] It also published a Notice/Request for Comments on the proposed templates and instructions.[2] There are some differences from last year; most notably, the data call is mandatory in 2017. Another change—there are unique data templates for four (4) categories of insurers: 1) Alien Surplus Lines Companies; 2) Captive Insurers; 3) Insurer (non-small) Groups or Companies; and 4) Small Insurers. Many "small insurers" opted not to respond to the voluntary data call in 2016, so it may be time for them to pay attention. But, who are "small insurers?"

The proposed 2017 data call defines a "small insurer" as:

> "Insurers (or an affiliated group of insurers) whose policyholder surplus for the immediately preceding year is less than five times the Program Trigger amount for the current year, and whose TRIP-eligible lines direct earned premium for the previous year is also five times less than the Program Trigger amount. For the 2017 data collection, which is otherwise requesting information from calendar year 2016, this will require an insurer to have 2015 policyholder surplus and 2015 direct earned premium of less than \$600,000,000 (or five times the 2016 Program Trigger of \$120,000,000). In addition, and at least for purposes of data collection in calendar year 2017, to the extent a small insurer had less than \$10,000,000 in TRIP-eligible lines direct earned premium in calendar year 2016, such insurer is not required to provide data. This \$10,000,000 threshold is designed to further reduce the burden on small insurers that write only small amounts of TRIP-eligible lines insurance." *See Footnote 2*.

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Let's put that in simpler terms—in order to be considered a small insurer:

- 2015 policyholder surplus must have been less than $600,000,000; **and**
- 2015 total Direct Earned Premium for TRIP-eligible lines was less than $600,000,000.

If your company falls within these parameters, you will be required to submit the "Small Insurer" Data Template. However, if you fit into this category AND your 2016 total Direct Earned Premium for TRIP-eligible lines was less than $10,000,000, you will not be required to respond at all.

If you think that your company might fall within the "small insurer" definition, you may want to take a few minutes to look over the proposed Data Template and Instructions to get an idea of what this data call might demand. Take note however—the comment period for the proposed changes ended on February 27, 2017; by the time you read this article there could be modifications from the December proposals. So check the Treasury Department website regularly![3]

The material contained in this article is informative only and does not constitute legal advice.

[1] https://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx

[2] https://www.federalregister.gov/documents/2016/12/27/2016-31238/data-collection-and-comments-in-aid-of-analyses-of-the-terrorism-risk-insurance-program

[3] https://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx

President's Perspective

In January, your Board of Directors met in Ft. Lauderdale, Florida for our First Quarter Board Meeting. During that meeting, we passed our 2017 budget, which I believe is a balanced plan that allows capital investment in our organization as we prepare to grow and thrive in the future. The fact that we passed what I believe is a responsible budget is a wonderful thing, but I want to take this opportunity to highlight to those not familiar with the budget process of all the work and effort by many AICP volunteers to get to this point.

Believe it or not, the budget process started the last day of our conference in Orlando. As most attendees were heading to the airport on Wednesday afternoon, the new Board of Directors held an organizational meeting during which our Treasurer, Doug Simino, called for all Chapters and Committees to submit their estimated budgets to the Finance Committee no later than December 1. From September to December, Doug and his new Finance Committee – an extraordinary group of 19 volunteers who have top notch financial skills and includes six of our nine Chapter Treasurers! – prepared to review the submitted budgets. Each of those Finance Committee volunteers was assigned to specific Chapters and Committees to assist them in developing and refining their budgets.

In my opinion, one of the most important numbers in the budget process is the estimated membership revenue number for the coming year, which is provided by the Membership Committee. This year, our talented Membership Committee Co-chairs, Bri Dahl and Jim Antush, analyzed our recent renewal trends and provided a thoughtful and conservative estimated revenue for 2017. The other important number to the budget process is our estimated expenses, and we estimate those from the Committee and Chapter budgets submitted to the Finance Committee.

After reviewing the proposed budgets, the Finance Committee worked with the Committees and Chapters to try to reduce them. Once they were as low as possible, the Finance Committee held a conference call and discussed areas that some thought could be reduced further (or taken out of the budget all together). Doug then took those concerns to the budget owners and discussed reducing their budgets even further. After this was done (and despite suffering a family loss), Doug put together a succinct yet clear report to the Board of Directors that explained the Finance Committee's areas of concerns and a proposed budget that was slightly in the black!

I would like to thank Doug, the volunteers on the Finance Committee, and all the budget owners who took on this important responsibility with enthusiasm and a dedication to the AICP's financial health!

Cheers!
Matt Brasch, *AICP President*

And Caring Meets Giving

The Annual Conference Planning Committee and Silent Auction Charity Sub-Committee are thrilled to announce this year's selected charity. We know after familiarizing yourself with this charity, you'll be as excited as we are, and will want to be part of this year's philanthropic efforts.

In 2010, Deborah Binion's life changed forever when her son Jordan took his own life as a direct result of a mental illness. Deborah's loss has turned into a passion for mental health education. Realizing that our public education system provides minimal education regarding mental illness (largely touching on depression and anxiety while leaving out others like bi-polar disorder and schizophrenia), Deborah worked to develop an educational program and began contacting schools in her community.

Deborah is now the executive director and co-founder of the Jordan Binion Project, a charity she started with a single PowerPoint presentation in a single school.

In 2016 the presentations provided through the Jordan Binion Project were taken to 65 schools!

All of these presentations showed them one thing. A single presentation wasn't enough. The Project cast a broader net and found curriculum developed by Canadian doctor Stan Kutcher. His program gave the Project some of the leverage it needed to further their cause in reducing the stigma surrounding mental illness through education.

The Jordan Binion Project has expanded its outreach to include training sessions for teachers. Their first session had 30 spots to fill. They worried they wouldn't be able to fill them. To their surprise, they filled the class and had a significant wait list for another… and another… and another. It turns out, teachers and schools are hungry for the information they are providing.

Mission:

The Jordan Binion Project's mission is to bring awareness regarding mental illness through education. Areas of Focus:

1. Education regarding the early warning signs and symptoms associated with major mental illnesses such as Major Depressive Disorder, various anxiety disorders, Bi-polar Disorder and Schizophrenia.
2. Stigma reduction.
3. Hope for recovery/the fact that an individual can lead a productive and successful life despite a diagnosis of mental illness.

Their presentation to schools takes approximately 55 minutes and is offered absolutely free of charge. Any public or private high school and community youth group can participate. They believe it is extremely important to educate young adults on the subject of mental health, as most mental illnesses begin to develop between the ages of 15 and 24. Research indicates that early intervention and treatment are paramount to successful recovery for individuals that have mental illness.

As our AICP President, Matt Brasch, stated *"I think this is a fantastic organization doing some amazing work that will truly benefit from any funds we raise on its behalf."*

We know that AICP members are very caring as shown with our past annual conference philanthropy efforts. AICP members can contribute through a monetary donation, purchase of conference pins, and bidding on Silent Auction items. We know this year will be no different!! Using this year's conference theme syntax, let's truly show that AICP is:

Where Caring Meets Giving.

Michael Hollar
Silent Auction Charity Sub-Committee Chair

Calling all Sponsors! AICP in Seattle—It's Where You Want To Be!

Last year's theme for AICP's Annual Conference, Taking Compliance to New Heights, challenged the Business Partner Subcommittee to elevate sponsorship opportunities and take exhibit hall activities to new heights for our valued business partners. By all accounts, 2016 was a banner year! The launch of our highly anticipated CrowdCompass mobile conference app garnered high marks from sponsors, business partners and attendees alike. Sponsorship packages were expanded to include high-visibility options designed with market value in mind. And, with the Take a Spin photo-contest game challenges and door prizes on the half-hour, the Sunday and Monday night Business Partner Showcases were jam-packed with interactive fun! Indeed, several of our business partners exclaimed that the positive energy in the Showcase led to more meaningful conversations with attendees!

By all indications, this year's conference will surpass the last. AICP members and friends have been eagerly anticipating this "West Coast" conference, **making Seattle the place to be in 2017!** Enhanced sponsorship levels will make Seattle the place where compliance solution providers meet opportunities to maximize their marketing dollars. The Business Partner Showcase will once again be the place where our business partners meet industry decision-makers and influencers. The Showcase will also be where conference first-timers and AICP veterans meet the dedicated sponsors who help make future conferences possible! Truly, this conference will be the place **Where Compliance meets The Future!**

We understand that our business partners strive to leverage their advertising dollars effectively. That is why AICP encourages you to invest with us—we are a great fit! As the premier educational and informational resource for more than 1,600 insurance compliance professionals across the country, AICP's business value proposition intersects with yours… **where industry problems meet solutions!**

The AICP Annual Conference provides a unique opportunity for you to come face-to-face with current and prospective customers and effectively position your products and services in the insurance marketplace. We offer a broad spectrum of sponsorship levels, catering to business partners large and small, with high-interest and high-visibility opportunities within each level. Opportunities abound for you to host an event or underwrite an activity that will set your company apart from the competition. Help us **Celebrate Seattle!** by hosting the Monday night Showcase or the **Welcome to Seattle!** reception on Sunday. Make a big splash with the 2nd Cup Café sponsorship or gain some traction with attendees by sponsoring one of the scheduled tours around town. Have other sponsorship ideas? We'd love to hear from you! Please contact Melissa Pomerene (**mpomerene@drohanmgmt.com**).

Jordan Binion PROJECT

We also encourage you to sponsor a special gift for this year's Silent Auction supporting a local charity in our host city. This year, AICP will shine its spotlight on the Jordan Binion Project (**www.jordanbinionproject.org**), a non-profit organization dedicated to bring mental health education to every school in Washington State.

Surely, by now you know that AICP in Seattle is **Where You Want To Be** for the showcase insurance compliance event of the year!

AICP invites you to join us **Where Compliance Meets The Future!**

Sponsorship opportunities sell out quickly, so register now to get ahead of your competition!

For more information visit **www.aicp.net**

Join us for our 30th Annual Conference in Seattle
October 1–4, 2017

— **Where Industry meets Regulator**
— **Where Problem meets Solution**
— **Where Experience meets Innovation**
— **Where Compliance meets the Future**

SAVE THE DATES

for Upcoming Chapter Education Days

Heartland Chapter

Des Moines Marriott – Downtown
700 Grand Ave, Des Moines, IA 50309

April 3, 2017

This annual educational, compliance event provides learning opportunities on topics from 'P&C Self-Driving Cars of the Future' to 'DOL Fiduciary Rules—Current Status and Implications for Carriers and Distribution'. Staying in touch and networking with industry peers is also a highlight we look forward to. If you haven't already registered for this event, please visit the Heartland Chapter Events/Announcements link at http://www.aicp.net/

Gulf States Chapter

Atlanta Airport Marriott
4711 Best Road, Atlanta, GA

June 16, 2017

Reception: June 15, 2017
(approximately 6:00 – 8:00 pm)

Join the AICP Gulf States Chapter for a great E-Day at the Atlanta Airport Marriott on June 16th. We expect a great turn out that will include regulators from most, if not all, of the Gulf States.

We will start with a reception for all attendees at the Marriott the night before (approximately 6:00 – 8:00). This will be a great opportunity to reconnect with old friends and colleagues and develop relationships with new friends. The next day, enjoy a full day of education from expert presenters and several Gulf States regulators, including a wide array of product filing issues, compliance matters and emerging issues facing the insurance industry.

We will have plenty of opportunities for you to network with our AICP colleagues and have a chance for one-on-one discussions with regulators on filings and issues you are working on. This event has grown over the years and has always been well attended by our regulator colleagues. Take advantage of a great forum in a very convenient location to learn and grow in your profession.

New England Chapter

Nathan Hale Inn & Conference Center
855 Bolton Rd, Storrs, CT 06268

May 12, 2017
(8:00 am – 4:00 pm)

This is a full day educational conference with a Keynote delivered by an area Commissioner and break-out sessions throughout the day!

Sessions will be on a variety of topics including US & international privacy trends, Earthquake Insurance, Universal Life, and Conducting Business Electronically to mention a few. There will also be P&C and L&H Hot Topic sessions and Roundtables for one-on-one networking with regulators.

Regulators from the New England Region will be attending as well as expert industry speakers.

The event is located on the beautiful UCONN campus with tons of area attractions you can enjoy on your own time.

Further details to come on our chapter webpage at AICP New England Chapter

Mid-Atlantic Chapter

The Wyndham Hotel – Historic District
400 Arch Street, Philadelphia, PA 19106

June 2, 2017

Join us for a day of mentoring and networking.
Registration Fee: $95.00 Member/$150.00 Non-member

Come join us and our esteemed guests:

- Pennsylvania Executive Deputy Commissioner – Seth Mendelsohn
- Maryland Commissioner – Al Redmer, Jr.
- Maryland Associate Commissioner P&C – Robert Baron
- Delaware Commissioner – Trinidad Navarro
- Many more regulators to be announced

Book your room now at:
https://www.wyndhamhotels.com/groups/AICP

Additional details and registration will follow.
For any immediate questions, please e-mail Mark Miller at mmiller@usli.com

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Learning From Past Experience: The Long-Term Care Dilemma

Authors:
Fred E. Karlinsky, Richard J. Fidei, and Christian Brito[1]

I. Introduction

The long-term care insurance ("LTCi") market has grown significantly since the first LTCi policies were marketed over 30 years ago. In those days Americans were spending less than $20 billion on long-term care ("LTC").[2] Today, Americans are spending roughly $225 billion on LTC and that number is expected to grow as baby boomers reach retirement age.[3] In the past decade alone, the market for LTCi has grown from insuring roughly two and a half million lives to now covering over seven million lives.[4]

As illustrated in a recent study (the "Study") conducted by the National Association of Insurance Commissioners ("NAIC") Center for Insurance Policy and Research, there are two key social factors driving the development of LTCi—mortality risk and longevity risk.[5] Improvements in the overall health and mortality rates of the population means that people are living longer and will need to secure resources to cover the cost of LTC for longer periods of time. Many have turned to LTCi, but some unique characteristics of LTCi have made it difficult for carriers to apply accurate rate assumptions when pricing the product. As is explained in greater detail below, state insurance laws generally require that LTCi policies may only be cancelled for non-payment of premium.[6] In addition, products are often designed for premium stability during the life of the policyholder, and policies generally cover the actual cost of care up to a daily maximum.[7] Lastly, where carriers' original pricing assumptions are negated by actual experience, carriers may only adjust premiums after obtaining regulatory approval.[8] Collectively, these factors impair carriers' ability to respond to drastic changes in current and future demand for LTCi.

Many carriers that issued LTCi policies before the mid-2000s have seen adverse claims experience when compared to their original pricing assumptions.[9] As a result, many carriers have implemented class-wide premium rate increases on their LTCi policies after receiving regulatory approval. In response, some insureds have filed putative class action lawsuits challenging rate increases imposed by their LTCi carriers. These lawsuits typically allege that carriers have breached the terms of their LTCi policies, and in many instances also allege that carriers violated state consumer protection statues or otherwise engaged in fraudulent conduct.

This article provides an overview of the difficulties being experienced by the LTCi industry as carriers struggle to maintain rate-stability and reserve adequacy on blocks of LTCi policies that were inadequately priced at their inception. Next, the article provides an example of a putative class-action lawsuit filed in response to one carrier's decision to raise premium rates on a block of its LTCi policies. Toulon v. Cont'l Cas. Co. ("Toulon")[10] is illustrative of the innovative legal theories being asserted against LTCi carriers by an increasingly resourceful plaintiffs' bar.

II. The Rate-Stability and Reserve Adequacy Dilemma

As indicated above, in 2016 the NAIC concluded a Study, titled The State of Long-Term Care Insurance: The Market, Challenges, and Future Innovations, to gain a comprehensive understanding of LTC and to examine the issues facing the private LTCi market in the U.S. The Study compiles the research and findings of several experts in the LTC and LTCi space, including "thought leaders and researchers in the fields of LTC and insurance, state insurance regulators and other policymakers, insurance industry executives as well as consumer advocates…"[11] Not surprisingly, the Study discusses the dilemma faced by LTCi carriers in maintaining rate stability and reserve adequacy on in-force policies for which actual experience has been adverse to original pricing assumptions. To help understand the rate-stability problem, it is useful to provide an overview of how LTCi policies are priced and regulated.

State insurance laws impose certain requirements on LTCi policies that limit the ability of carriers to respond to adverse claims experience. Specifically,

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in addition to requiring that initial premiums be designed to remain level for the life of the insured[12], state laws require that LTCi policies be guaranteed renewable, i.e., the insurer cannot cancel the policy if the policyholder continues to pay premiums.[13] Insurers are permitted to adjust premium rates on a class-wide basis only where actual experience contradicts original pricing assumptions; however, such adjustments to premium rates are subject to regulatory approval.[14]

Counterbalancing the requirement for level premiums, the amount of claims paid per-capita does not remain constant but, instead, increases dramatically over the life of a policy.[15] Generally, the increase in the number of claims can be attributed to four factors:

1. Aging. The incidence of becoming disabled or cognitively impaired (and triggering LTC benefits) increases by attained age.
2. Underwriting selection wear-off. Most LTCI policies are underwritten…based on health conditions [of the insured at the time of policy issuance]. Claim costs [may] increase [over the course of the policy] as the effect of this initial risk selection wears off…
3. Marital status changes. Long-term care claim costs are much higher for people who live alone [as opposed to] married couples. This generally occurs because healthy spouses will tend to provide informal care for disabled spouses. Policies issued to married couples have lower initial claims costs. When one spouse dies, however, claim costs for the surviving spouse [may increase to] the same rate as persons who live alone.
4. Inflation protection benefits. Many LTCI policies contain inflation protection benefits. State laws and regulations require [insurers to offer an inflation guard rider] that automatically increases benefits by 5%… each policy anniversary (with a level premium rate)…[16]

As a result of the disconnect between generally stable premiums and consistently-increasing claims, premiums will surpass the cost of claims in the early stages of a standard policy; however, the opposite will occur for the book of business as policyholders age and the frequency and severity of claims increase.[17] To fund the later increase in claims, insurers create a reserve by setting aside and investing the premiums received during the early policy years, which are then used to fund policies once the cost of claims exceed the premiums being collected.[18] Accordingly, for LTCi to remain viable, original pricing assumptions must accurately gauge future claims costs, so as to create sufficient reserves to fund additional claims occurring in later years. Unfortunately, the original assumptions upon which some of the older in-force policies were priced has not accurately predicted future claims costs and, as a result, the majority of those policies on the market have not generated sufficient reserves to cover actual claims costs.

Indeed, "[v]irtually all insurers issuing LTCI policies prior to the mid-2000s have observed adverse experience on these policies when compared to pricing assumptions."[19] The historical assumptions upon which those policies were priced, and which proved to be incorrect, can be summarized as follows:

- Low lapse and mortality rates. Long-term care insurance is a lapse supported product. If voluntary lapse and mortality rates are lower than expected …, there will be more policies in-force at later policy durations than were expected when the policies were priced. Because of the mismatch of level premium rates and claim costs that increase steeply by policy duration, the additional premium collected from the greater number of in-force policies will not be enough to fund the additional claims occurring at later years.
- Interest rates. The assets held in reserve to fund future cash out-flows . . . are expected to generate investment income. If this investment income is less than expected, the assets, together with premium collected, will not be sufficient to fund …future benefits and expenses.
- Morbidity. Morbidity is comprised of three factors: 1) claim incidence rates; 2) length of claim; and 3) benefit utilization. While [a report by the United States Department of Health and Human Services upon which the Study relies] does not directly list specific assumptions used in earlier pricing [calculations], it does state that publicly available data sources generally were used to develop assumptions. In general, these sources did not include experience for assisted living facilities, which have become a highly utilized care setting, and which result in a longer…claim [duration as compared to]…nursing homes. Although this trend by itself generally is not enough to have a severe impact on reserve adequacy, it can compound the level of reserve deficiency when combined with lower lapse [rates], mortality issues and lower investment earnings.[20]

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To offset future losses and attempt to restore reserve adequacy, the majority of LTCi carriers have undertaken corrective measures, such as: (1) requesting premium rate increases; (2) offering benefit reductions; or (3) recognizing losses.

Premium rate increases are perhaps the most common, albeit limited, method of offsetting future losses. Rate increases are prospective in nature and generally prove less effective for older policies. "This is because the amount of premium collected in later years is much less than benefit payments and there are fewer policyholders paying premium, which causes the level of rate increase needed to restore reserve adequacy to be very large."[21] Such high levels of rate increases are generally viewed by regulators and insurers to be unfair to policyholders and, as a result, most approved premium rate increases do not completely restore reserve adequacy by themselves. [22]

To avoid or mitigate the negative consequences of rate increases, many insurers have chosen to offer their policyholders the option to reduce benefits. This option will sometimes be offered in lieu of, or in conjunction with, premium rate increases. In summary, this means that policyholders are given the option of reducing their daily benefit, benefit period, or other benefit options, such as inflation protection.[23]

Finally, when all else fails, carriers may need to supplement reserve deficiencies with profits from other products or lines of business.[24]

Taken together, the level-nature of premiums, limited ability of carriers to adjust premium rates, and limited and problematic options available to carriers who are under-reserved, create a dilemma for LTCi carriers that will continue to plague the industry as the number of baby boomers entering retirement increases. The following discussion on the Toulon case provides an example of the kinds of complex legal and practical issues that arise when carriers decide to implement rate increases.

III. Toulon v. Continental Casualty Company

On February 12, 2016, the United States District Court for the Northern District of Illinois dismissed with prejudice a putative class action lawsuit filed against Continental Casualty Company ("CNA") challenging the propriety of premium rate increases CNA imposed on certain LTCi policies it marketed and sold across the United States.[25] Plaintiff Sophie Toulon alleged that CNA intentionally priced its LTCi policies at artificially low rates using unreasonable lapse rate assumptions to entice lower-income individuals into purchasing those policies, thereby allowing CNA to collect premiums while those insureds were unlikely to file claims.[26] When insureds became more likely to file claims, CNA allegedly increased its premiums to unaffordable levels.[27] As is illustrated below, Ms. Toulon asserted legal theories against CNA that relied on extrinsic materials outside of CNA's LTCi policies to support her allegations that CNA defrauded her and thousands of other similarly situated individuals.

According to Ms. Toulon, CNA made fraudulent misrepresentations and omissions in its LTCi Personal Worksheet (the "Worksheet") which applicants, such as Ms. Toulon, completed in connection with the purchase of a "Preferred Solution" LTCi policy sold by CNA.[28] Ms. Toulon argued that the Worksheet, which was intended to help determine whether the LTCi policy was suitable for applicants, was designed with a more nefarious purpose in mind.[29] Specifically, Ms. Toulon alleged CNA designed the Worksheet to deceive customers into believing CNA would cap future premium rate increases under its Preferred Solution policies to 20% or less.[30] In support of her allegations, Ms. Toulon relied on certain statements contained the Worksheet and an accompanying notice, which provided, in pertinent part:

1. The company has a right to increase premiums in the future;
2. The company has sold long term care insurance since 1965 and has sold this policy since 1998;
3. The company has not raised its rates for this policy;
4. However, the company did raise rates by 15% in 1995 on long term care policies sold seven to 12 years ago that provided essentially similar coverage; and
5. Have you considered whether you could afford to keep this policy if the premiums were raised, for example, by 20%?[31]

Ms. Toulon alleged that, despite being aware it would need to increase premiums in excess of 20% in the future, CNA intentionally failed to disclose that information to customers in an effort to make the product seem more affordable.[32] Accordingly, Ms. Toulon purchased the policy in 2002.33 CNA later informed her that premiums were set to

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increase by 76.50% and she filed the lawsuit in response. CNA moved to dismiss Ms. Toulon's First Amended Complaint and, on August 18, 2015, the court dismissed the complaint without prejudice.[34]

In dismissing Ms. Toulon's fraudulent misrepresentation claim, the court found that none of the statements identified by Ms. Toulon were actually false, especially considering that CNA conspicuously "advised [her] that it had the ability to raise premiums" and did so "without any qualification."[35] Importantly, the court noted the 20% figure that CNA included in the Worksheet came from an Illinois Department of Insurance regulation that governs the content of the Worksheet.[36] Moreover, the court stated that the reference to a 20% increase was a hypothetical question that "cannot be read as a limit on [CNA's] discretion or as a promise of any kind."[37] Accordingly, the court rejected Plaintiff's arguments that "by mentioning any figure at all, defendant committed itself to premium increases in that ballpark alone."[38] The court further held that "it would not be reasonable to infer that [CNA] was falsely promising to never raise premiums beyond 20%."[39]

The court also dismissed Ms. Toulon's fraudulent omission claim after finding that CNA did not have to disclose its rate increase plans because no fiduciary or special relationship existed between CNA and Ms. Toulon as a matter of law.[40] The court reasoned that to hold otherwise would lead to a fiduciary or special relationship being created "anytime an established insurer sold a policy to an elderly person who was not sophisticated in the ways of insurance and that [CNA] complied with Illinois's 'suitability' requirements."[41]

Lastly, the court dismissed Toulon's claim under the Illinois Consumer Fraud and Deceptive Business Practices Act (the "Consumer Fraud Act")[42], stating "[a]n act will not be said to be deceptive when the plaintiff is explicitly alerted to the complained of result."[43] Again, the court emphasized CNA's unqualified disclaimer to policyholders that it had the ability to raise premiums in the future.[44]

Following the dismissal without prejudice of the First Amended Complaint, Ms. Toulon filed a Second Amended Complaint, which included new allegations of fraud based on the alleged misrepresentations contained in the Worksheet and accompanying notice.[45] Ms. Toulon also relied on additional language in her Policy, which stated that CNA "may" change premium rates, and argued that "by presenting the possibility of an increase in her premium, [CNA] misled her as to both the probability and magnitude of such an increase."[46] The court rejected that argument and held that Ms. Toulon's theory "requires an unreasonable logical leap and cannot be the basis for a fraudulent misrepresentation claim."[47] The court ultimately granted CNA's motion to dismiss the Second Amended Complaint with prejudice.[48] Ms. Toulon has since filed an appeal of the court's decision with the Seventh Circuit Court of Appeals.[49] The Seventh Circuit has not issued an opinion in that case as of this date.

Toulon highlights one group of problems that have arisen as a result of inaccurate pricing assumptions that were made on LTCi blocks before 2005. Although the court in Toulon ultimately ruled in favor of CNA, the carrier was forced to mount a costly defense of its decision to raise premium rates—a decision that was implemented after obtaining the approval of the Illinois Department of Insurance. Viewing the issue from the plaintiff's perspective, allegations can be asserted that consumers purchase LTCi policies with the expectation that their premiums will remain level for life. They can also assert that policyholders purchase coverage as an investment over a significant period of time. Significant premium increases require them to make a difficult choice—pay the increased premium (if they can afford it) or lose the benefit for which they bargained so long ago.

IV. Conclusion

The provision of LTC is one of the most important, yet problematic, social challenges facing our country. Overall improvements in health and longevity have drawn focus to the need to provide solutions for consumers to obtain health and senior care services at an affordable price. Due to the length of time stakeholders need to project and estimate health care and daily living needs, the nature and advancement in life-saving and life-prolonging medical care, and the costs thereof, it is extremely difficult to formulate and implement achievable solutions that accommodate availability and affordability needs of consumers, while maintaining insurer solvency. If LTCi is to remain viable, carriers will need to attract new consumers by offering them an attractive product design and price. Unless the consuming public is

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confident that LTCi provides a valuable, long-term solution, and insurers maintain a product design and pricing mechanism that will accommodate future developments in medicine, difficult issues related to the ongoing stability of this market will continue to arise.

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For additional information, please visit **www.gtlaw.com**

[1] Mr. Brito is licensed to practice law only in the Commonwealth of Pennsylvania. Mr. Brito is not licensed to practice law in the State of Florida and does not practice law in the State of Florida in any capacity.

[2] National Association of Insurance Commissioners, Center for Insurance Policy and Research Study, *The State of Long-Term Care Insurance: The Market, Challenges, and Future Innovations*, May 2016, at 2.

[3] *See id.* at 2, 8.

[4] *See id.* at 9.

[5] *See id.* at 3, 26-27.

[6] *See id.* at 3.

[7] See id. at 3.

[8] *See id.*

[9] *See id.* at 74.

[10] *See Toulon v. Cont'l Cas. Co.*, No. 15 CV 138, 2016 WL 561909 (N.D. Ill. Feb. 12, 2016); *Toulon v. Cont'l Cas. Co.*, No. 15 CV 138, 2015 WL 4932255 (N.D. Ill. Aug. 18, 2015).

[11] National Association of Insurance Commissioners, Center for Insurance Policy and Research Study, *The State of Long-Term Care Insurance: The Market, Challenges, and Future Innovations*, May 2016, at at 3.

[12] However, most state insurance laws allow for non-level premium schedules below attained age 65. *See* National Association of Insurance Commissioners, Center for Insurance Policy and Research Study, *The State of Long-Term Care Insurance: The Market, Challenges, and Future Innovations*, May *2016*, at 71.

[13] *See id.* at 71.

[14] *See id*.

[15] *See id.*

[16] *Id.* at 72.

[17] *See id.*

[18] *See id.*

[19] *See id.*

[20] *Id.* at 74.

[21] *Id.*

[22] *See id.* at 75.

[23] *See id*.

[24] *See id.*

[25] *See Toulon*, 2016 WL 561909.

[26] *See id.* at *1.

[27] *See id.*

[28] *See id.*

[29] *See id.* at **2-3.

[30] *See id.*

[31] *Id. at* *2 (internal citations and quotation marks omitted).

[32] *See id.*

[33] *See id.*

[34] *See Toulon*, 2015 WL 4932255.

[35] *Id. at* *2.

[36] *See id.*

[37] *Id*.

[38] *Id*.

[39] *Id*.

[40] *Id.* at *3.

[41] *Id.* at *3.

[42] *815 Ill*. Comp. Stat. Ann. 511/15 et seq.

[43] *Id.* at *5.

[44] *See id.* at *2.

[45] *See* 2016 WL 561909 at *2.

[46] *Id.* at *3.

[47] *Id*.

[48] *Id.* at *7.

[49] *Toulon v. Continental Casualty Co.*, ____ F.3d ___ (7th Cir. 2016) (No. 16-1510).

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Myths about Anti-Fraud Training

Author:
Jack Scott

Mandated anti-fraud training requirements for the insurance industry are vastly misunderstood and many myths have evolved over the last decade. Anti-fraud training can also be confusing to the compliance professional, especially when operating in multiple state jurisdictions. Insurance Regulators realize that the best weapon in the battle against insurance fraud is training and education. This has brought about new anti-fraud statutes and regulations mandating the type, frequency and extent of anti-fraud training programs. Hopefully, the information presented in this article will provide compliance professionals with a better insight and understanding of the current anti-fraud training requirements.

It is a myth that anti-fraud training is only required for claims adjusters. Most states now mandate anti-fraud training for claims, underwriting and other integral staff. Integral staff includes insurer personnel whose duties may include the processing, investigating or litigation pertaining to the payment of or the denial of a claim or application or an application for insurance. These personnel may include claims handlers, underwriters, policy handlers, call center staff within the claims or policy function, legal staff and other insurer employee classifications that perform similar duties. Insurers' responsibility for staff anti-fraud training is passed along to the integral staff of their outsourced vendors.

It is a myth that anti-fraud training only pertains to states where certain staff members may be required to be licensed. Anti-Fraud training requirements are not connected to or part of any states' professional licensing requirements. It is true that in some states anti-fraud training can be approved for continuing education credits. This is generally on a state by state basis as an elective course.

It is a myth that anti-fraud training is only required at the time of hiring. State regulators specify that anti-fraud training must be done on an annual basis. (Note: California requires all newly hired Adjusters, Underwriters and other integral staff, within 90 days of hire, to receive an anti-fraud and suspect/fraudulent referral overview.) The principle is that anti-fraud procedures are most effective when reinforced each year. Annual training should also include any tools needed to detect and prevent new insurance fraud patterns or trends. Records of anti-fraud training should be kept on file. Training records should include a course outline, staff sign-in sheet, the instructor's name and title, the job titles listed for each attendee and copies of any course handouts. Production of records is a generally accepted practice during a market conduct report or anti-fraud audit.

It is a myth that anti-fraud training is the same for each state that requires anti-fraud training. This myth is partially true. The general training principles are the same for all states that require anti-fraud training. They include review of the function and purpose of the Special Investigative Unit (SIU), review and changes to the procedures established by the insurer's SIU regarding the identification, documentation and referral of incidents of suspected fraud to the SIU, identification and recognition of red flags or red flag events, State Fraud Division insurance fraud reporting requirements and introduction/review of existing and new emerging insurance fraud trends. A few states have additional state specific requirements.

It is a myth that anti-fraud training is the sole responsibility of the SIU department. This is a generally accepted responsibility of the SIU staff as it relates to approving and providing anti-fraud training. It is also something each insurer's compliance officer needs to monitor to assure that state anti-fraud training mandates are met. Many states have the authority to issue sanctions, fines or both for non-compliance with anti-fraud training requirements.

It is a proven fact that ongoing anti-fraud training is an effective tool to deter and prevent losses.

This article is based upon the training, experience and opinions of the authors. It is offered as a guide for informational purposes only. Any formal legal opinion should be obtained from legal counsel or directly from the appropriate state regulatory unit.

A list of specific state statutes and regulations regarding anti-fraud training is available from Jack Scott, **jackscott810@tampabay.rr.com** *or call* **800-525-4757**

About the Author:
Jack Scott is anti-fraud compliance coordinator for numerous insurance companies and is retired from the Suffolk County (N.Y.) Police Department. His law enforcement experience includes assignments in the Organized Crime Task Force; the district attorney's major case unit (rackets squad); and several elite investigative groups including the Anti-Corruption Squad, Special Investigations Unit, and Civil RICO Task Force; and he was chief investigator for the special state prosecutor.

Jack has in excess of twenty years experience in SIU operations and anti-fraud compliance. He has authored scores of training articles and courses for the insurance industry. He has appeared nationally as a lecturer and instructor to many law enforcement, merchant, and corporate investigative groups.

Regional Directors Take Direction…

Regional Directors (RDs) are the liaison between your Association of Insurance Compliance Professionals (AICP) chapter, its members, officers and the national board. They are the "voice/spokesperson" of their respective chapter to the AICP National Board. As chapter officers, RDs play a key role in making decisions that affect their chapter. They serve as a conduit for raising issues, ideas or concerns to the AICP National Board and are accountable for relaying critical information back to the chapter. They are responsible for the submission of their chapter board report on a quarterly basis, including the chapter budget. RDs also advocate on behalf of their chapter for chapter subsidies, if warranted, via application to the AICP National Board. All RDs attend quarterly board meetings where they have voting responsibilities and decision-making authority for chapter subsidies.

RDs are also responsible for representing and promoting the AICP. In July, the AICP National Board's quarterly meeting will be in Denver, Colorado. To coincide with this event, the Western chapter members will host a "meet and greet" event with state regulators in Colorado. This networking event provides an opportunity for AICP members to better understand Colorado's regulatory environment while newer regulatory staff learn more about our association.

In addition to promoting the AICP externally, RDs are involved in key internal initiatives such as the revamping of Education Day (E-Day) Guidelines. Working closely with the Chapter Relations committee, the RDs reviewed existing E-Day guidelines with conference guidelines to identify inconsistencies. The RDs coordinated efforts to retain common elements between the two sets of guidelines where appropriate. Thus, the intent was to review E-Day guidelines for purposes of streamlining the event's planning process for consistency, uniformity, and ease of implementation.

RDs were assigned to teams of two to three to address various components of E-Day, including speaker release forms, business partners/sponsors, post E-Day activities, registration, keynote speakers and the program outline. Ultimately, this work culminated into three major sections of E-Day planning:

— **Pre-conference Planning** (planning committee/scope of event/identifying speakers and sponsors/budget/date/venue/hotel contract/program/CE credits/save-the-date notifications/online registration)

— **E-Day** (registration/introductions/AV equipment/photographer/logistics)

— **Post E-Day Activities** (surveys/reimbursements/thank you letters/certificates of appreciation/post mortem/document retention)

With many of us new to our roles as RDs, we found this planning process to be a great way to learn from each other in a collaborative setting. We were energized by the exchange of ideas and great results. This process was a great reminder that capitalizing on one another's strengths results in a positive exchange of ideas and optimal outcomes.

As you can see from the above roles and responsibilities, RDs play an important role in the growth and continuity of the AICP organization.

Tracy Stevenson
Western Chapter Regional Director

GIR—Reaching Out, Increasing Awareness, Increasing Involvement

The Government and Industry Relations (GIR) Committee is one of many AICP committees designed to support the association's overall mission and assist with extending its outreach. The committee's goal is to increase regulator awareness of, and involvement with, the AICP. The committee is made up of more than 40 insurance compliance professionals, attorneys, vendors, and regulators who bring many years of experience to the table.

The one priority annual charge for the committee is to enhance commissioner and regulator involvement at AICP functions. The committee also helps coordinate chapter regulator membership promotions for chapter events and works diligently to maintain regulator involvement while trying to grow the number of regulators who are involved with the AICP. We do this with the help of our committee members doing outreach in their respective states.

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Regulator involvement provides an important benefit to our AICP members. Having regulators involved in committee work, in addition to speaking at events, lends to better networking and industry relationships. At our annual conference in 2015 the First Timer's Session had Jan Vitus, P&C Forms Analyst – Oregon and Bob Mack, Deputy Commissioner - North Carolina welcoming attendees to the Big Easy. GIR encouraged all regulators to attend the session. It was such a hit, that again in 2016 we invited regulators to sign-up for the First Timer's Session and will do the same for this year's conference in Seattle.

Last year, was our first full year to disseminate DOI Alert Information via the Community DOI Alerts. Alerts are posted in the Members Only Communities page for P&C and L&H. Be sure to visit the Communities page for DOI Alerts. We also encourage you to sign up under the appropriate Communities page (L&H, P&C) to have DOI Alerts sent to your e-mail address. **If you have any questions around this please contact Steve Fisher**.

Members of the Government and Industry Relations Committee have been busy reaching out to Regulators and sending the DOI Alerts. This year, we had 105 regulators renew their memberships. We continue to offer complimentary memberships to regulators that join the AICP for the first time and for those that speak at conference and at our Chapter E-Days. Many thanks to our committee members that reach out to the regulators that have been speakers at our annual conference and at Chapter E-Days to invite them to be a member.

Carol Heard and Steve Fisher
GIR Committee Co-Chairs

Scholarship Reminder

Don't miss out on the exciting opportunity to apply for one of three scholarships being offered by the Association of Insurance Compliance Professionals (AICP). The deadline is fast approaching and all applications must be received no later than **Friday, June 2nd**.

A complete description of the AICP's Scholarship Program and application can be found at our web site at:
http://www.aicp.net/careercenter/scholarship.cfm

For questions about the program, please e-mail:

Shirley Grossman at
shirley.grossman@londen-insurance.com

Michael Holler at
Michael.Hollar@combined.com

OR **Joanne Calvert** at
jcalvert@chubb.com

Rachel Galasso
Education Committee

IIPRC Updates: 2016 Breaks Records, Uniform Standards under Review, New Webinar Series

(Provided by Interstate Insurance Product Regulation Commission)

The Insurance Compact may sound like a broken record, but once again, the Insurance Compact experienced a record-breaking year in 2016. Over 225 companies registered with the Insurance Compact to gain access to the speed-to-market platform and submitted over 1,000 product submissions for a single review and approval within an average turnaround of 30 review days. This year will mark the tenth anniversary of accepting product filings for the Insurance Compact. The Insurance Compact began accepting product filing submissions in June 2007. At that time, only individual life Uniform Standards were in effect for filing. As we celebrate this tenth anniversary, the Insurance Compact has over 100 Uniform Standards in effect for companies to utilize when making their product filing submissions.

The individual disability income Uniform Standards will be subject to the five year review in 2017. The Insurance Compact collected comments on the need for continuation, repeal or amendment of the rules, operating procedures, and uniform standards identified below. *Comments in favor of repeal or amendment should describe how circumstances or underlying assumptions have changed since the last time the rule was amended*. The comment deadline is March 31st. Progress on the five year review may be monitored by visiting the **Docket** on the **Insurance Compact website**.

This spring, the Insurance Compact is going to offer a webinar series strictly on Tips and Tools along with a refresher on the mix and match filing process. More information, as it becomes available, will be posted to the Event Calendar posted on the Insurance Compact website. As with all webinars, filers of all skill levels are welcomed and encouraged to participate.

One of the webinar sessions will focus on the updated procedures for amending filings. On March 1st the Insurance Compact Office released a Filing Information Notice (FIN) outlining the new procedures for amending previously approved product filing submissions. The purpose of the FIN is to update filing guidelines in order to establish a consistent process for the submission of amendments to previously-approved filings that been closed with a disposition of "Closed-Approved." In most cases, new submissions will be required. All FINs may be found on the **Insurer Resources** page of the Insurance Compact website under Reference Materials. In addition to the webinars, the Insurance Compact Office will be releasing Weekly Tips to help the filers navigate the new filing process.

If you are interested in learning more about these changes and other things going on with the Insurance Compact, be sure to check out the Insurance Compact's **website** for the most up-to-date information on conference calls and uniform standards development. Companies that are actively registered to file with the Insurance Compact receive weekly tips regarding helpful information on many aspects of the Compact's streamlined, cost-saving and easy-to-use filing process.

AICP Members-in-the-News

Susan Cornett

Communications Committee

Growing up, it was never Susan's goal to work in the insurance field. Even though her grandfather was a property and casualty adjuster, insurance was never on her radar. Destiny, however, had other plans. After graduating from college with a degree in political science, the majority of Susan's job interviews were with insurance companies. When she landed her first job—as a customer service representative—it was with American National in Galveston, Texas. While at American National, Susan was provided an opportunity to assist the compliance department on a mandated benefit project. Soon after, she was offered a position as a policy analyst. Twenty-five years later, Susan is still working within the insurance industry.

Since joining the industry, she has learned that compliance is not just about form filings. Susan has also worked as a sales compliance manager in an insurer's marketing division as well as conducting agent investigations while working in internal audit. These positions taught Susan a great deal about insurer operations and fraud. So much so, that Susan is also a certified fraud examiner. Although she admits she does not necessarily use those fraud examiner skills in her current position, after reading 2,000 pages of material, Susan is keeping that certification current!

Susan has seen many changes during her career in insurance compliance. She has been witness to the movement from paper filings to electronic filings. She admits that although the ease of SERFF is fantastic, there are times she misses the old days when insurers could submit a product without tying it to a specific SERFF type of insurance. Susan counters this nostalgia though, with the excitement of product innovations such as gap plans, travel insurance, and cyber liability. Innovation keeps insurance compliance interesting and keeps the filers on their toes.

Susan joined the AICP in 2006. Volunteering for the Association has given Susan a new appreciation for all it takes to keep the AICP moving forward and she has been a part of the Communications Committee since 2016. She has also been a part of the Bylaws Committee since 2016. Like many of us, Susan admits that the AICP has been a great asset. As a member, she was able to maintain access to the job directory when she was laid off in 2010. Because the AICP provided a free membership for 2011, Susan was able to land her current position with Perr & Knight. However, more importantly, membership in the AICP has allowed Susan to meet many great people and reconnect with old friends from her LHCA days.

For the past six years, Susan has been a Senior Product Design Consultant for Perr & Knight in Texas. She is married to a "digital marketing nerd," Neal Cornett, (who is kind enough to be assisting on the Association's membership campaign) and is mother to two stubborn fur-babies. During 2016 Susan became a lung cancer advocate following her diagnosis as a non-smoker with Stage IV lung cancer. She is able to quote statistics and survivability rates with ease. However, she really prefers to bake, take part in cooking classes, garden, and travel. Given the opportunity, Susan would be sitting on a beach in the Florida panhandle or drinking wine in Tuscany.

Angela Schimenti

Leilani Marcellino

Great Lakes Chapter

Leilani Marcellino was first introduced to AICP in 2016 at a Cybersecurity presentation given by Adam Hamm that the Great Lakes Chapter (GLC) held in Chicago. Impressed, she joined. After attending another GLC event on Market Conduct Exams, and recognizing the value of AICP, she decided to volunteer with our upcoming E-Day. We are happy to have her working with us to make AICP even better than it is.

Leilani's path to working for the Wisconsin Office of the Commissioner of Insurance as an Insurance Examiner almost seems to have been more a destiny than a plan. There was no expectation that she would ever work in insurance. However, when a friend suggested that she come to the new insurance company where she had recently started working, Leilani applied figuring that it would be a good experience.

That employer offered many educational opportunities and Leilani took advantage of them. This allowed her to move from Rater, to Claims Expediter, to Adjuster. Her advanced skill set allowed her to jump to another carrier as Senior Claims Representative. In addition to investigating and settling claims, she was involved in training and served as an arbitration panel member. A career began to creep up on her.

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Eventually, there was a sense that perhaps something else might be a better fit. Now back to that destiny part of her history. One day, she happened to see a notice in the newspaper for a position with the City of Baraboo. Not having previously considered government work, she thought about the beauty of the area, the opportunity for a change of pace, figured "why not?" and applied.

While still weighing her options, Leilani went to a Chinese dinner and her fortune cookie told her that she would "go to work for a government entity." Seemed rather strange, but then Baraboo let her know that she was a prime candidate and pursued her and, in fact, Leilani began working for a government entity. (Somehow, my 'you will soon receive a large fortune' cookies have not turned out the same.)

This was challenging work as the City was beginning to bring itself into compliance in the area of Worker's Compensation. Not only was this a new area of compliance for Leilani, the clients were unaccustomed to the "new rules" and took some exception to this newbie coming in and shaking things up. Over time, though, Leilani was able to build trusting relationships with many people and move on to assist in getting things in order. This success allowed her to move from Deputy Clerk to Loss Control Coordinator and Program Specialist. She even worked with the State Representative on State compliance issues. Her last position was actually created to specifically take advantage of Leilani's abilities.

While this was a great place to work and she was really enjoying the compliance side of insurance, the company that she had left contacted her about returning and made an offer that she simply couldn't refuse. It also allowed her to gain more experience in various areas of Risk Management. In addition to claims, she was now able to do work with the underwriting, IT and actuarial departments. This was an exciting development as she not only felt she was helping to work towards minimizing or avoiding the claims she used to work on, but it gave her a better overall sense of the insurance process and greater appreciation for the value of insurance.

After a few years, though, there were some changes in management and Leilani decided to try some work even further on the 'pre-claims' side of auto insurance. She began working as a Driver's Training Instructor for AAA of Wisconsin. This provided a great deal of satisfaction as it allowed her to give back to the community, which she has always enjoyed doing. However, the distances she needed to travel conflicted with being available for her own children, and she decided to make a change.

Several former colleagues had moved to a company and encouraged her to join them. Soon she returned to Risk Management on the industry side. This allowed her to develop her talents and broaden her knowledge even more. But (remember this is a story of destiny, not planning), the company decided to reorganize much of the Risk Management functions. So in order to feel more secure, Leilani returned to her Claims roots. Then came news that the company would be outsourcing much of their claims area and letting folks go. So much for comfort, eh?

Fortunately, shortly before this occurred, Leilani had considered returning to government work and applied for a position at the OCI. While an internal candidate was selected, the manager who interviewed her called to let her know that he was very impressed with her and intended to hire her when the next opportunity arose. At the time, this sounded like he was just being nice. Then on her way to work one day not long afterward, he called and said there was an opening and he offered it to her. Not wanting to drive while in shock—remember, she is a driving instructor with a claims background—she asked if she could call him after she got to the office.

The call back launched Leilani's career on the Life and Health side of the world, which again caused her to become immersed in education. She is working to secure several designations. In addition to assisting consumers with questions and complaints and reviewing policy forms and rates, she performs market conduct audits as well as analysis of operations and business practices of companies, agencies, and agents. She also assists the legal department on escalated complaint files.

John Kitslaar, the man on the phone, manages the Life and Annuities section. While Leilani feels that everyone in the department has served as her mentor, she feels especially grateful to John. His experience and knowledge make him a valuable resource, and his openness make it easy to talk with him. He is also tough, but fair, which encourages Leilani to want to do her best.

Another person Leilani has found to be extremely helpful is Lisa Brandt. Lisa's willingness to compliment her regular work by participating in several industry organizations has encouraged Leilani to consider doing more as she finds time. It was Lisa who brought Leilani to the AICP. Leilani admits she is not yet ready to consider taking on a more formal role within the Chapter, but GLC looks forward to the time she will feel more comfortable doing so.

When not at the office, Leilani enjoys giving back to the community, a joy she shares with her husband and two children. One way is by working with teens seeking to earn their driving privileges. She is also an avid fan of both volleyball and softball; being close to UW-Madison lets her enjoy some high level competition of both sports.

Patrick Coleman, AIRC, ALMI, FICF
GLC President

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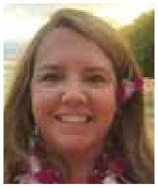
Tina Knight
Gulf States Chapter



Tina is currently a Vice President and Compliance Specialist at Madison Consulting Group, Inc. Madison Consulting is an independent actuarial consulting firm with approximately 30 employees and offices in Madison, Georgia, and Newtown Square, Pennsylvania. Madison Consulting focuses exclusively on property and casualty insurance and provides actuarial, data collection, compliance reporting, and expert witness services. Madison services a wide-range of insurance industry clients, including state and federal regulatory agencies, law firms, insurance companies, managing general agents, and self-insurance programs.

Tina has been with Madison Consulting for 19 years and for the past 10 years has managed Madison's compliance group. Prior to entering the insurance industry, Tina was an accounting professional. She currently holds a designation as a Chartered Property Casualty Underwriter (CPCU). A CPCU is a professional designation in property and casualty insurance and risk management that is administered by the American Institute for Chartered Property and Casualty Underwriters. To become a CPCU, one must complete courses covering topics such as insurance law, history, contracts, property insurance, liability insurance, operations, rate making, and risk management, as well as business courses in finance, corporate structure, and ethics. Applicants must pass extensive national exams in four core courses, three courses in either a personal or commercial insurance concentration, one elective of their choosing, as well as an ethics course.

Tina's membership with the AICP also spans many years. She is currently a member of the AICP's Gulf States Chapter. In her time with the AICP, Tina has held several leadership roles within the AICP, including serving as Vice President and President of the Gulf States Chapter, in addition to serving as co-chair of the Membership Committee. When asked to describe what she has found most rewarding about her time as an AICP leader and member, generally, Tina highlighted the abundant networking opportunities that AICP membership offers its members. According to Tina, the ability to connect with a wide-range of industry professionals has been one of the most beneficial features of her AICP membership. Indeed, Tina feels the connections she has made during her time as an AICP member have proven fruitful on both a professional and personal level.

Tina was also asked to discuss one initiative she believes the AICP should be focusing on going forward. In response, Tina recommended that the AICP expand its current outreach and new member initiatives to begin recruiting new members outside of the traditional groups of insurance professionals that are currently targeted by the Association. According to Tina, insurance professionals that work primarily on rate and form filings are well-represented in the AICP, but the Association could benefit from the inclusion of more individuals from the statistical performance and industry side of the profession.

Tina finds her profession challenging and rewarding. When asked to describe the greatest challenge she faces as a compliance professional, Tina highlighted the difficulties presented by the constantly-changing regulatory and statutory environment affecting the insurance industry as a whole. According to Tina, one of the most important things compliance professionals can do is develop a system for staying up-to-date on recent changes in the industry and understanding how those changes may affect your clients. On a related note, Tina also has one piece of advice for young professionals entering the insurance compliance profession: never stop learning! According to Tina, every day should be viewed as an opportunity to learn something new, and the younger generation of compliance professionals should seize every opportunity to expand their industry knowledge

Fred Karlinsky

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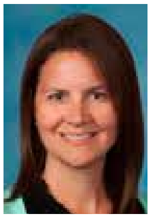
Courtney Hervin

Website Committee



You don't have to be an "old-timer" to make a difference!

Courtney Hervin has been a member of AICP for the past two years and is already making substantial contributions to our Association. She is currently a member of the Website Committee and has stated that she is looking for other areas in which to volunteer her talents.

Courtney believes that AICP offers unparalleled networking opportunities for the compliance professional. In particular she states that the conferences are an excellent way to meet and get to know others within our industry.

Courtney has spent that last 17 years in the financial services industry. Most of that time was spent in the Compliance Department at MetLife. For the past few years she has been employed at Pacific Life Insurance Company in the position of Senior Regulatory Affairs Analyst in their Law Department. She monitors state and federal legislation and regulation that impacts Pacific Life's products. She coordinates the dissemination of compliance information, its interpretation, and implementation throughout her company.

She has been married to her husband Mark for 10 years. They have a six year-old son and most of her "spare time" is spent on the soccer fields, either with her son as a player, or her husband who is a soccer coach at the club and college levels.

If her dream job as insurance compliance professional were not available, her second choice would be as a Sport Phycologist for an NFL team. Her preference would be for the LA Rams, for whom she has been a fan since she was a child. She has the credentials, having a Master's Degree in Sport Psychology from California State University, Long Beach.

Thank you to Courtney, and all the AICP volunteers, whether you've been with us for a few months, a few years, or for a few decades. Your hard (and unpaid!) work makes a difference for us all.

Tyrone Settlemier

The Association of Insurance Compliance Professionals®

AICP® is chartered in the state of Delaware and registered with the U.S. Internal Revenue Service as a Section 501(c)(6) organization.

A Section 501(c)(6) tax-exempt organization is classified as a business league. A business league, in general, is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Trade associations and professional associations are considered to be business leagues. The business league must be devoted to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. It must be shown that the conditions of a particular trade or the interests of the community will be advanced. No part of its net earnings may inure to the benefit of any private shareholder or individual and it may not be organized for profit or organized to engage in an activity ordinarily carried on for profit (even if the business is operated on a cooperative basis or produces only sufficient income to be self-sustaining). The term "line of business" generally refers either to an entire industry or to all components of an industry within a geographic area.

Tax-exempt organizations must make their last three annual information returns and their approved application for recognition of exemption with all supporting documents available for public inspection. Pursuant to changes enacted as part of the Taxpayer Bill of Rights 2, the organization will be required to provide copies of these documents upon request without charge (other than a reasonable fee for reproduction and copying costs). Penalties are provided for failure to comply with these requirements.

If you need the information returns for AICP (IRS Form 990), please contact our Administrative Headquarters. Documents are available only in hard copy.

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