

— Market Examination Section —

The Market Conduct Section (the Section) monitors the Alaska “insurance market” for signs of stress such as increases in insurance consumer complaints and financial instability in insurance businesses. Insurance producers, such as agents and brokers, independent adjusting firms, and insurers are all subject to Market Conduct surveillance. If problems are spotted various regulatory actions, part of a “Continuum” of regulatory practices, may be recommended to the director. Actions might include Market Analysis, on-site exam, or other formal processes.

Developed by the National Association of Insurance Commissioners (NAIC), Market Analysis is similar to but broader in scope than Financial Analysis. It is performed yearly on selected insurance companies; and although a prelude to most on-site exams it can be a desirable substitute for the on-site. If financial and complaint data collected for Market Analysis prior to an on-site do not indicate violations, the on-site may be avoided with considerable cost savings.

On-site Market Conduct Exams are structured, detailed, and performed at the examinee’s place of business. They are done according to specific NAIC guidelines using scientific sampling to select company files for review. Selected files are then scrutinized and analyzed for statutory compliance and adherence to market conduct standards. Non-compliance issues are then handled according to formal guidelines designed to stop illegal behavior.

Ultimately the goal of Market Conduct is consumer protection and maintenance of a stable insurance business environment. Market Analysis and on-site exams are just two technologies used to achieve the goal. Market Conduct may assume a consultative, informal role in cases where businesses are non-compliant simply because they do not understand or are ignorant of statutory requirements

Market Conduct also works with other sections of the division in various ways. It is an information and analytical resource for Investigations. For Licensing it monitors local insurance producers for compliance with licensing standards. It provides Consumer Services with analytical support and takes referrals from them for possible market conduct action. And, it enforces insurance provider use of only those rates and forms approved by the Rate and Form Filing Section.

As a partner with other sections in the division, Market Conduct maintains an overview of the insurance market as a whole using Market Analysis, and on-site Market Conduct Examination among a continuum of regulatory practices to “take the pulse” of, and regulate, the insurance industry in Alaska.

Recent Market Conduct Accomplishments

In CY 2006 the Market Conduct section continued monitoring “Health Discount Plans,” which are sold to Alaskans over the Internet. This is an ongoing effort to assess these questionable plans while in cooperation with Consumer Services provide assistance to consumers affected by these plans. The Section helped develop statutory language for addition to AS 21.36.155 that provides new regulatory support in this area.

Recent Market Conduct action against two HDPs under AS 21.36.155 resulted in an unsuccessful court challenge by one HDP to the division’s interpretation of the statute. Following this court victory by the division, other states are now incorporating portions of AS 21.36.155 into their code. Of further significance, Alaska’s antifraud efforts are recognized in an HDP report prepared with our assistance by Georgetown University’s Health Policy Institute for Florida’s Office of Insurance Regulation.

The Section provides ongoing support to the Investigations Section and special help when requested. Market Conduct staff in support of Investigations in 2007 authored Bulletin B07-04 clarifying bail bond regulations.

As noted, the Section provides continuing assistance to the Consumer Services Section by:

- i. researching possible unauthorized insurance activity uncovered by Consumer Complaints.
- ii. helping resolve complaint questions by applying relevant market conduct expertise.
- iii. providing health and disability insurance technical analysis and claims assistance.
- iv. providing property and casualty insurance technical assistance.

The Section continues monitoring Title Insurance market activities in Alaska.

Market Conduct staff are ongoing participants in various NAIC committees that monitor the activities of insurance markets nationwide and assess critical, related issues of the day.

Over the past two years the Market Conduct Section has supported the development of software and hardware for its own use and in support of the division's overall mission. In particular, it has worked to adapt the TeamMate data management tool, is currently structuring an MS Access application for use with on-site exams, and is assisting with the ongoing development of an insurance division-wide data mapping project.