

Regulatory Oversight of Private (Plan 2) Workers Compensation Insurance Carriers by Commissioner of Securities & Insurance (CSI)

What oversight CSI can provide to Montana State Fund (Plan 3)

Economic Affairs Interim Committee
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SJR 30- Workers Compensation Study

Presenter: Commissioner Monica J. Lindeen



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How the CSI regulates Plan 2 Insurers:

•Rate Review

- Reviews every insurance policy to be used by companies for compliance with Montana law.
- Reviews rates to ensure actuarial data supports the rates to be charged by insurance companies.
- CSI has a full-time Qualified Property/Casualty Actuary on staff.

•Examinations

- Reviews financial affairs of domestic insurers to ensure companies are solvent.
- Each insurer is required by law to be examined once every three to five years.
- Ensures compliance, oversees rehabilitation or liquidation.
- Reviews guaranty funds to see who contributes and who recovers.
- CSI has two full-time Certified Financial Examiners on staff.

•Market Conduct

- Performs market conduct examinations to ensure compliance with state laws regulating the sales and marketing, underwriting and issuance of insurance products.
- CSI has on staff one Certified Insurance Examiner and two full-time Accredited Insurance Examiners.

What is a *qualified actuary*?

Actuary- an insurance professional who specializes in statistical information. Actuaries are responsible for determining rates and rating methods and for evaluating insurance company reserves.

A *qualified actuary* is one that is able to sign statements of actuarial opinion, and must be members of the American Academy of Actuaries.

Academy membership requirements include:

- **membership in one of the recognized actuarial societies**, at least **three years of full-time equivalent experience** in responsible actuarial work, and **residency** in the US for at least three years. **Continuing education** is required after certification for all actuaries who sign statements of actuarial opinion.
- membership in one of the recognized actuarial societies is obtained by completing a series of examinations.

What is a *qualified actuary*?

A *qualified actuary* is one that is able to sign statements of actuarial opinion, and must be members of the American Academy of Actuaries. Property and casualty actuaries are administered exams by the Casualty Actuarial Society (CAS).

CAS requires the successful completion of 7 examinations and validation by educational experience (VEE) for Associate and two additional exams for Fellowship.

In addition to these requirements, casualty actuarial candidates must also complete professionalism education and be recommended for membership by existing members (CAS 2008).

Completion of the examinations for Fellowship takes on average 8.5 years after first being employed. The time spent preparing for each of the nine examinations can be up to 700 hours outside of employment.

What is a *qualified actuary*?

A *qualified actuary* is one that is able to sign statements of actuarial opinion, and must be members of the American Academy of Actuaries. **Continuing education** is required after certification for all actuaries who sign statements of actuarial opinion.

Completion of 60 hours of continuing education credit every 2 years is required to maintain qualifications. Of those 60 hours, half must be earned from structured activities the actuary meets by attending an annual national continuing education conference.

Mari Kindberg is the CSI's qualified property and casualty actuary. She is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries and has 21 years of experience.

Mari is the only qualified property/casualty actuary employed by the State of Montana.

Examinations and Market Conduct

CSI has on staff Certified Financial Examiners (CFEs). CFEs, who specialize in insurance, are experts in statutory accounting principles of the National Association of Insurance Commissioners (NAIC). To be certified, CFEs must be recognized by the Society of Financial Examiners and complete 40 hours per year of continuing education.

CSI has on staff one Certified Insurance Examiner (CIE) and two Accredited Insurance Examiners (AIEs). An insurance regulatory professional who has been awarded CIE status has at least three years of verifiable fulltime insurance regulatory work, has attained an AIE in one field, and cross-trained in the other field. AIEs have at least two years of verifiable fulltime insurance regulatory work and are extensively trained in one of two primary fields of insurance regulation, Property and Casualty or Life and Health. Both regulatory professionals must take 8-12 courses on insurance regulation and complete 15 hours per year of continuing education.

CSI is the only agency in Montana that employs CFEs, CIEs and AIEs who specialize in insurance.

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Spectrum of Rate Approval Requirements

More Restrictive \longrightarrow Least Restrictive

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| <i>Prior Approval "File and Wait"</i> | Prior Approval with Deemer "File and Wait Certain Number of Days" | <i>Ability to Disapprove Subsequent to Filing "File and Use"</i> | Ability to Disapprove Subsequent to Use "Use and File" | Approval Required Only for Certain Percentage Change "Flex Rating" | No Approval Required "Filing for Informational Purposes Only" | Rate Review "No file, just review" |
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Must comply with Montana insurance laws

How CSI Regulates Plan 2 Carriers:

Private (Plan 2) carriers file rates with CSI. Plan 2 carriers predominantly operate under a File and Use system, unless their rates are less than NCCI filings then they file needing Prior Approval.

Plan 2 carriers fall under the regulations regarding rate review, examinations and market conduct.

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Must comply with Montana insurance laws

The Commissioner of Securities and Insurance is suggesting the Legislature give CSI the authority to review the rates of Montana State Fund.

Rate review would consist of reviewing the rates of MSF by a qualified actuary, but does not give CSI regulatory authority.

Using the expertise unique to the office, CSI would ensure that the rates of MSF are actuarially sound and report the findings to the Montana Legislature.

Proposal to give CSI rate review authority of Montana State Fund:

•CSI will be allowed to direct an independent qualified actuary to review, in depth, the rates of Montana State Fund. This analysis will:

•Be truly independent.

•Give details of the rates at an individual class level. Currently, an independent qualified actuary only gives a high-level analysis.

•The qualified actuary will be able to determine if the rates are unfairly discriminatory, excessive or inadequate.