

Testimony of the  
National Association of Insurance Commissioners

Before the  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

Regarding:  
“Insurance Regulation Reform”

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Alessandro Iuppa  
Maine Superintendent of Insurance  
President, National Association of Insurance Commissioners

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Maine Superintendent of Insurance  
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**Introduction**

Chairman Shelby, Senator Sarbanes, and Members of the Committee, thank you for inviting me to testify before the Committee on insurance regulation reform.

My name is Alessandro Iuppa. I am the Superintendent of Insurance in Maine. I currently serve as President of the National Association of Insurance Commissioners (NAIC) and Chairman of the Executive Committee of the International Association of Insurance Supervisors (IAIS). Prior to becoming the Maine Superintendent of Insurance in 1998, I also served as the Commissioner and Deputy Commissioner of Insurance with the State of Nevada from 1986 to 1991. I am pleased to be here today on behalf of the NAIC and its members to share with the Senate Banking Committee the status of the state system of insurance supervision.

Today, I will make three basic points:

- First, state insurance officials strongly believe that a coordinated, national system of state-based insurance supervision has met and will continue to meet the needs of the modern financial marketplace while effectively protecting individual and commercial policyholders. State insurance supervision is dynamic, and state officials work continuously to retool and upgrade supervision to keep pace with the evolving business of insurance that we oversee. The perfect example of our success is the Interstate Compact for life insurance and other asset-preservation insurance products. Twenty-seven states have joined the Compact in 27 months—with more on the way—and we plan for this state-based national system with its single point of entry and national review standards to become fully operational in early 2007. Across the regulatory spectrum, the members of the

NAIC have modernized the state system to implement multi-state platforms and uniform applications. We have leveraged technology and enhanced operational efficiency while preserving the benefits of local protection, which is the real strength of the state system.

- Second, insurance is a unique and complex product that is fundamentally different from other financial services, such as banking and securities. Consequently, the state based system has evolved over the years to address these fundamental differences. Unlike banking products, which provide individuals up-front credit to obtain a mortgage or make purchases, or securities, which offer investors a share of a tangible asset, insurance products require policyholders to pay premiums in exchange for a legal promise rooted in the contractual and tort laws of each state. It is a financial guarantee to pay benefits, often years into the future, in the event of unexpected or unavoidable loss that can cripple the lives of individuals, families and businesses. In doing so, insurance products inevitably touch a host of important and often difficult issues that generally are governed at the state level. State officials are best positioned to respond quickly and to fashion remedies that are responsive to local conditions. We are directly accountable to consumers who live in our communities and can more effectively monitor claims-handling, underwriting, pricing and marketing practices.
- Third, despite states' long history of success protecting consumers and modernizing insurance supervision, some propose to radically restructure the current system by installing a new federal insurance regulator, developing a new federal bureaucracy from scratch, and allowing insurance companies to "opt out" of comprehensive state oversight and policyholder protection. Risk and insurance touch the lives of every citizen and the fortunes of every business, and the nation's insurance officials welcome congressional interest in these issues. However, a bifurcated regulatory regime with redundant and overlapping responsibilities will result in policyholder confusion, market uncertainty, and other unintended consequences that will harm individuals, families and businesses

that rely on insurance for financial protection against the risks of everyday life. For these reasons, the Senate Banking Committee and Congress should reject the notion of a federal insurance regime.

### **State Insurance Protections: Successful and Effective for More Than 135 Years**

Risk affects everyone in society in one way or another. Insurance is vested in the public interest by providing economic security to individuals and families against life's many unknowns and by enabling businesses large and small to manage risk inherent in economic enterprise. The economic well being of every citizen is affected by the strength and efficacy of insurance protections. Therefore, as the public officials responsible for supervising the insurance industry, state insurance officials take great pride in our nation's state-based system of insurance protections that has successfully safeguarded consumers for more than 135 years and overseen the solvency of insurance companies operating in the United States.

The paramount objective of insurance supervision is consumer protection, which is the hallmark of the state system. Each state has an insurance official who is appointed or elected to oversee the financial strength, policy content, market conduct, claims settlement practices, and distribution and marketing systems of insurance companies doing business in his or her state. In each of these areas, an institutional framework and expertise has been developed at the state level to afford policyholders and insurance consumers comprehensive, life cycle protection.

Strong consumer protections instill public confidence in insurance products and thereby serve the interests of the insurance marketplace. Likewise, insurance consumers are served by operational efficiencies that permit insurers to provide a wide array of appropriate products to consumers more quickly and economically. The coordinated, national system of state-based insurance supervision serves the needs of consumers, industry and the marketplace at-large by ensuring hands-on, front-line protection for insurance consumers while providing insurers the uniform platforms and coordinated

systems that they need to compete effectively in an ever-changing marketplace.

### **Insurance: A Unique Financial Product that is Regulated Effectively by the States**

Paying for insurance products is one of the largest consumer expenditures of any kind for most Americans. Figures compiled by the NAIC show that an average family easily can spend a combined total of \$7,107 each year for auto, home, life, and health insurance coverage. This substantial expenditure—often required by state law or business practice—is typically much higher for families with several members, more than one car, or additional property to insure. Consumers clearly have an enormous financial and personal stake in making sure insurers keep the promises that they make.

Protecting consumers must start with a basic understanding that insurance is a different business than banking and securities. Banks give consumers the immediate benefit of up-front loans and credit based upon a straightforward analysis of a customer's collateral and ability to pay, and securities can be bought by anyone having the money at a price set by open markets. In contrast, insurance is a commercial product that consumers buy in advance in return for a financial guarantee of future benefits for contingent events specified in the policy. Insurers take into account each customer's potential loss claims, depending on individual risk characteristics, which vary according to the type of insurance, but may include factors such as history of similar losses, sex, age, marital status, medical history, condition of insured property, place of residence, type of business, financial history, "risk management" preparations, or lifestyle choices.

Insurance is thus based upon a series of subjective business decisions—many of which are local rather than national in scope: Where does the risk reside? Is the risk subject to earthquakes or hurricanes? What is the policyholder's risk of civil liability under the laws of the state? Will an insurance policy be offered to a consumer? At what price? What are the policy terms and conditions? What is the structure of the local hospital and physician marketplace? All of these subjective business decisions add up to one absolute certainty: insurance products can generate a high level of consumer backlash and

customer dissatisfaction that requires a high level of regulatory expertise, accountability and responsiveness.

Every day, state insurance departments ensure that insurers meet the reasonable expectations of American consumers—including those who are elderly or low-income—with respect to financial safety and fair treatment. Nationwide in 2004, state insurance departments handled approximately 3.7 million consumer inquiries and complaints regarding the content of policies and the treatment on consumers by insurance companies and agents. Many of these calls were resolved successfully with little or no cost to the consumer. The states also maintain a system of financial guaranty associations that cover policyholder losses in the event of an insurer insolvency. The entire state insurance system is authorized, funded, and operated at absolutely no cost to the federal government.

### **States Oversee A Vibrant, Competitive Insurance Marketplace**

In addition to successfully protecting consumers, state insurance officials have proven adept stewards of a vibrant, competitive insurance marketplace. The insurance industry in the United States has grown exponentially in recent decades in terms of the amount and the variety of insurance products and the number of insurers. NAIC data from 2004 shows that there were 6,541 domestic insurers operating in the United States with combined premium of \$1.384 trillion. As a share of the U.S. economy, total insurance income grew from 7.4 percent of gross domestic product in 1960 to 11.9 percent in 2000.

Although these national numbers reflect a large industry, most insurers and most of the nation's 3.2 million insurance agents and brokers operate in three or fewer states. Even the giants of the industry use slogans that imply a close knit local flavor such as “like a good neighbor” or “you’re in good hands.”

Today, companies of various sizes sell a vast array of products across state and national boundaries. A wide range of insurance services has become available to buyers,

reflecting the growing national economy and diversity of buyer needs and demand for insurance protection and investment products. Industry changes have compelled the evolution of regulatory institutions, and state supervisory evolution, in turn, has contributed to the development of the insurance industry. This development continues as the industry consolidates, insurers restructure their product lines and companies extend their global operations.

### **Insurance Regulatory Modernization: A Dynamic Process**

Insurance supervision in recent years has been subject to increasing external and internal forces to which the states have responded. Fundamental changes in the structure and performance of the insurance industry have complicated the challenge. Competitive forces have caused insurers to assume increased risk in order to offer more attractively priced products to consumers. Insurance markets have become increasingly national and international in scope and have widened the boundaries of their operations. High costs in some lines of insurance and the economic consequences of natural and man-made disasters have focused greater public attention on supervisory decisions.

Yet the daily transactions that result in most of the premiums for the U.S. insurance industry remain local in nature. The insurance industry today is driven by individuals and families dealing with a local insurance agent to provide coverage for homes and autos, health care from local providers, whole and term life insurance products to protect young families against the economic devastation caused by premature death of a breadwinner, and annuities and other investments to help fund a college education or retirement.

The convergence of forces has had a dramatic effect on the supervision of insurance. Over the past two decades, the states have engaged in an unprecedented program to revamp the framework of insurance oversight. Insurance officials have worked continuously to upgrade the state system to provide multi-state platforms and uniform applications to leverage technology and enhance operational efficiencies. A good share

of this effort in the late 1980s and 1990s was directed at strengthening financial oversight by establishing higher capital standards for insurers, expanding financial reporting, improving monitoring tools and accrediting insurance departments. Subsequent initiatives have focused on improving the effectiveness and efficiency of product regulation, market surveillance, producer licensing, company licensing and general consumer protections.

The states have enhanced resources devoted to insurance supervision in terms of coordination, technology and systems to support these efforts, and the NAIC through its members has played a central role in state efforts to strengthen and streamline our oversight of the insurance industry. However, it is important to understand that these are not one-time silver bullet solutions but a dynamic, on-going process that changes and evolves with the business of insurance that we oversee. The modern system of insurance supervision builds on our 135-year record as stewards of a healthy, vibrant insurance marketplace founded upon a bedrock of comprehensive policyholder and consumer protection. But it also demands that state insurance officials be ever vigilant and nimble to anticipate and respond to the ever-changing needs of consumers, the industry and the modern marketplace.

### **A National System of State-Based Insurance Supervision**

The nation's insurance officials strongly believe that a coordinated, national system of state-based insurance supervision has met and will continue to meet the needs of the modern financial marketplace while enhancing individual and commercial policyholder protections. State insurance supervision is inherently strong when it comes to protecting consumers because we understand local needs and market conditions. State insurance officials also recognize that today's modern financial services marketplace increasingly requires national, harmonized solutions. However, national solutions need not be federal in nature. To this end, NAIC members have established a comprehensive program to harmonize, streamline and coordinate state insurance supervision across the regulatory spectrum when a multi-state approach is warranted.

When the NAIC last testified before the Senate Committee on Banking, Housing, and Urban Affairs in September 2004, we shared with you our ***Reinforced Commitment: Insurance Regulatory Action Plan***, in which state insurance officials set clear goals and timetables for states to accomplish the changes needed to achieve a more efficient system of state supervision. In some areas, our goal has been to achieve regulatory uniformity nationwide because it makes sense for consumers and insurers. In areas where different standards among states are justified because they reflect regional market conditions, we are harmonizing and coordinating state regulatory procedures to facilitate compliance.

Three years into this landmark undertaking, the NAIC and its members are proud to report that we remain on time and on target to achieve the goals set forth in the *Insurance Regulatory Action Plan*. In fact, we are outpacing expectations in some critical areas of reform and on track to reach all key insurance regulatory goals at the scheduled dates. A copy of the NAIC's *Insurance Regulatory Action Plan*, together with a comprehensive progress update through July 2006, is attached as ATTACHMENT A to this statement.

Here is an update on where we stand on a few key initiatives:

*Interstate Insurance Product Regulation Compact (IIPRC)*

Following enactment of the Compact by 27 states in 27 months, the IIPRC Commission held its inaugural meeting on June 13, 2006, and took the first critical steps to becoming fully operational in early 2007. The Compact creates a single-point-of-filing where insurers can file new life insurance, annuities and other wealth-protection insurance products and receive a single, streamlined review. This vital reform allows insurers to speed new products to market nationally according to strong uniform product standards while preserving a state's ability to address front-line problems related to claims settlement, consumer complaints, and unfair and deceptive trade practices. Although the speed with which states have enacted the Compact has exceeded all expectations and continues to outpace the target set by the *Insurance Regulatory Action Plan*,

state insurance officials have no intention of resting and remain committed to adding new members during the balance of 2006 and beyond.

#### *System for Electronic Rate and Form Filing (SERFF)*

SERFF represents the ultimate answer for insurers' speed-to-market concerns. It provides a single-point-of-filing for those products that are not subject to the IIPRC. Insurers that chose to use SERFF to file their products experience an average 23-day turn-around time for the entire filing submission and review cycle. SERFF enables states to include several operational efficiency tools to facilitate an efficient electronic filing. All 50 states, the District of Columbia, Puerto Rico and over 1,800 insurance companies are committed to SERFF. Reflecting on the past five years, SERFF has had a tremendous growth in the number of product filings made by insurers electronically, and 2006 is already on target for another impressive year, due to the strong SERFF commitment from the states and industry.

#### *National Licensing System for Insurance Producers*

Through the development and use of electronic applications and databases, state insurance officials have implemented greater efficiencies in the licensing and appointment of insurance producers. Moreover, state insurance officials remain deeply committed to developing further enhancements and achieving greater uniformity in the producer licensing process. State insurance officials have developed an implemented a standard uniform producer licensing application that is used in every state. Additionally, an overwhelming majority of states now accept non-resident licensing applications electronically, and all but a handful of states that require appointments and terminations accept them electronically.

#### *Market Regulation*

The NAIC is implementing a more effective and efficient market regulatory system based upon structured and uniform market analysis, uniform examination procedures, and interstate collaboration. A key area of market analysis is the

development of a uniform analysis process, which states now are able to use to review complaint activity, regulatory actions, changes in premium volume and other key market indicators. In 2005, over 1,750 uniform market analysis reviews were completed by 48 jurisdictions, and this process was automated to enhance its use and provide states a centralized method to document and share their market analysis conclusions and recommendations. In conjunction with these efforts, the NAIC formed a high-level working group to provide policy direction for collaborative actions, recommend appropriate corrective actions and common solutions to multi-state concerns, and promote the use of a continuum of cost-effective regulatory responses.

A recent survey indicates that states have decreased the frequency, length and cost of market examinations while increasing regulatory effectiveness. Data received from 39 states show that overall exams from 2003 to 2005 decreased 18 percent and those that did occur were less costly. Moreover, companies experienced reductions in on-site, single state exams and on-site exams that exceeded one month. Increased market analysis, targeted examinations, and coordinated regulatory interventions have resulted in more effective and efficient use of state resources and fewer duplicative regulatory efforts. The NAIC continues to make the increased effectiveness and efficiency of market regulation a top priority.

#### *Financial Initiatives*

Regulating to ensure the insurance industry remains on solid financial footing and individual insurers have the financial wherewithal to pay their claims obligations continues to be a top priority. With the creation of the NAIC Financial Accreditation Program in 1990, the NAIC has been diligent in reviewing and re-reviewing the standards and practices for assessing financial solvency. The past five years, in particular, have challenged the industry with bear markets, large credit defaults, the terrorist attacks of 9-11, ballooning asbestos liabilities and the devastating hurricane seasons of 2004 and 2005. Despite these enormous obstacles, insurers today are reporting positive underwriting and operational

results not seen for several decades—a testament to the effectiveness of solvency regulation.

**Company Licensing:** The NAIC set its sites on standardizing how insurers apply for state licenses to write insurance. To date, the NAIC has developed a Uniform Certificate of Authority Application (UCAA) that establishes the base forms for use in company licensing applications. An electronic system has been built to facilitate the expansion application and communication processes, making it easier than ever to expand business territories. We have largely addressed the issue of state specific requirements often cited by the industry, and have provided transparency for the state-specific requirements that remain. The NAIC will continue to leverage information technologies and rethink our processes to make business expansion efficient, while keeping focus on protecting consumers from rogue insurance management.

**Mergers and Acquisitions:** The NAIC also has made great strides toward coordinating solvency activities of insurers that are part of a larger multi-state or multi-national group. These activities include merger and acquisition transactions, corporate restructurings and on-going financial solvency monitoring. With states working cooperatively through the NAIC, we are reducing duplicative work and performing more effective financial oversight of insurance enterprises.

**Principles-Based Reserving:** As part of its modernization efforts, the NAIC is currently developing a principles-based framework for life insurance reserve and capital requirements, utilizing principles of risk management, asset adequacy analysis and stochastic modeling. The framework used previously relied upon a rules-based or formulaic approach to establish reserve and capital requirements for life insurance products. This formulaic approach, as part of a comprehensive solvency agenda, has established a very sound and secure life insurance marketplace in the US. Having established a sound market, the NAIC is now developing reserve and capital requirement methodologies to allow life insurers to

more precisely allocate capital relative to the risks of their products. These efforts place the NAIC at the forefront of other international efforts to establish principles-based reserve and capital requirements.

### **Federal Legislation Must Not Undermine State Modernization Efforts**

As states have moved forward to modernize insurance supervision, Congress has begun to consider federal legislation related to insurance regulation. The NAIC and its members welcome congressional interest in insurance supervision. At the same time, we urge careful analysis of any proposal to achieve modernization of insurance supervision through federal legislation. Even well intended and seemingly benign federal legislation can have a substantial adverse impact on existing state protections for insurance consumers. Because federal law may preempt conflicting state laws, hastily drafted or vague federal laws can easily undermine or negate important state legal protections for American insurance consumers.

One of the great strengths of state insurance regulation is the fact it is rooted in other state laws that apply when insurable events occur. The NAIC urges Congress to avoid undercutting state authority when considering any federal legislation that would preempt important consumer protections. Federal laws that appear simple on their face can have devastating consequences by limiting the ability of state insurance departments to protect the public.

### **Congress Should Reject Federal Chartering Legislation**

Of particular concern to state insurance officials is legislation, “The National Insurance Act of 2006” (S. 2509), that would establish a federal insurance regulatory authority and allow insurance companies to “opt out” of state oversight and policyholder protections. The NAIC and its members believe that any bifurcated regulatory regime with redundant, overlapping responsibilities will result in policyholder confusion, market uncertainty, and a host of other unintended consequences that will harm individuals, families and

businesses that rely on insurance for financial protection against the risks of everyday life. Moreover, state insurance officials caution against any proposal that would treat insurance just like banking and securities products. Failure to recognize the fundamental differences between these industries and how they are supervised would place essential policyholder protections at risk, as well as preempt and transfer the authority of accessible and responsible local officials to a distant, federal bureaucracy with limited congressional oversight.

Although some have suggested that S. 2509 simply builds upon the best practices of insurance supervision that exist at the state level, this simply is not true. In contrast to the well-established, comprehensive framework of policyholder protections at the state level, S. 2509 dramatically weakens the authority of the new federal regime to maintain functioning markets and safeguard consumers. Instead, it contemplates bare-bones federal oversight where the vast majority of regulatory functions—including core protections—would be outsourced to industry-run self-regulatory organizations. Where state laws provide guidance to insurance commissioners regarding consumer safeguards and industry oversight, S. 2509 delegates virtually all decision-making to a federal regime, which would be independent of congressional appropriation and instead funded directly by the same insurance companies that opt for a national charter. S. 2509 would preempt protections in all states that prohibit discrimination on the basis of race, religion and national origin; that require property and casualty insurance rates to be adequate to pay claims and prohibit them from being excessive or unfairly discriminatory; and that ensure that policy forms meet basic policyholder protection standards. While striking down these safeguards currently provided by state law, the bill fails to provide any corresponding federal safeguards. In fact, it expressly forbids any regulatory standards for the rates that insurers charge, the rating elements that they use to discriminate among risks, and for the policy terms that they offer.

Some have said that a federal regulatory regime merely adds an optional choice to the insurance regulatory system in the United States, and that it would not seriously affect the existing state system. This assertion is incorrect. A federal charter may be optional for

an insurer choosing it, but the negative impact of federally-regulated insurers will not be optional for consumers, producers, state-chartered insurers, state governments, and local taxpayers who are affected, even though they have little or no say in the choice of a federal charter.

Ultimately, a federal charter and its regulatory system would result in at least two separate insurance systems operating in each state. One would be the current state-based system established and operated under state law and government supervision. This system would continue responding to state voters and taxpayers. A second system would be a new federal regulator with little or no experience or grounding in the state laws that control the content of insurance policies, claims procedures, contracts, and legal rights of citizens in tort litigation. Nonetheless, this new federal regulator would preempt state protections and authorities that disagree with the laws that govern policyholders and claimants of state-chartered insurers. At the very least, this situation will lead to consumer, market and regulatory overlap and confusion. At worst, it will lead to varying levels of consumer protection, perhaps a “race to the bottom” regulatory arbitrage to lower consumer protection standards, as insurers choose to be chartered by federal or state government based on which offers the most lenient terms.

Granting a government charter for insurers means taking full responsibility for the consequences, including the costs of insolvencies and consumer complaints. The states have fully accepted these responsibilities by covering all facets of insurance licensing, solvency monitoring, market conduct, and handling of insolvent insurers. The members of the NAIC do not believe Congress will have the luxury of granting insurer business licenses without also being drawn into the full range of responsibilities and hard-hitting criticism—fair and unfair—that go hand-in-hand with offering and supervising a government charter to underwrite and sell insurance. Furthermore, we doubt states will be willing to accept responsibility for the mistakes or inaction of a federal regulator by including federal insurers under state guaranty associations and other important, proven consumer protections.

## Conclusion

The system of state insurance supervision in the United States has worked well for more than 135 years. State regulators understand that protecting America's insurance consumers is our first responsibility. We also understand that commercial insurance markets have changed, and that modernization of state insurance standards and procedures is needed to facilitate more streamlined, harmonized and efficient regulatory compliance for insurers and producers.

The NAIC and its members—representing the citizens, taxpayers, and governments of all 50 states, the District of Columbia and the territories—will continue to share our expertise with Congress on insurance issues having a national impact and welcome congressional interest in our modernization efforts. We respectfully request Congress and insurance industry participants to work with us to further and fully implement the specific improvements set forth in state officials' *A Reinforced Commitment: Insurance Regulatory Modernization Action Plan*. As our tremendous progress to date shows, this is the only practical, workable way to achieve necessary changes quickly in a manner that preserves and enhances the state protections that consumers demand.

The nation's consumers require a financially sound and secure insurance marketplace that offers a variety of products and services. They have that now through an effective and responsive state regulatory system. When our record of success is measured against the uncertainties of changing a state-based system that works well at no cost to the federal government, state insurance officials believe that Congress will agree that regulating insurance is best left to home state officials who have the expertise, resources, and experience to protect consumers in the communities where they live.

Thank you for this opportunity to address you, and I look forward to your questions.



**“A REINFORCED COMMITMENT: INSURANCE REGULATORY  
MODERNIZATION ACTION PLAN”**

**Updated – July 2006**

**I. Consumer Protection**

*An open process ... access to information and consumers' views ... our primary goal is to protect insurance consumers, which we must do proactively and aggressively, and provide improved access to a competitive and responsive insurance market.*

The NAIC members will keep consumer protection as their highest priority by:

(1) Providing NAIC access to consumer representatives and having an active organized strategy for obtaining the highly valued input of consumer representatives in the proceedings of all NAIC committees, task forces, and working groups;

**Update:** To help ensure active and organized consumer representation, the NAIC provides funding for consumer representatives to participate in NAIC activities. The NAIC also formally recognizes three un-funded consumer representatives. Finally, the NAIC's Consumer Protections Working Group provides a formal structure for consumer issues.

(2) Developing disclosure and consumer education materials, including written and visual consumer alerts, to help ensure consumers are adequately informed about the insurance market place, are able to distinguish between authorized and unauthorized insurance products marketed to them, and are knowledgeable about state laws governing those products;

**Update:**

***Insure U***

Under the theme, Insure U – Get Smart About Insurance, in March 2006, the NAIC created a virtual “university curriculum” of helpful information that teaches consumers about the four basic types of insurance: auto, home, life and health. And, to be most helpful, our curriculum is organized around four specific life stages: young singles, young families, established families and empty nesters/seniors. Importantly, the campaign also covers the NAIC's “Fight Fake Insurance...Stop. Call. Confirm.”

The heart of Insure U is our online educational curriculum available at [www.InsureUonline.org](http://www.InsureUonline.org). When consumers arrive at the Insure U site, they are invited to select a life stage pathway that will teach them about insurance issues and considerations directly related to their needs. Upon completing a life stage Insure U curriculum, consumers are invited to take a short online quiz. If they achieve a passing grade on the quiz, they can print out a diploma, certifying their successful completion of the Insure U curriculum.

As part of this campaign, the NAIC produced a new TV public service announcement that warns consumers to protect themselves from being scammed by fake insurance companies. The PSA employs the metaphor of a house of cards that collapses when a consumer submits an insurance claim, illustrating how an individual's foundation of protection can be shattered by buying a policy from a fake insurance company. The spot concludes with our strong tagline: Stop. Call. Confirm. Consumers may also call a toll-free telephone number to find consumer representatives in their home state insurance departments. In addition to reaching English-speaking consumers, the NAIC has created two radio PSAs specifically for the Hispanic community.

***Stop. Call. Confirm. Fight Fake Insurance Campaign.***

The NAIC has continued efforts to warn insurance consumers about potential fraud through a national consumer awareness and media outreach campaign titled "Fight Fake Insurance: Stop. Call. Confirm." The campaign, in its second year, features as its spokesperson nationally known fraud expert and former con man Frank Abagnale, whose life story was depicted in the movie "Catch Me If You Can." The NAIC developed and distributed a public service announcement featuring Abagnale, which was distributed to television radio stations nationwide. The PSAs included a seven-second tagline at the end mentioning the respective state insurance department and contact information. A generic version of the PSA is on the NAIC website [www.naic.org](http://www.naic.org). To date, the spot received more than 60,000 broadcast hits, 78 print placements and 93 online media placements for a total of 268 million media impressions.

***Get Smart About Insurance Week***

The NAIC continued the tradition and success of Get Smart About Insurance Week, a campaign that has involved more states each year, since its inception. In 2005, a record high of 48 states took part and implemented the consumer awareness program locally and on a statewide level. This program received 77 million media placements.

(3) Providing an enhanced Consumer Information Source (CIS) as a vehicle to ensure consumers are provided access to the critical information they need to make informed insurance decisions;

**Update:** The CIS allows consumers to view a variety of information about

insurance companies and to file a consumer complaint or a report of suspected fraud with a state insurance department. In 2005, the NAIC Web site was updated with Frequently Asked Questions and information regarding automobile insurance, life insurance, health insurance, and homeowners insurance. In addition, general educational information was added to aid consumers in identifying a company that might be servicing an existing life insurance policy. To address the special insurance needs of military personnel, the NAIC Web site was updated with insurance information specifically tailored to the needs of military personnel. Finally, the NAIC Web site contains consumer alerts on flood insurance, consumer preparedness for storms, Medicare Part D, annuities sales to seniors and identity theft insurance. Almost 219,000 users accessed the CIS Web site for 1,201,495 hits in 2005.

(4) Reviewing and assessing the adequacy of consumer remedies, including state arbitration laws and regulations, to ensure that appropriate forums are available for adjudication of disputes regarding interpretation of insurance policies or denials of claims; and

**Update:** The Consumer Protections Working Group reviewed a detailed summary of the testimony received during its two public hearings in 2003. Because of the extensive testimony and focus this issue received in 2003, the working group agreed the issues regarding state arbitration laws have been appropriately reviewed and that further discussion on this issue is unnecessary at this time. The Consumer Protections Working Group and the Consumer Liaison Committee continue to serve as the appropriate forums for discussing and assessing consumer remedies.

(5) Developing and reviewing consumer protection model laws and regulations to address consumer protection concerns.

**Update:** The Consumer Protections Working Group oversees this effort as necessary. For example, in 2005 the Working Group completed a study addressing the effectiveness of consumer disclosures that accompany insurance products. In 2006, the Working Group is identifying key elements that should be included in consumer disclosures.

## **II. Market Regulation**

*Market analysis to assess the quality of every insurer's conduct in the marketplace, uniformity, and interstate collaboration ... the goal of the market regulatory enhancements is to create a common set of standards for a uniform market regulatory oversight program that will include all states.*

The NAIC has established market analysis, market conduct, and interstate collaboration, as the three pillars on which the states' enhanced market regulatory system will rest. The NAIC recognizes that the marketplace is generally the best regulator of

insurance-related activity. However, there are instances where the market place does not properly respond to actions that are contrary to the best interests of its participants. A strong and reasonable market regulation program will discover these situations, thereby allowing regulators to respond and act appropriately to change company behavior.

The NAIC, in conjunction with the National Conference of Insurance Legislators, has helped develop the statutory framework set forth in NCOIL's *Market Conduct Surveillance Model Act*. The provisions of this model act are consistent with the NAIC's reforms of market analysis, uniform examination procedures and interstate collaboration. The NAIC will consider the adoption of the NCOIL model act as an NAIC model act at or prior to the NAIC 2004 Fall National Meeting.

### Market Analysis

While all states conduct market analysis in some form, it is imperative that each state have a formal and rigorous market analysis program that provides consistent and routine reports on general market problems and companies that may be operating outside general industry norms. To meet this goal:

(1) Each state will produce a standardized market regulatory profile for each "nationally significant" domestic company. The creation of these profiles will depend upon the collection of data by each state and each state's full participation in the NAIC's market information systems and new NAIC market analysis standards; and

**Update:** Based upon the information contained in the market information systems, the NAIC developed and implemented automated programs that generate standardized market regulatory profiles, which include the following 5-year information for each company: (1) state specific premium volume written, (2) modified financial summary profile, (3) complaints index report, (4) regulatory actions report, (5) special activities report, (6) closed complaints report, (7) exam tracking systems summary, (8) modified IRIS ratios, (9) defense costs against reserves information, and (10) Schedule T information.

In 2004, the NAIC created Level 1 Analysis, which consists of 16 uniform questions that are used by market analysts to evaluate individual companies without the need to contact them for additional information. In 2005, the Market Analysis Review System (MARS) application automated the Level 1 Analysis questions, and provided states with access to see analysis performed by other states. In addition, the NAIC developed a further level of analysis (Level 2 Analysis), which provides analysts with detailed recommendations concerning additional places to obtain crucial information on insurers, both inside and outside of the insurance industry. Towards the end of 2006, the NAIC will release a Company Listing Prioritization Tool, which will aid analysts in identifying outliers for various measures.

(2) Each state will adopt uniform market analysis standards and procedures and integrate

market analysis with other key market regulatory functions.

**Update:** The NAIC adopted the *Market Analysis Handbook* during the NAIC Winter National Meeting in December 2003. The guidelines in this handbook provide states with uniform market analysis, standards, and procedures, which will integrate market analysis with other regulatory functions. In 2005, the NAIC combined the NAIC's *Market Analysis Handbook* with the NAIC's *Market Conduct Examiners Handbook* to create a more integrated system of market regulation. The purpose of the new *Market Regulation Handbook* is to identify data and other information that is available to regulators, and provide guidance on how that data can be used to target the most significant market problems with the most efficient regulatory response

Finally, the market conduct annual statement pilot project became a permanent NAIC project in 2004 and continues to serve as a market analysis tool that eighteen participating states use to consistently review market activity of the entire insurance market place and identify companies whose practices are outside normal ranges. This tool is meeting its objective to help states more effectively target market regulatory efforts. With this success, the NAIC is now discussing the need for centralization of this data. That step will provide states even greater uniformity in comparing companies' performance, not only within their respective states, but also across the various states, thus providing enhanced opportunities for coordinating market regulatory efforts. As the statement continues to develop, states should be able to reduce the number of state-specific data calls, and move toward collecting data about claims, non-renewals and cancellations, replacement-related activity and complaints on an industry-wide basis.

### Market Conduct

States will also implement uniform market conduct examination procedures that leverage the use of automated examination techniques and uniform data calls; and

(1) States will implement uniform training and certification standards for all market regulatory personnel, especially market analysts and market conduct examiners; and

**Update:** A Market Analysis track was added to the NAIC's E-Regulation Conference held annually in May. Because the NAIC funds each state to send a market regulator to this conference, significant training on market analysis techniques is accomplished through this conference. In addition, the NAIC offers a classroom market analysis training every August and multiple on-line market analysis training sessions each year. Finally, market analysis techniques were incorporated into the NAIC's Staff Education Program and Integrating Market Regulation Programs.

In 2006, the NAIC is implementing its Insurance Regulator Professional

Designation Program to provide professional growth opportunities for state insurance regulators at all levels, and to promote the improvement of their knowledge, skills and best practices in the areas of consumer protection, insurer solvency and market conduct regulation. The designation program will provide insurance regulators with a NAIC-sponsored professional designation recognizing their expertise in insurance regulation, including market regulatory functions. Regulators who complete the NAIC Designation Program will be better equipped to provide high quality services and protections to insurance consumers.

(2) The NAIC's Market Analysis Working Group will provide the expertise and guidance to ensure the viability of uniform market regulatory oversight while preserving local control over matters that directly affect consumers within each state.

**Update:** The Market Analysis Working Group (MAWG) is already a functioning group using adopted protocols for the coordination and collaboration of market regulatory interventions. In 2005, the structure of MAWG was refined to become a higher level working group, analogous to the Financial Analysis Working Group. MAWG is now carrying out the following functions: (1) providing policy oversight and direction of the Collaborative Action Designees (CADs), collaborative analysis and collaborative regulatory interventions; (2) facilitating interstate communication and coordinating collaborative state regulatory actions, (3) recommending appropriate corrective actions and common solutions to multi-state problems, and (4) facilitating the use of a broader continuum of regulatory responses.

### Interstate Collaboration

The implementation of uniform standards and enhanced training and qualifications for market regulatory staff will create a regulatory system in which states have the confidence to rely on each other's regulatory efforts. This reliance will create a market regulatory system of greater domestic deference, thus allowing individual states to concentrate their market regulatory efforts on issues that are unique to their individual market place conditions.

**Update:** To help minimize variations in market conduct examinations so that states can rely on each other's findings, the NAIC adopted the *Market Conduct Uniform Examination Outline*. This outline, which was developed in 2002, focuses on the following four areas: (1) exam scheduling, (2) pre-exam planning, (3) core examination procedures and (4) exam reports. Forty-one states and the District of Columbia have self-certified compliance with all four uniform examination areas. To ensure public accountability, the NAIC adopted a process for resolving complaints about state non-compliance with Uniform Examination Procedures.

In 2005, the NAIC adopted uniform core competencies, which each state is encouraged to implement, for the following areas: (1) resources, (2) market

analysis, (3) continuum of regulatory responses and (4) interstate collaboration. In 2006, the NAIC Market Regulation and Consumer Affairs Committee will focus on consumer complaint handling procedures and enhancing the continuity of regulatory responses.

(1) Each state will monitor its “nationally significant” domestic companies on an on-going basis, including market analysis and appropriate follow up to address any identified problems;

**Update:** As referenced above, NAIC staff has provided company profiles to each state for initial baseline monitoring of company activity. The Market Analysis Handbook contains a spectrum of regulatory responses that might be initiated. For example, the handbook identifies responses that could range from consumer outreach and education to a desk audit to an on-site examination. The NAIC is also creating a list of regulatory actions that can be taken before an exam is called. Through the release of the Market Initiative Tracking System (MITS) in June of 2006, states now have the ability to track a broader continuum of market regulatory actions by entering these actions into a centralized, electronic database.

(2) Market conduct examinations of “nationally significant” companies performed by a non-domestic state will be eliminated unless there is a specific reason that requires a targeted market conduct examination; and

**Update:** States continue to move toward targeted examinations based upon market analysis, and are coordinating their efforts through MAWG. The NAIC Examination Tracking System shows that the number of comprehensive examinations conducted by non-domiciliary states has dropped almost in half in the last three years (from 427 in 2003 to 226 in 2005). At the same time, the number of desk examinations and targeted examinations has increased substantially (from 3 desk examinations in 2003 to 30 in 2005 and from 230 targeted examinations in 2003 to 346 in 2005.)

(3) The Market Analysis Working Group will assist states to identify market activities that have a national impact and provide guidance to ensure that appropriate regulatory action is being taken against insurance companies and producers and that general market issues are being adequately addressed. This peer review process will become a fundamental and essential part of the NAIC’s market regulatory system.

**Update:** The NAIC adopted Market Analysis Working Group (MAWG) procedures, which set forth guidelines for interstate collaboration and centralized coordination through MAWG. Through MAWG, states are made aware of analysis that points to potential market issues that could have a national impact. In addition, MAWG ensures that participants receive guidance and updates on on-going collaborative efforts. For example, MAWG oversaw the coordination of two recent settlements involving military personnel. Another key aspect is the development of a referral process for states to use when referring potentially

troubled companies to MAWG. This process is being successfully used by states. After referral, MAWG collaboratively decides on a recommended course of action.

### III. “Speed to Market” for Insurance Products

*Interstate collaboration and filing operational efficiency reforms ... state insurance commissioners will continue to improve the timeliness and quality of the reviews given to insurers’ filings of insurance products and their corresponding advertising and rating systems.*

Insurance regulators have embarked on an ambitious ‘Speed to Market Initiative’ that covers the following four main areas:

- (1) Integration of multi-state regulatory procedures with individual state regulatory requirements;
- (2) Encouraging states to adopt regulatory environments that place greater reliance on competition for commercial lines insurance products;
- (3) Full availability of a proactively evolving System for Electronic Rate and Form Filing (known as ‘SERFF’) that includes integration with operational efficiencies (best practices) developed for the achievement of speed to market goals; and
- (4) Development and implementation of an interstate compact to develop uniform national product standards and provide a central point of filing.

**Update:** To demonstrate that states are up to the challenge of providing speed to market for insurance products without sacrificing adequate consumer protection, a system of measurement is needed. NAIC has developed a set of uniform metrics that rely on the four operational efficiencies listed above. The Action Plan establishes 2008 as the goal for universal use; however, those working on the project believe most jurisdictions will implement filing metrics long before that date. SERFF has the necessary counting and reporting framework for both paper and electronic product filings, and has been implemented in all states.

#### Integration of Multi-state Regulatory Procedures

It is the goal that all state insurance departments will be using the following regulatory tools by December 31, 2008:

- (1) Review standards checklists for insurance companies to verify the filing requirements of a state before making a rate or policy form filing;

**Update:** The review standards checklists provide a means for insurance

companies to verify the filing requirements of a state before making a rate or policy form filing. The checklists contain information regarding specific state statutes, regulations, bulletins or case law that pertain to insurance issues. Currently, most states have developed and posted Review Standards Checklists to their state Web sites. All insurers may access the information for all states via the NAIC Web site.

States report that insurers taking advantage of this regulatory modernization have found the likelihood for successfully submitting a filing increases dramatically, vastly improving speed to market for insurers.

(2) Product requirements locator tool, which is already in use, will be available to assist insurers to locate the necessary requirements of the various states to use when developing their insurance products or programs for one or multiple-state markets;

**Update:** The product requirements locator tool is available to assist insurers in locating the necessary requirements of various states, which must be used when developing insurance products for one or more states. This program allows someone to query a searchable NAIC database by product (i.e. auto insurance), requirement (i.e. cancellation statute), or state to determine what is needed to develop an insurance product or make a filing in one specific state or many states, for one type of insurance or for many types of insurance. Thirty states have populated the property and casualty product requirements locator tool, and eight states are in the process of populating the tool. The life and health product requirements locator tool is being re-tooled for greater efficiency, and should be considered under development. The Action Plan establishes a goal of 2008 for universal use; however, those working on the project believe most jurisdictions will implement this long before that date.

(3) Uniform product coding matrices, already developed, will allow uniform product coding so that insurers across the country can code their policy filings using a set of universal codes without regard for where the filing is made; and

**Update:** Product coding matrices have been developed to provide a uniform product naming convention and corresponding product coding, so that insurers across the country can seamlessly communicate with insurance regulators regarding product filings. This key feature forms the basis for counting and measuring speed to market for insurance products. The Action Plan establishes a goal of 2008 for universal use. To date, 42 states have implemented the Uniform Product Coding matrix within SERFF and other states are in progress.

(4) Uniform transmittal documents to facilitate the submission of insurance products for regulatory review. The uniform transmittal document contains information that is necessary to track the filing through the review process and other necessary information. The goal is that all states adopt it for use on all filings and databases related to filings by December 31, 2003.

**Update:** Uniform transmittal documents were developed to permit uniform product coding, so that insurers across the country can code their policy filings using a set of universal codes without regard for where the filing is made. Instead of using the numerous codes developed historically by each individual state for its own lines of insurance, a set of common codes have been developed, using the annual statement blanks as a guideline, in an effort to eliminate the need for insurance companies to keep separate lists of codes for each state insurance department's lines of insurance. To date, 18 states have fully implemented use of the Uniform Transmittal Documents in SERFF, and others are in varying states of progress. The Action Plan establishes a goal of 2008 for universal use; however, those working on the project believe most jurisdictions will implement this long before that date.

It is important to note that the SERFF system is being modified to model the adopted uniform transmittal documents. When version 5 of SERFF is released later in 2006, the Uniform Transmittal Documents will effectively be in use by all states by virtue of the system design.

#### Adoption of Regulatory Frameworks that Place Greater Reliance on Competition

States will continue to ensure that the rates charged for products are actuarially sound and are not excessive, inadequate or unfairly discriminatory. To the extent feasible, for most markets, states recognize that competition can be an effective element of regulation. While recognizing that state regulation is best for insurance consumers, it also recognizes that state regulation must evolve as insurance markets change.

**Update:** The NAIC has adopted a model law that places greater reliance on competition for commercial lines insurance products. It is actively encouraging states to consider it; however, hard market conditions in the property and casualty insurance markets in many states make it difficult for state legislators to support a relaxing of rate regulatory requirements in a time when prices are dramatically rising for businesses seeking coverage. The NAIC's Personal Lines Market Regulatory Framework Working Group has discussed whether an appropriate regulatory framework can be agreed upon by NAIC members. Its work should be completed by the end of the year.

#### Full availability of a proactively evolving System for Electronic Rate and Form Filing (SERFF)

SERFF is a one-stop, single point of electronic filing system for insurance products. It is the goal of state insurance departments to be able to receive product filings through SERFF for all major lines and product types by December 2003. We will integrate all operational efficiencies and tools with the SERFF application in a manner consistent with our Speed to Market Initiatives and the recommendations of the NAIC's automation committee.

**Update:** SERFF is the ultimate answer to speed to market concerns of insurers. All 50 states, the District of Columbia, and Puerto Rico are SERFF-ready. Insurers that have chosen to use SERFF are experiencing an average 23-day turn-around time for the entire filing submission and review cycle. SERFF offers functionality that can enable all regulatory jurisdictions to accept electronic rate and form filings from insurance companies for all lines of insurance and product types. There are 51 jurisdictions accepting filings for the property/casualty line of business, 47 of which are accepting all major lines. There are 49 states accepting life filings, 43 of which are accepting all major lines, and 46 states are currently accepting health filings via SERFF, 38 of which are accepting all major lines. SERFF enables states to include all operational efficiency tools such as the review standards checklists, requirements included in the product requirements locator, and uniform transmittal documents to facilitate an efficient electronic filing process. There are over 1,800 insurance companies licensed to use SERFF and nearly 184,000 filings were submitted via SERFF thus in 2005. Thus far in 2006 (as of June 30), nearly 132,000 filings have been submitted, averaging over 1,000 per day. The NAIC estimates that the total universe in an average year is approximately 750,000 total filings.

#### Implementation of an Interstate Compact

Many products sold by life insurers have evolved to become investment-like products. Consequently, insurers increasingly face direct competition from products offered by depository institutions and securities firms. Because these competitors are able to sell their products nationally, often without any prior regulatory review, they are able to bring new products to market more quickly and without the expense of meeting different state requirements. Since policyholders may hold life insurance policies for many years, the increasing mobility in society means that states have many consumers who have purchased policies in other states. This reality raises questions about the logic of having different regulatory standards among the states.

The Interstate Insurance Product Regulation Compact will establish a mechanism for developing uniform national product standards for life insurance, annuities, disability income insurance, and long-term care insurance products. It will also create a single point to file products for regulatory review and approval. In the event of approval, an insurer would then be able to sell its products in multiple states without separate filings in each state. This will help form the basis for greater regulatory efficiencies while allowing state insurance regulators to continue providing a high degree of consumer protection for the insurance buying public.

State insurance regulators will work with state law and policymakers with the intent of having the Compact operational in at least 30 states or states representing 60 percent of the premium volume for life insurance, annuities, disability income insurance and long-term care insurance products entered into the Compact by year-end 2008.

**Update:** The NAIC adopted draft model legislation for the Interstate Insurance Product Regulation Compact (the “Compact”) in December 2002. Working with the National Conference of State Legislatures (NCSL), the National Conference of Insurance Legislators (NCOIL), the National Association of Attorneys General (NAAG), as well as the American Council of Life Insurers (ACLI) and consumers, the NAIC adopted technical amendments to the model legislation in July 2003. The NCSL and NCOIL endorsed the Compact in July 2003.

Beginning with Colorado in March 2004, the governors and legislatures of 27 states adopted the Compact legislation in 27 months. These 27 states include: Alaska, Colorado, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Minnesota, Nebraska, New Hampshire, North Carolina, Oklahoma, Ohio, Pennsylvania, Puerto Rico, Rhode Island, Texas, Utah, Vermont, Virginia, Washington, West Virginia and Wyoming. These 27 states represent approximately 42 percent of the premium volume, and the Compact legislation remains under consideration this year in the District of Columbia, Massachusetts, Michigan and New Jersey.

The Compact legislation set the high bar of 26 states or states representing 40 percent of the nation’s premium volume to become operational. After surpassing both triggers in the spring 2006, the Compact Commission held its inaugural meeting on June 13, 2006, in Washington, D.C., and initiated an action plan to make the Compact fully operational in early 2007. At the meeting, the Commission formed an Interim Management Committee, elected Pennsylvania Insurance Commissioner Diane Koken as the Interim Management Committee Chair, began the process to adopt Commission Bylaws by September 2006, and established an Interim Legislative Committee, consumer and industry advisory committees, and a number of operational committees to coordinate important elements of the start up process. These critical steps will prepare the Compact to be ready to begin receiving and making regulatory decision on product filings during the first part of 2007.

#### **IV. Producer Licensing Requirements**

*Uniformity of forms and process ... the NAIC’s broad, long-term goal is the implementation of a uniform, electronic licensing system for individuals and business entities that sell, solicit or negotiate insurance.*

The states have satisfied GLBA’s licensing reciprocity mandates and continue to view licensing reciprocity as an interim step. Our goal is uniformity.

Building upon the regulatory framework established by the NAIC in December of 2002, the NAIC’s members will continue the implementation of a uniform, electronic licensing system for individuals and business entities that sell, solicit or negotiate insurance. While preserving necessary consumer protections, the members of the NAIC will achieve this goal by focusing on the following five initiatives:

(1) Development of a single uniform application;

**Update:** The NAIC adopted a Uniform Producer Licensing Application that can be used for both resident and non-resident licensing. Every state accepts the Uniform Producer Licensing Applications for non-resident licensing. Thirty-four states accept the Uniform Producer Licensing Applications for resident licensing.

(2) Implementation of a process whereby applicants and producers are required to satisfy only their home state pre-licensing education and continuing education (CE) requirements;

**Update:** This system of CE reciprocity is already established and working. The NAIC continues to monitor this system to ensure CE reciprocity remains in place. In addition, states are streamlining the CE course approval process for CE providers. Forty-eight states and the District of Columbia have signed the Uniform Declaration Regarding CE Course Approval Guidelines.

(3) Consolidation of all limited lines licenses into either the core limited lines or the major lines;

**Update:** The NAIC has adopted definitions for the following core limited lines, and has included these limited lines as part of the uniform applications: Car Rental, Credit, Crop, Travel and Surety. Thirty states have adopted the NAIC definitions. The remaining states continue to pursue legislative changes to consolidate all their limited lines into these core categories. This process will continue through the 2006 state legislative sessions.

(4) Full implementation of an electronic filing/appointment system; and

**Update:** Forty states and the District of Columbia have implemented an electronic filing/appointment system. In addition, five states are processing electronic appointment renewals. Nine states do not require appointments. The NAIC and its affiliate, the National Insurance Producer Registry, continue to work with the remaining states to implement an electronic filing/appointment system.

(5) Implementation of an electronic fingerprint system. In accomplishing these goals, the NAIC recognizes the important and timely role that state and federal legislatures must play in enacting necessary legislation.

**Update:** The NAIC successfully implemented a fingerprint pilot program with the states of Alaska, California, Idaho and Pennsylvania submitting fingerprints to the NAIC's centralized fingerprint repository during 2005 and 2006. California and Pennsylvania have since suspended their submissions to the repository. In addition, the NAIC adopted an Authorization for Criminal History Record Check

Model Act, which provides states with the necessary language to obtain clear authority to collect fingerprints and obtain criminal history record information from the FBI. While states are currently able to obtain access to the FBI database through the adoption of proper legislative authority, Federal law prohibits states from sharing criminal history record information with each other. The NAIC continues to seek solutions to enhance states access to the FBI database and resolve the prohibition against the sharing of such information among the states.

### National Insurance Producer Registry (NIPR)

Through the efforts of NIPR, major steps have been taken to streamline the process of licensing non-residents and appointing producers, including the implementation of programs that allow electronic appointments and terminations. Other NIPR developments helping to facilitate the producer licensing and appointment process include:

**Update:** There are 41 states and the District of Columbia accepting electronic non-resident licensing applications through NIPR with the goal of all states and territories by December 31, 2006. There are seventeen<sup>21</sup> states on electronic non-resident renewals. In addition, three states are processing electronic resident licensing applications, and five states are processing electronic resident renewals.

(1) Use of a National Producer Number (NPN), which is designed to eliminate sole dependence on using social security numbers as a unique identifier;

**Update:** There are 42 states and the District of Columbia currently using the NPN as the unique identifier on the database.

(2) Acceptance of electronic appointments and terminations or registrations from insurers;

**Update:** There are 40 states and the District of Columbia accepting electronic appointments and terminations through NIPR's Gateway. Nine states do not require appointments. In addition, five states are processing electronic appointment renewals. The NAIC and its affiliate, the National Insurance Producer Registry, continue to work with the remaining states to implement an electronic filing/appointment system.

(3) Use of Electronic Funds Transfer for payment of fees. The goal is to have full state implementation of the services provided by NIPR by December of 2006.

**Update:** There are 32 states using Electronic Funds Transfer for payment of fees.

## **V. Insurance Company Licensing**

*Standardized filing and baseline review procedures ... the NAIC will continue to work to*

*make the insurance company licensing process for expanding licensure as uniform as appropriate to support a competitive insurance market.*

Except under certain limited circumstances, insurance companies must obtain a license from each state in which they plan to conduct business. In considering licensure, state regulators typically assess the fitness and competency of owners, boards of directors, and executive management, in addition to the business plan, capitalization, lines of business, market conduct, etc. The filing requirements for licensure vary from state to state, and companies wishing to be licensed in a number of states have to determine and comply with each state's requirements. In the past three years, the NAIC has developed, and all states have agreed to participate in, a Uniform Certificate of Authority Application process that provides significant standardization to the filing requirements that non-domestic states use in considering the licensure of an insurance company.

**Update:** Presently, all 50 states and the District of Columbia accept the NAIC's Uniform Certificate of Authority Application (UCAA) from insurers desiring to do business in their state. The UCAA has been under development for sometime and work continues to eliminate a few remaining state-specific filing requirements. However, many of these additional requirements result from state statute or regulation in a small number of states.

In its commitment to upgrade and improve the state-based system of insurance regulation in the area of company licensing, the NAIC will:

(1) Maximize the use of technology and pre-population of data needed for the review of application filings;

**Update:** NAIC Information Systems staff, with assistance from an outside consultant, has completed a comprehensive business analysis of the UCAA system. As a result, numerous modifications to improve the application's automation and user-friendliness were recommended and approved by the National Treatment and Coordination Working Group. Two of the more significant recommendations were: convert the system to a data input driven system versus a form-based system, and modify the applications to interface with the Financial Data Repository (FDR) to extract all possible application elements in order to complete the UCAA more efficiently. These changes were implemented for both the expansion and corporate amendment applications, and are currently in production in the electronic UCAA tool.

(2) Develop a Company Licensing Model Act to establish standardized filing requirements for a license application and to establish uniform licensing standards; and

**Update:** The National Treatment and Coordination Working Group is in the process of developing this model act. The Working Group reviewed areas of the company licensing process that cause the most problems and additional work for

insurer applicants due to non-uniformity amongst the states. As a result of that review, the Working Group dedicated itself to first addressing uniformity in the definitions of lines of business and in capital and surplus requirements, two very complicated areas with wide-ranging implications to various regulatory processes. The Working Group is currently considering two primary proposals regarding definitions of lines of business: using the lines of business from the statutory financial statement or using broader categories of business that incorporate multiple lines of business from the statutory financial statement within each category. The Working Group is also discussing ways to synchronize these definitions with those used in the product licensing area, to achieve even greater uniformity and synergy.

(3) Develop baseline licensing review procedures that ensure a fair and consistent approach to admitting insurers to the market place and that provide for appropriate reliance on the work performed by the domestic state in licensing and subsequently monitoring an insurer's business activity.

**Update:** Through the efforts of a consultant and the National Treatment and Coordination Working Group, the Company Licensing Best Practices Handbook was completed and adopted by the NAIC. This publication provides a wealth of best practices for the entire company licensing review process that occurs in each state. The most significant areas addressed in the publication are the use of a prioritization system for allocating review resources to various applications, communication between the domiciliary and expansion states, and review considerations that should be stressed for the various application types. These best practices establish a consistent approach for reviewing company licensing applications, and encourage efficiency in review procedures to help ensure timely company licensing decisions occur.

As company licensing is adjunct to a solvency assessment, the members of the NAIC will consider expanding the Financial Regulation and Accreditation Standards Program to incorporate the licensing and review requirements as appropriate. This action will assure appropriate uniformity in company licensing and facilitate reciprocity among the states. As much of this work is well underway, the NAIC will implement the technology and uniform review initiatives, and draft the model act by December 2004.

**Update:** Once the Company Licensing Model Act has been completed and the NAIC sees states conforming, the model and Company Licensing Best Practices Handbook will be presented to the Financial Regulation Standards and Accreditation (F) Committee for consideration.

## **VI. Solvency Regulation**

*Deference to lead states ... state insurance regulators have recognized a need to more fully coordinate their regulatory efforts to share information proactively, maximize technological tools, and realize efficiencies in the conduct of solvency monitoring.*

## Deference to “Lead States”

Relying on the concept of “lead state” and recognizing insurance companies by group, when appropriate, the NAIC will implement procedures for the relevant domestic states of affiliated insurers to plan, conduct and report on each insurer’s financial condition.

**Update:** The NAIC’s Insurance Holding Company Working Group adopted the Examination Coordination Initiative during the 2005 Spring National Meeting. This initiative requires additional actions by the designated ‘lead states’ to proactively improve examination coordination, and requires communicating those coordination efforts to the NAIC on select groups.

In accordance with the Examination Coordination Initiative, each group has been classified into one of three categories to represent the coordination efforts expected for their upcoming exams. Within two categories, (Currently Coordinated Exams and Focused Coordination Efforts) states are required to coordinate exams in accordance with the lead states designated examination schedule. If coordination cannot be achieved, the non-lead must provide notification to the NAIC on the elements that hindered exam coordination and the efforts that will be taken to ensure coordination during the lead state’s next planned examination date. For examinations within the third category (Other Exams to Coordinate), all states are requested to adhere to the lead state’s planned examination schedule. However, as these groups are comprised of several companies domiciled in multiple states with various examination schedules, further time will be needed for complete coordination. As such, no notification requirement has been established for the groups within these categories.

In order to assist states in complying with the Examination Coordination Initiative, a new application is being developed within the Exam Tracking System (Examination Calendar) that will serve as a forum to collect information and notify other states about the lead state’s planned examination schedules, and also to provide reports on the groups/companies that have been successful in coordinating with the lead state. In addition, this application will provide a forum for non-lead states to communicate regarding problems preventing exam coordination, as well as their efforts toward future coordination. This Examination Calendar application is expected to be available in 2006.

Additionally, in order to ensure that state coordination efforts are improving communication and examination efficiencies, the lead state and non-lead states will be requested to document in the examination work papers how they communicated and coordinated their efforts to improve examination efficiencies.

## Financial Examinations

In regard to financial examinations, many insurers are members of a group or holding company system that has multiple insurers and that may have multiple states of domicile. These affiliated insurers often share common management along with claims, policy and accounting systems, and participate in the same reinsurance arrangements. Requirements for coordination of financial examinations will be set forth in the NAIC *Financial Condition Examiners Handbook*. To allow time for the states to adjust examination schedules and resources, such coordination will be phased in over the next five years, with the goal of full adherence to the Handbook's guidance for examinations conducted as of December 2008.

**Update:** The Financial Examiners Handbook (E) Technical Group revised the NAIC *Financial Condition Examiners Handbook* in the summer of 2005. The revisions provide guidance on the responsibilities common to the role of the lead state and non-lead states. These revisions also include the key elements of the Examination Coordination Initiative and the responsibilities of the states. As this Handbook is an NAIC Accreditation Standard, the Financial Regulation Standards and Accreditation (F) Committee will consider these changes in 2006.

In addition to the Examiners Handbook, the Financial Analysis Handbooks have also been revised. These revisions stress the need to maintain confidentiality of information, and refer to current confidentiality arrangements in place between each state and federal banking agencies, state banking supervisors, and other functional regulators. Part of the lead state's role is to perform a review of the consolidated group, including analysis of the group's financial results and overall business strategy.

As previously mentioned, there are proposals to provide a new application so that the Exam Tracking System can serve as a forum to collect planned examination schedules and report on the groups/companies that are planned to be examined in accordance with 'as of' dates in order to improve coordination of exams. This 'examination calendar' became available in June 2006.

### Insolvency Model Act

The NAIC will promote uniformity by reviewing the Insolvency Model Act, maximizing use of technology, and developing procedures for state coordination of imminent insolvencies and guaranty fund coverage. The Financial Regulation Standards and Accreditation (F) Committee will consider the requirements no later than January 1, 2008.

**Update:** In 2005, the NAIC adopted the Insurer Receivership Model Act (IRMA) as the foundation of modernization in the receivership area. IRMA is intended to comprehensively address the administration of an impaired or insolvent insurer from conservation and rehabilitation to liquidation and winding up of an estate. The Financial Condition (E) Committee and its working groups are developing and considering changes to the Property & Casualty Insurance Guaranty

Association Model Act and model language addressing the administration of high deductible policies. It is also developing a recommendation for a proposed revision to the accreditation standard addressing receiverships. The Financial Regulation and Standards Accreditation (F) Committee is expected to address this issue in 2007. The NAIC will also be working on a revision to the Receivers' Handbook to incorporate the modernization provisions of IRMA.

The NAIC continues its efforts to make improvements in the automation of information and processes in the receivership area. The Global Receivership Information Database continues to be enhanced and populated through the efforts of state insurance departments. The NAIC has developed a Uniform Receivership Internet Template to allow states to present minimum standard information to consumers in a manner that is uniform from state to state. The NAIC is also developing a system for use by states in the administration of proof-of-claims.

## **VII. Changes of Insurance Company's Control**

*Streamline the process for approval of mergers and other changes of control.*

### Coordination Using "Lead States"

Regulatory consideration of the acquisition of control or merger of a domestic insurer is an important process for guarding the solvency of insurers and protecting current and future policyholders. At the same time, NAIC members realize that these transactions are time sensitive and the process can be daunting when approvals must be obtained in multiple states. As a result, states will enhance their coordination and communication on acquisitions or mergers of insurers domiciled in multiple states by designing a system through which these multi-state reviews are coordinated by one or more "lead" states.

**Update:** As noted above (Section VI), regulators are in process of implementing the NAIC lead state framework.

### Form A Database

Insurers are required to file for approval on documents referred to as Form A filings when mergers or acquisitions are being considered. The NAIC has created a database to track these filings so that this information is available to all state regulators. Usage will be monitored to ensure that all states use the application to improve coordination of Form A reviews and to alert state regulators to problem filings. The Form A Review Guide and Form A Review Checklist, which contain procedures to be utilized when reviewing a Form A Filing, will be enhanced and incorporated into the existing NAIC *Financial Analysis Handbook* as a supplement. NAIC members will work on amending the Accreditation Program to include the Form A requirements to further promote stronger solvency standards and state coordination, as well as an efficient process for our insurers. The Form A requirements will be targeted for incorporation into the Accreditation Program no later than January 1, 2007.

**Update:** The NAIC's Form A Database, initially released in March 2002, was designed to alert states to Form A filings from the same or similar individuals or entities in other states. Efforts continue to educate and inform regulators regarding the use and benefits of this database system. Benefits occur largely in the area of coordinating on common Form A filings and identifying acquiring parties who are suspicious. A formal training program was developed and offered to states throughout 2004 and 2005.

The Insurance Holding Company Working Group adopted a revised Holding Company Analysis Framework during the 2005 Spring National Meeting. The revised Framework was referred to the Financial Analysis Handbook Working Group, which developed a Holding Company Analysis checklist and adopted it in October of 2005. The primary objective of this Holding Company Analysis Checklist is (A) to gain an overall understanding of the holding company structure or insurance group and how the insurance subsidiary fits into the organization, and (B) to assess the potential risks the holding company or other affiliates pose to the insurance subsidiary.

#### Integrate Policy Form Approval and Producer Licensing into the Merger and Acquisition Process

The NAIC members will develop procedures for the seamless transfer of policy form approvals and producer appointments to take place contemporaneously with the approval of mergers or acquisitions where appropriate. We will begin developing and testing these procedures through pilot programs in 2003 and fully incorporate them system wide by 2006.

**Update:** With regard to integrating policy form approval and producer licensing into the M&A process, two pilot projects have been completed. However, further work to develop a procedural manual has not been completed because the National Treatment & Coordination Working Group is focused on modernizing the company licensing process.

**ATTACHMENT B**

**State Insurance Revenues - 2004**

<b>State</b>	<b>Calendar/ Fiscal Year</b>	<b>Total Revenues</b>	<b>Total Taxes</b>	<b>Fees and Assessments</b>	<b>Fines and Penalties</b>	<b>Other Revenue</b>
Alabama	Fiscal	\$254,943,321	\$240,334,763	\$14,541,721	\$66,837	\$0
Alaska	Fiscal	\$49,349,460	\$43,522,983	\$5,414,361	\$319,403	\$92,713
Arizona	Fiscal	\$316,490,500	\$308,792,800	\$7,102,300	\$532,500	\$62,900
Arkansas	Fiscal	\$175,289,581	\$149,507,860	\$17,284,546	-	\$8,497,175
California	Fiscal	\$2,140,183,000	\$1,949,975,000	\$179,748,000	\$5,859,000	\$4,601,000
Colorado	Fiscal	\$184,100,927	\$177,780,767	\$5,603,276	\$716,884	\$0
Connecticut	Fiscal	\$149,204,289	\$88,552,547	\$22,106,525	\$1,292,689	\$37,252,528
Delaware	Fiscal	\$82,199,023	\$79,169,649	\$2,689,234	\$332,669	\$7,471
Dist. of Columbia	Fiscal	\$61,515,071	\$47,452,132	\$6,370,587	\$2,968,491	\$4,723,861
Florida	Fiscal	\$708,779,716	\$703,496,172	\$4,305,757	\$977,787	\$0
Georgia	Fiscal	\$666,159,494	\$317,433,104	\$327,409,091	\$986,250	\$20,331,049
Hawaii	Fiscal	\$84,978,165	\$78,142,253	\$6,530,285	\$90,175	\$215,452
Idaho	Fiscal	\$85,220,300	\$78,391,700	\$6,234,100	\$162,000	\$432,500
Illinois	Fiscal	\$468,610,399	\$385,068,337	\$57,492,267	\$2,755,522	\$23,294,273
Indiana	Fiscal	\$183,455,189	\$178,303,092	\$3,725,532	\$350,285	\$1,076,280
Iowa	Fiscal	\$153,900,864	\$138,241,481	\$11,695,587	\$3,963,796	\$0
Kansas	Fiscal	\$133,028,528	\$106,864,427	\$20,592,137	\$81,157	\$5,490,807
Kentucky	Fiscal	\$247,118,520	\$187,637,065	\$29,372,520	\$918,558	\$29,190,377
Louisiana	Fiscal	\$273,543,079	\$200,345,177	\$72,271,861	\$627,644	\$298,397
Maine	Fiscal	\$88,211,519	\$75,858,027	\$11,014,760	\$1,338,732	\$0
Maryland	Fiscal	\$284,853,917	\$260,013,035	\$23,760,721	\$1,080,161	\$0
Massachusetts	Fiscal	\$434,708,114	\$342,663,000	\$63,781,253	\$815,175	\$27,448,686
Michigan	Fiscal	\$29,304,718	\$13,931,652	\$15,002,739	\$370,327	\$0
Minnesota	Fiscal	\$289,201,213	\$273,639,673	\$15,068,265	\$493,275	\$0
Mississippi	Fiscal	\$162,751,578	\$156,353,481	\$6,074,605	\$172,176	\$151,316
Missouri	Calendar	\$269,648,309	\$251,305,851	\$16,985,167	\$1,343,656	\$13,635
Montana	Fiscal	\$61,294,627	\$55,326,963	\$5,737,279	\$215,976	\$14,409
Nebraska	Fiscal	\$89,878,786	\$79,279,739	\$9,908,714	\$147,036	\$543,297
Nevada	Fiscal	\$207,777,402	\$194,457,058	\$11,508,027	\$627,649	\$1,184,668
New Hampshire	Fiscal	\$86,245,973	\$79,450,354	\$6,676,280	\$119,339	\$0
New Jersey	Fiscal	\$498,556,000	\$417,873,000	\$77,987,899	\$2,695,101	\$0
New Mexico	Fiscal	\$154,778,270	\$145,178,196	\$6,961,265	\$325,336	\$2,313,473
New York	Fiscal	\$1,240,719,494	\$1,019,000,820	\$216,607,537	\$5,111,137	\$0
North Carolina	Fiscal	\$481,491,129	\$448,558,368	\$30,170,191	\$2,762,570	\$0
North Dakota	Fiscal	\$40,199,894	\$30,928,373	\$3,924,347	\$29,689	\$5,317,485
Ohio	Calendar	\$507,173,780	\$447,500,000	\$58,919,631	\$299,124	\$455,025
Oklahoma	Fiscal	\$193,183,568	\$175,334,804	\$17,339,050	\$369,352	\$140,362
Oregon	Calendar	\$71,770,493	\$61,945,444	\$7,919,759	\$357,733	\$1,547,557
Pennsylvania	Fiscal	\$433,590,500	\$390,768,000	\$40,446,000	\$2,282,000	\$94,500
Puerto Rico	Fiscal	\$35,016,000	\$27,154,000	\$6,670,000	\$602,000	\$590,000
Rhode Island	Fiscal	\$70,243,912	\$43,349,584	\$8,015,368	\$120,991	\$18,757,969
South Carolina	Fiscal	\$149,677,404	\$136,730,848	\$12,673,825	\$272,731	\$0
South Dakota	Calendar	\$64,065,578	\$53,338,852	\$10,592,037	\$114,028	\$20,661
Tennessee	Fiscal	\$397,501,787	\$359,013,756	\$26,552,379	\$875,964	\$11,059,688
Texas	Fiscal	\$1,258,533,257	\$1,097,833,808	\$156,713,797	\$2,482,457	\$1,503,195
Utah	Fiscal	\$130,927,954	\$123,577,128	\$6,585,101	\$374,447	\$391,278
Vermont	Fiscal	\$55,512,593	\$49,016,995	\$5,686,395	\$0	\$809,203
Virginia	Fiscal	\$402,734,072	\$351,613,236	\$49,702,881	\$1,201,885	\$216,070
Washington	Fiscal	\$373,932,843	\$345,614,001	\$26,093,432	\$1,817,718	\$407,692
West Virginia	Fiscal	\$146,367,358	\$139,646,087	\$6,229,681	\$491,590	\$0
Wisconsin	Fiscal	\$158,338,000	\$138,388,000	\$19,234,000	\$291,000	\$425,000
Wyoming	Calendar	\$22,346,824	\$16,044,781	\$1,893,500	\$62,779	\$4,345,764
<b>Total</b>		<b>\$15,308,606,292</b>	<b>\$13,259,698,223</b>	<b>\$1,782,925,572</b>	<b>\$52,664,781</b>	<b>\$213,317,716</b>
<b>Percent of Total</b>			<b>86.62%</b>	<b>11.65%</b>	<b>0.34%</b>	<b>1.39%</b>

## Consumer Complaints/Inquiries - 2004

State	Consumer Complaints	Consumer Inquiries
Alabama	8,011	-
Alaska	459	7,600
Arizona	2,984	64,541
Arkansas	3,320	38,960
California	39,737	285,562
Colorado	5,206	43,268
Connecticut	11,004	25,464
Delaware	7,181	3,867
Dist. of Columbia	967	7,600
Florida	94,298	483,823
Georgia	17,387	66,618
Hawaii	661	8,000
Idaho	1,284	10,507
Illinois	14,180	146,268
Indiana	6,369	15,208
Iowa	2,431	16,220
Kansas	5,315	7,516
Kentucky	5,783	398
Louisiana	3,807	125,840
Maine	1,518	15,901
Maryland	23,272	1,181
Massachusetts	2,078	34,459
Michigan	4,771	7,055
Minnesota	3,051	1,329
Mississippi	15,000	-
Missouri	4,838	39,979
Montana	1,738	821
Nebraska	2,122	-
Nevada	2,303	42,598
New Hampshire	1,510	9,970
New Jersey	11,406	57,039
New Mexico	2,464	-
New York	55,097	1,726
North Carolina	11,910	76,933
North Dakota	311	9,669
Ohio	7,917	112,202
Oklahoma	5,744	40,588
Oregon	4,495	15,431
Pennsylvania	21,637	128,129
Puerto Rico	1,004	13,072
Rhode Island	705	-
South Carolina	3,124	60,523
South Dakota	1,186	38
Tennessee	549	-
Texas	30,866	984,642
Utah	674	46,403
Vermont	779	349
Virginia	5,896	1,349
Washington	5,874	98,464
West Virginia	2,099	26,406
Wisconsin	7,938	35,000
Wyoming	586	-
<b>Total</b>	<b>474,846</b>	<b>3,218,516</b>

## Number of Insurers - 2004

State	Domestic Insurers	Licensed Foreign Insurers	Chartered Self-Insured Groups or Pools	Chartered Purchasing Groups
Alabama	52	1,348	-	7
Alaska	9	753	-	2
Arizona	355	1,519	19	21
Arkansas	70	1,457	0	3
California	190	1,367	-	60
Colorado	66	1,405	12	33
Connecticut	111	1,130	0	18
Delaware	135	1,321	-	485
Dist. of Columbia	61	1,349	0	233
Florida	587	1,610	155	6
Georgia	111	1,486	52	0
Hawaii	172	971	2	6
Idaho	22	1,400	0	2
Illinois	389	1,468	10	120
Indiana	175	1,640	0	6
Iowa	207	1,401	2	13
Kansas	52	1,597	18	260
Kentucky	55	1,500	315	31
Louisiana	135	1,452	25	183
Maine	31	1,038	20	2
Maryland	79	1,410	6	401
Massachusetts	91	1,102	25	10
Michigan	142	1,407	13	0
Minnesota	179	1,313	22	656
Mississippi	52	1,442	0	2
Missouri	225	1,395	0	0
Montana	35	1,380	0	4
Nebraska	109	1,459	5	3
Nevada	80	1,725	13	169
New Hampshire	40	932	0	5
New Jersey	109	1,195	48	27
New Mexico	18	1,418	4	0
New York	617	963	4	415
North Carolina	88	1,286	11	3
North Dakota	41	1,400	4	4
Ohio	266	1,519	-	317
Oklahoma	99	1,591	10	2
Oregon	143	1,571	0	5
Pennsylvania	304	1,483	22	18
Puerto Rico	53	295	-	-
Rhode Island	33	1,159	2	24
South Carolina	276	1,488	0	9
South Dakota	46	1,380	-	-
Tennessee	74	1,475	7	5
Texas	475	1,546	0	70
Utah	41	1,431	1	12
Vermont	546	903	3	3
Virginia	75	1,443	18	8
Washington	58	1,373	0	7
West Virginia	23	1,367	-	2
Wisconsin	374	1,552	0	81
Wyoming	5	1,392	0	1
<b>Total</b>	<b>7,789</b>	<b>-</b>	<b>848</b>	<b>3,754</b>
<b>Average</b>	<b>142</b>	<b>1,277</b>	<b>19</b>	<b>75</b>

**ATTACHMENT E**

**Licensed Producers - 2004**

State	Individuals			Business Entities		
	Total	Resident	Non-Resident	Total	Resident	Non-Resident
Alabama	65,029	30,016	35,013	3,858	2,482	1,376
Alaska	18,425	3,254	15,171	3,534	815	2,719
Arizona	93,722	36,528	57,194	7,316	2,569	4,747
Arkansas	43,585	15,652	27,933	4,128	1,739	2,389
California	267,314	200,184	67,130	14,526	9,730	4,796
Colorado	79,925	34,194	45,731	7,914	3,291	4,623
Connecticut	73,182	23,124	50,058	9,072	2,819	6,253
Delaware	41,848	4,927	36,921	4,621	817	3,804
Dist. of Columbia	27,529	727	26,802	3,008	86	2,922
Florida	353,444	219,135	134,309	25,211	24,451	760
Georgia	102,873	52,908	49,965	9,563	6,430	3,133
Hawaii	18,278	6,102	12,176	1,265	412	853
Idaho	36,796	7,894	28,902	4,402	799	3,603
Illinois	144,532	79,713	64,819	12,375	-	-
Indiana	112,531	55,393	57,138	9,169	3,715	5,454
Iowa	61,260	25,490	35,770	1,945	244	1,701
Kansas	67,788	22,721	45,067	8,253	3,285	4,968
Kentucky	82,738	25,314	57,424	5,243	2,176	3,067
Louisiana	61,190	30,275	30,915	5,581	2,724	2,857
Maine	44,932	7,153	37,779	5,181	949	4,232
Maryland	85,608	32,363	53,245	7,876	2,973	4,903
Massachusetts	65,635	32,457	33,178	3,902	2,486	1,416
Michigan	123,235	50,986	72,249	13,429	7,016	6,413
Minnesota	84,814	43,792	41,022	7,226	-	-
Mississippi	74,356	33,863	40,493	5,244	-	-
Missouri	95,670	44,548	51,122	12,067	5,905	6,162
Montana	30,423	6,711	23,712	6,641	2,325	4,316
Nebraska	45,262	16,386	28,876	6,957	2,268	4,689
Nevada	58,180	16,339	41,841	7,348	2,741	4,607
New Hampshire	32,921	5,764	27,157	3,778	706	3,072
New Jersey	112,386	53,367	59,019	10,883	5,043	5,840
New Mexico	57,327	15,806	41,521	3,044	686	2,358
New York	193,318	128,567	64,751	21,394	17,114	4,280
North Carolina	124,297	68,834	55,463	6,160	3,486	2,674
North Dakota	30,913	6,103	24,810	2,410	602	1,808
Ohio	201,213	86,519	114,694	14,403	9,220	5,183
Oklahoma	55,111	19,084	36,027	5,648	1,649	3,999
Oregon	57,724	19,114	38,610	7,647	2,780	4,867
Pennsylvania	138,545	67,434	71,111	12,672	8,952	3,720
Puerto Rico	5,366	5,366	0	240	189	51
Rhode Island	24,900	4,310	20,590	4,050	505	3,545
South Carolina	72,322	29,557	42,765	5,519	2,749	2,770
South Dakota	34,201	8,425	25,776	2,578	-	-
Tennessee	98,471	55,596	42,875	2,171	897	1,274
Texas	200,204	135,241	64,963	10,536	7,949	2,587
Utah	48,631	14,244	34,387	5,242	1,940	3,302
Vermont	29,875	3,142	26,733	782	51	731
Virginia	113,409	50,351	63,058	11,301	5,063	6,238
Washington	72,389	33,312	39,077	13,670	7,539	6,131
West Virginia	38,724	9,806	28,918	3,036	706	2,330
Wisconsin	88,203	40,910	47,293	2,277	560	1,717
Wyoming	23,783	2,599	21,184	4,355	516	3,839
<b>Total</b>	<b>4,314,337</b>	<b>2,021,600</b>	<b>2,292,737</b>	<b>370,651</b>	<b>174,149</b>	<b>169,079</b>