



INSURANCE MARKETPLACE
STANDARDS ASSOCIATION

Market Conduct Standards & the Life Insurance Industry

NOLGHA Annual Meeting
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www.imsaethics.org

valuable

confident

fair

strength

relevancy

Credibility

T R U S T

honesty

compliance

ethical standards

Integrity

authoritative

substantive

living up to promises



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**Donaldson laments
US chiefs' lack of
ethical leadership**

The New York Times

**Insurance Investigation
Widens to Include Costs**

THE WALL STREET JOURNAL.

**Spitzer Investigation May Be
Just the Start For Insurance Industry**

Trust and Confidence



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- **Selling trust -- Consumers need to know the life insurance company they choose will be there to deliver on promises.**
- **Financial stability.**
 - **Reputational risk.**
- **Commitment to ethical business practices benefits all stakeholders.**

The Challenge: Regulation & the Marketplace



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- **Promote healthy and competitive Marketplace.**
- **Meet the needs of consumers, companies and producers.**
- **Minimize impediments and costs to business and consumers.**
- **Create efficiencies.**

Market Conduct– Oversight?



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2003 U.S. GAO study of state regulation and market conduct

- **Little consistency.**
- **Duplication of work, little coordination.**
- **Inconsistent consumer protections.**
- **Unnecessary costs for companies.**

Where the Action Is . . .



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- **NAIC/NCOIL Model Market Conduct Act.**
- **NAIC Framework for Regulatory Reform.**
- **U.S. House Financial Services Committee – “SMART” Act.**
- **U.S. Senate Banking Committee – Optional Federal Charter?**
- **Military Sales.**

NAIC/NCOIL Model Act



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Something for everybody – enough for anybody?

Market Analysis Procedures

- **Actions a state market analyst may consider include:**
 - **Review of insurer self-evaluation and compliance programs, including membership in a best practices organization.**
 - **Drafting note: A best practices organization has as its central mission the promotion of high ethical standards in the marketplace.**

Fines and Penalties

- **The Commissioner shall take into consideration actions taken by insurers that maintain membership in a best practices organization and self-assess, self-report intermediate problems...to mitigate fines and penalties.**
- **Good public policy.**

NAIC – State Regulation Shift Toward Market Analysis



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**NAIC's elements for more effective, efficient
market regulatory system**

- 1. Centralized data collection**
- 2. Structured and uniform market analysis**
- 3. Uniform exam procedures**
- 4. Interstate collaboration**
- 5. Broad regulatory responses to address
general practices with specifics for
targeted exams.**

NAIC Framework –March 2004



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“One issue not addressed in the model act is routine oversight to determine whether companies have effective compliance systems in place. To accomplish this purpose, the NAIC is developing a nationally-coordinated system for periodic review of company compliance policies and procedures. This responsibility will be shared between the domestic regulator and other states having significant premium volume or other special interest, and will include appropriate coordination with Best Practices Organizations. . . .”

NAIC Market Analysis Guide – 2004

- **Encourages regulator use of company self-audits and self-evaluative activities.**
- **Specifically references IMSA.**

IMSA's Mission



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- **To promote high ethical standards in the sale of individual life insurance, annuities and long-term care insurance products by its members.**
- **An independent non-profit organization developed by the life insurance industry.**
- **Established in 1996.**
- **Over 160 qualified companies representing nearly 60% overall market share.**

IMSA Principles of Ethical Market Conduct



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- 1. High standards of honesty and fairness.**
- 2. Competent and customer-focused sales and service.**
- 3. Active and fair competition.**
- 4. Advertising which is clear as to purpose & honest and fair in content.**
- 5. Fair and expeditious customer complaint & dispute handling.**
- 6. System of supervision and monitoring.**

IMSA Qualification Process



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Step 1: Comprehensive self-assessment.

Company reviews and documents its own practices against IMSA's rigorous standards.

Step 2: Independent Assessment.

The IMSA-Qualified Independent Assessor examines company compliance with IMSA standards through testing, sampling and analysis. Company must meet a minimum 144 factors.

IMSA Qualification Period



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- **Qualification period is three years.**
- **Company must undergo assessment every three years and document compliance throughout prior qualification period.**

IMSA Standards



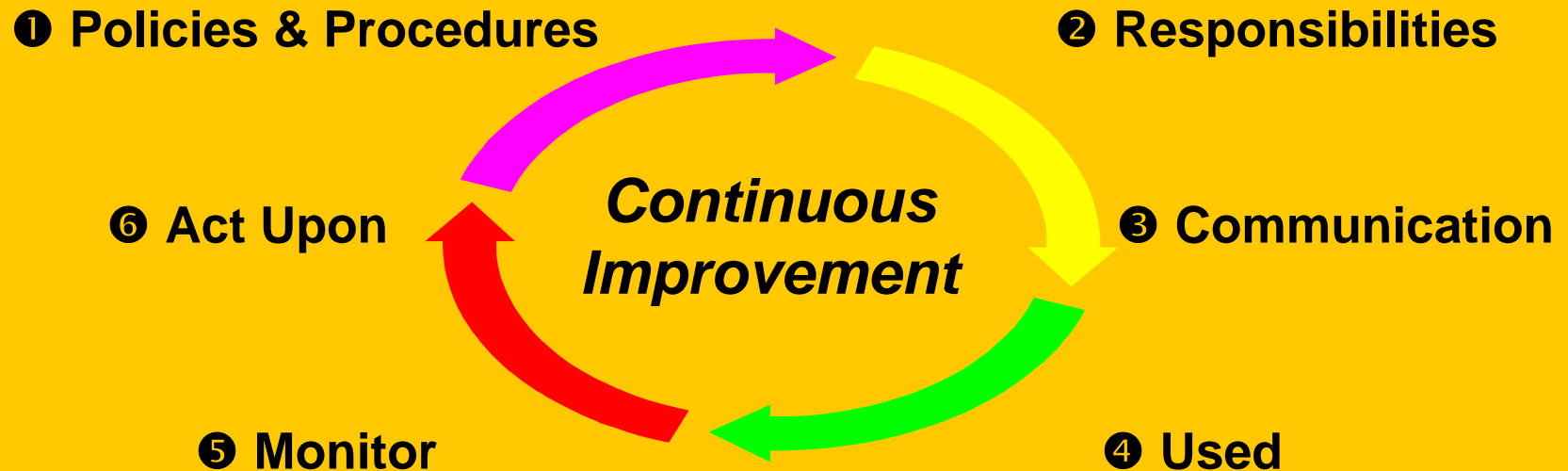
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- **Require companies to maintain policies and procedures applicable to key subject matters.**
- **Assessment must review the following subject matters:**
 - **Insurable Needs/Fact Finding Tools/Financial Objectives;**
 - **Compliance with Laws and Regulations;**
 - **Licensing/Appointment;**
 - **Training – Laws and Regulations/Policies and Procedures/Principles and Code/Covered Products/Operations/Periodic Continuing Education;**
 - **Replacements;**
 - **Advertising and Sales Materials/Illustrations;**
 - **Complaint/Disputes;**
 - **Compliance with Principles and Code; and**
 - **Supervision and Monitoring.**

Continuous Improvement



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Making a Difference in the Marketplace



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Adherence to IMSA standards illustrates to consumers that my company is operating in a way that will benefit them.

An Ohio agent

IMSA helps promote professionalism in our industry.

An agent from Minnesota

I would like all companies I deal with to be associated with IMSA.

A Maryland agent

2004 NAIFA Convention Attendees

Regulatory Recognition



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A growing number of states recognize the value of IMSA.

- **Standardized assessments and information reporting format.**
- **States can use to refine and limit the nature, scope of company reviews and/or exams.**
- **Streamlined Form A proceedings (mergers/acquisitions).**
- **Leverages limited regulatory resources.**

New York Circular Letter No. 17-03



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- **New York State Insurance Department examiners routinely ask if companies are members of the IMSA.**
- **Examiners may consider the IMSA documentation in determining the scope of their own review of the marketing and sales practices of a company including such areas as: agent training and licensing; replacements; and advertising.**
- **Examiners may also make use of the IMSA documentation in certain other areas such as consumer complaint handling.**



- **The Department examiners currently use information and data obtained from certain best practices organizations such as IMSA as they examine licensees that are members of such organizations.**
- **Consideration may be given to the documentation in determining the frequency of examinations, the scope of an ongoing examination and/or the marketing and sales practices of a company.**

U.S. Congress – House Activity

IMSA – Part of the Solution



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U.S. House Financial Services Committee

State Modernization and Regulatory Transparency Act (SMART Act).

- **National standards enforced by states.**
- **Title II – Market Conduct.**
- **Definition of best practices organization includes IMSA.**

U.S. Congress – Senate Activity

IMSA – Part of the Solution



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U.S. Senate Committee on Banking – Sept. 2004

Meaningful and effective self-policing closely tied to and measured against the regulatory system that we have in the U.S, will go a long way towards improving uniformity and improving the relations between regulators and the regulated. And I will note that with the presence of the Insurance Marketplace Standards Association . . there are systems in place already to make that happen. And greater buy-in by the industry will go a long way towards improving the process.

**NAIC testimony, Greg Serio, Superintendent,
New York Department of Insurance.**

Ethics Is a Bottom-Line Issue



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**IMSA-qualified companies:
Committed to honesty,
integrity and ethics**

www.IMSAethics.org



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