

2014

Best Practices

INSURANCE LICENSING FORUM

Ann Flood

Annette Flood was appointed Director of the Department of Insurance and Financial Services (DIFS) by Michigan Governor Rick Snyder effective November 1, 2013. Prior to her appointment, Director Flood served as Chief Deputy Director of DIFS and Chief Deputy Commissioner in the former Office of Financial and Insurance Regulation.

Prior to her serving as Chief Deputy Director, Director Flood served as the executive vice president and chief operating officer of American Physicians Capital, Inc. (APCapital), a publicly traded medical professional liability insurance provider based in East Lansing, MI.

Before joining APCapital, Director Flood served as senior vice president, corporate secretary and legal counsel of ProNational Insurance Company. Director Flood has also held numerous executive level and legal positions at MEEMIC Insurance Company, PICOM Insurance Company and Lansing General Hospital.

Director Flood is a member of the State Bar of Michigan and a registered nurse, and has more than 25 years of experience in the legal, insurance and health care fields. She received her B.S. in Nursing from the University of Michigan and her Juris Doctorate from Wayne State University Law School.





Executive Order 2013-1 established DIFS – formerly Office of Financial and Insurance Regulation (OFIR).

“Insurance and financial service businesses are a vital part of the overall economic health of Michigan. By establishing a new department dedicated to industry sustainability, it further emphasizes the commitment to removing red tape from economic growth in Michigan.”

-Governor Rick Snyder

DIFS Mission

The mission of the Michigan Department of Insurance and Financial Services is to provide a business climate that promotes economic growth while ensuring that the insurance and financial services industries are safe, sound, and entitled to public confidence. In addition, the Department provides consumer protection, outreach, and education services to Michigan citizens.

- ***Protect consumers***
 - ***Provide effective, efficient and fair regulation***
 - ***Create environment for continued growth of our industries***
-

Furthering Economic Growth

- Executive Order 2013-1 established DIFS – formerly Office of Financial and Insurance Regulation (OFIR)
- Governor Snyder recognized the industry’s importance to Michigan’s economic success
- The industry employs 155,000 Michigan residents, generating \$9.7 billion in payroll
- As a department, DIFS will provide more emphasis on promoting economic growth within insurance and financial services industries

Teri Morante

Teri Morante serves as DIFS' Chief Deputy Director. Ms. Morante oversees the department's Office of Consumer Services, Office of Insurance Licensing and Market Conduct, and Office of Policy. Ms. Morante had been serving as Senior Deputy Commissioner to the Office of Financial and Insurance Regulation

Ms. Morante most recently served as the assistant vice president for regulatory and government affairs at Citizens Insurance Company in Howell MI.

Before joining Citizens, Ms. Morante served in a variety of positions at the State of Michigan's Insurance Bureau, including acting deputy commissioner for policy and legislation.

Ms. Morante has more than 30 years of experience in the insurance and legislative fields and has an extensive background in drafting legislation and testifying before the legislature. She has also served on a number of insurance industry boards and associations and co-authored several editions of the "Legislators Guide to Michigan's Insurance Issues."

She received her B.S. from Western Michigan University.



Rhonda Fossitt

Rhonda Fossitt serves as DIFS' Senior Deputy Director, overseeing the Office of Rates and Forms, the Office of Consumer Finance, and the Office of Insurance Licensing and Market Conduct.

Ms. Fossitt has experience in health care reform, insurance management, regulation and compliance, and commercial and professional liability underwriting. Her experience in the insurance industry includes management and underwriting positions at American Physicians Assurance Corporation, ProAssurance Insurance Company and Citizens Insurance Company of America.

She holds a B.A. in Business Administration and Marketing from Michigan State University. She holds the Chartered Property and Casualty Underwriter (CPCU) and Registered Professional Liability Underwriter (RPLU) designations.



Jean Boven

Jean Boven is the Director of the Office of Insurance Licensing and Market Conduct. She oversees the licensing of insurance agents and agencies, as well as the certification or registration of third party administrators, premium finance companies, purchasing groups, risk retention groups and reinsurance intermediaries. Additionally, Jean oversees the market conduct examinations of insurance companies and audits of licensed insurance agencies.

Jean has been with the Department of Insurance and Financial Services (formerly the Office of Financial and Insurance Regulation) since June 2008. Prior to that Jean worked over 20 years for the Department of Licensing and Regulatory Affairs, Bureau of Commercial Services in various capacities, including Director of the Licensing Division and as a section manager within the Enforcement Division.

Jean has 38 years of public service working in various state departments. She has a Master's Degree in Public Administration from Western Michigan University and a Bachelor's Degree in Public Policy from Michigan State University.



POLICY AND LEGISLATION

Jenita Moore, Senior Advisor

SB 418 Travel Insurance

This bill would amend the Code to exempt a person who sold travel insurance from being licensed as a producer. A license as an insurance producer would not be required of a person whose only insurance sale was for travel insurance sold incidental to planned travel if he or she were working under the authority of a limited lines producer, and the producer or the person gave written disclosure material to a purchaser or prospective purchaser.

SB 418 Travel Insurance Cont.

“Travel insurance” would mean insurance coverage for personal risk incident to planned travel, including any of the following:

- Interruption or cancellation of a trip or event.
- Loss of baggage or personal effects.
- Damage to accommodations or rental vehicles.
- Sickness, accident, disability, or death occurring during travel.

Travel insurance would not include major medical plans that provide comprehensive medical protection for travelers with trips lasting six months or longer, such as those working overseas as expatriates or military personnel being deployed.

SB 715 Certificates of Insurance

This bill would define “certificate of insurance” as a document that is prepared by an insurer or insurance producer that is a statement or summary of an insured coverage regardless of how it’s titled or described.

This bill would prohibit a person from: a) issuing a certificate of insurance that would alter, amend, or extend the coverage provided by an insurance policy referred to in the certificate, b) issuing a certificate that contained false or misleading information concerning an insurance policy, or c) demanding or requiring the issuance of a certificate from an insurer, insurance producer, or policyholder that contained false or misleading information concerning an insurance policy referred to in the certificate.

SB 715 Certificates of Insurance Cont.

This bill provides that a certificate would not represent an insurer's obligation to give notice of cancellation or renewal to a person, except as provided in an insurance policy. A person would be entitled to notice of cancellation, nonrenewal, and any similar notice only if the person had notice rights under the terms of a policy or an endorsement to a policy of insurance. The terms and conditions of notice would be governed by the policy or endorsement and would not be altered by the certificate of insurance.

Prescribe a civil fine of up to \$500 per violation, or up to \$2,500 per violation if the person knew or reasonably should have known that he or she was violating Chapter 22A, up to a maximum of \$25,000.

HB 4467 Service Contracts Exemption

This bill would amend the Code to specify that a service contract is not insurance or the business of insurance and is not subject to the Code. This bill would define “service contract” as a written contract that is sold for stated consideration for a specific duration that provides any of the following:

- Reimbursement for the repair, replacement, or maintenance of a consumer product because of the failure of the product due to a defect in material or workmanship; accidental damage from handling, power surge, or interruption; or normal wear and tear, with or without additional provisions for incidental payment or indemnity under limited circumstances, including towing, rental, and emergency road services.
- Repair, replacement, or indemnification for repair or replacement of a motor vehicle for the failure of one or more parts or systems of the vehicle brought about by the failure of an additive product to perform as represented.

HB 4467 Service Contracts Exemption Cont.

- Repair or replacement of tires or wheels on a motor vehicle damaged as a result of coming into contact with road hazards, including potholes, rocks, curbs, or other items.
- Removal of dents, dings, or creases on a motor vehicle that can be repaired using the process of painless dent removal without affecting the existing paint finish and without replacing vehicle body panels, sanding, bonding, or painting.
- Repair or replacement of a motor vehicle windshield because of cracks or chips.
- Replacement of an inoperable, lost, or stolen motor vehicle key or key fob.

HB 4467 Service Contracts Exemption Cont.

This bill would also define “consumer products” as any tangible personal property that is distributed in commerce and is normally used for personal, family, or household purposes, including any tangible personal property intended to be attached to or installed in any real property without regard to whether it is so attached or installed.

QUESTION AND ANSWERS



Affordable Care Act – Review and Updates

Karin Gyger

Affordable Care Act Ombudsman

Office of Consumer Services

Affordable Care Act (ACA)

- Federal statute signed into law in 2010
- Also known as: PPACA, ACA, Obamacare, Health Care Reform
- Significant changes to health insurance industry and public health programs
- Phasing in: 2010, 2014 and beyond

ACA - what has been in effect

- End to lifetime/annual dollar limits on essential care
- No-cost preventive care
- Ban on health policy rescissions
- Extended coverage to 26 for young adults on parents' plans
- Medicare prescription drug discounts
- Small business tax credits

ACA - what is new this year

- Individual mandate
- Medicaid expansion (aka Healthy Michigan)
- Tax credit to help with insurance premiums
- Health Insurance Marketplace & SHOP Marketplace
- No denial, rating or waiting periods due to a pre-existing medical condition
- Essential health benefits

Health Insurance Marketplace

(www.healthcare.gov)

- Federally operated exchange where individuals (or small businesses) can buy coverage
- Open enrollment for individuals is closed for 2014. 2015 open enrollment is 11/15/14 through 2/15/15
- Enrollment for small businesses is all year
- MI reviewed the rates and forms for carriers that sell products on the Marketplace

Types of Plans Available in Marketplace

Levels of Coverage	Plan Pays On Average	Enrollees Pay On Average* <i>(In addition to the monthly plan premium)</i>
Bronze	60%	40%
Silver	70%	30%
Gold	80%	20%
Platinum	90%	10%

*Based on the aggregate cost under the plan when benefits are provided to a standard population. This may not be the same for every (or any specific) enrolled person.

One additional level of coverage- Catastrophic Plan. Only available to young adults under 30; or those who obtain a hardship exemption from the Marketplace.

Rating Factors for Plans

As of 2014, individual health insurance premiums (on or off Marketplace) can only vary based on:

- Individual/Family size
- Geographic area
- Age
- Tobacco use

Carriers selling in MI's Marketplace - 2014

http://www.michigan.gov/documents/difs/Premiums_435328_7.pdf

Michigan Health Insurance Marketplace Premiums
2014 Individual Market Rates by Metal Level, Plan, and Rating Area
Non-Tobacco and Tobacco @ Selected Ages (Monthly Basis)



		Rating Area 1: Monroe,Wayne									
		Non-Tobacco				Tobacco					
Metal Level	Issuer Name	Plan Marketing Name	Age 25	Age 35	Age 45	Age 55	Age 25	Age 35	Age 45	Age 55	
Bronze	Alliance Health and Life (AHL)	HWP Personal Alliance 5000	194.72	217.20	260.05	432.49	220.06	257.85	310.51	488.70	
	Blue Care Network of Michigan	Blue Cross * Partnered Bronze Blue Cross * Preferred Bronze Blue Cross * Select Bronze	na	na	na	na	na	na	na	na	
	Blue Cross Blue Shield of Michigan	Blue Cross* Premier Bronze	169.82	176.86	211.48	257.47	164.96	165.65	147.45	400.31	
	Consumers Mutual Insurance of Michigan	Consumers Mutual Basic - High Deductible	184.96	178.85	211.36	254.41	154.90	147.81	126.16	305.56	
	Health Alliance Plan (HAP)	HWP Personal Alliance 5000	209.41	251.12	301.47	465.57	234.89	288.33	340.71	526.17	
	Humana Medical Plan of MI, Inc.	Humana Connect Bronze 6200/3000 Plan	121.93	160.56	185.73	229.01	145.12	176.41	206.71	322.31	
	Meridian Health Plan of Michigan, Inc.	Meridian Choice: Your Connection to Wellness Healthcare	na	na	na	na	na	na	na	na	
	Modica Healthcare of Michigan, Inc.	Modica Marketplace Bronze Plan	203.83	248.09	293.16	452.73	203.83	248.09	293.16	452.73	
	Priority Health	MyPriority HSA Bronze 5000 MyPriority MyHealth Bronze 5000	204.77	245.26	294.52	454.88	224.25	276.26	322.97	508.31	
	Priority Health Insurance Company (PHIC)	MyPriority Access HSA Bronze 6000 MyPriority MyHealth Access Bronze 5000	244.50	297.58	351.85	543.05	244.95	317.34	386.81	597.34	
	Silver	Alliance Health and Life (AHL)	HWP Personal Alliance 3500	265.01	322.55	381.15	588.42	299.51	364.54	430.76	665.24
		Blue Care Network of Michigan	Blue Cross * Partnered Silver Blue Cross * Preferred Silver Blue Cross * Select Silver	na	na	na	na	na	na	na	na
		Blue Cross Blue Shield of Michigan	Blue Cross* Premier Silver Blue Cross* Multi-Store Plan	208.52	213.80	259.80	443.15	218.94	244.48	230.80	518.71
		Consumers Mutual Insurance of Michigan	Consumers Mutual Choice - Low Deductible Consumers Mutual Choice - Medium Deductible	193.43	231.76	272.87	422.04	193.04	243.25	293.05	479.70
		Health Alliance Plan (HAP)	HWP Personal Alliance 2500	244.33	297.20	351.41	542.89	254.55	312.26	376.02	607.81
		Humana Medical Plan of MI, Inc.	Humana Connect Silver 4600/3000 Plan McLaren Rewards Silver	251.46	318.48	376.24	561.81	274.74	334.40	402.67	630.31
		Meridian Health Plan of Michigan, Inc.	Meridian Choice: Your Connection to Wellness Healthcare	na	na	na	na	na	na	na	na
		Modica Healthcare of Michigan, Inc.	Modica Marketplace Silver Plan	257.15	312.98	368.84	571.15	257.15	312.98	368.84	571.15
		Priority Health	MyPriority HSA Silver 2000 MyPriority MyHealth Silver 2000 MyPriority MyHealth Silver 2000	261.28	318.01	375.78	580.33	287.41	349.81	412.36	628.36
		Priority Health Insurance Company (PHIC)	MyPriority Access HSA Silver 2000 MyPriority MyHealth Access Silver 2000 MyPriority MyHealth Access Silver 2500	262.07	317.64	375.25	579.65	287.07	349.40	412.88	627.61
Total Health Care USA, Inc.		Totally You	251.80	306.47	362.15	559.27	274.98	337.12	398.36	615.20	
Gold		Alliance Health and Life (AHL)	HWP Personal Alliance 1500	396.20	496.66	604.88	888.47	341.06	415.12	490.53	757.54
		Blue Care Network of Michigan	Blue Cross * Partnered Gold Blue Cross * Preferred Gold Blue Cross * Select Gold	na	na	na	na	na	na	na	na
		Blue Cross Blue Shield of Michigan	Blue Cross* Premier Gold Blue Cross* Gold * Multi-Store Plan Blue Cross* Premier Gold	210.50	277.92	346.58	589.66	211.55	281.71	351.28	628.36
		Consumers Mutual Insurance of Michigan	Consumers Mutual Premier - Low Deductible Consumers Mutual Premier - No Deductible	293.16	364.12	438.17	664.47	224.08	300.53	375.29	700.11
		Health Alliance Plan (HAP)	HWP Personal Alliance 1000	291.64	354.97	418.45	647.77	320.81	390.46	461.40	712.05
		Humana Medical Plan of MI, Inc.	Humana Connect Gold 2500/1500 Plan McLaren Rewards Gold McLaren Rewards Gold Child Only	174.03	214.25	253.18	390.09	202.46	246.39	291.15	489.43
		Meridian Health Plan of Michigan, Inc.	Meridian Choice: Your Connection to Wellness Healthcare	na	na	na	na	na	na	na	na
		Modica Healthcare of Michigan, Inc.	Modica Marketplace Gold Plan	328.26	397.59	472.17	725.28	327.09	401.29	482.42	824.02
		Priority Health	MyPriority HSA Gold 1250 MyPriority MyHealth Gold 1800 MyPriority MyHealth Gold 1850	284.86	361.75	438.83	662.80	324.78	400.13	477.82	730.18
	Priority Health Insurance Company (PHIC)	MyPriority Access HSA Gold 1250 MyPriority MyHealth Access Gold 1800 MyPriority MyHealth Access Gold 1500	292.45	366.20	439.91	650.02	321.92	391.80	462.00	715.02	
	Total Health Care USA, Inc.	Total HMO Standard	284.38	345.00	408.86	621.41	312.70	381.60	460.75	694.05	
			354.09	434.41	512.15	739.02	391.70	476.75	562.36	870.01	
			489.20	610.02	726.23	1075.61	388.12	467.52	552.46	863.17	
			238.52	292.89	351.96	527.32	272.38	332.52	392.67	627.09	
			194.87	237.18	280.27	421.82	224.10	272.76	322.31	497.24	

Consumer Assistance Entities with the Marketplace

- Agents
- Navigators
- Certified Application Counselors (CAC's)

All 3 entities help individual consumers with application for coverage/subsidies, facilitate enrollment and uphold Marketplace privacy and security standards

Roles of Consumer Assistance Entities

	Agents	Navigators	CAC's
Help with eligibility	*	*	*
Facilitate enrollment	*	*	*
Uphold Mktplace Privacy & Security Standards	*	*	*
Provide special accommodations	*	*	Yes, or refer
Help Sm. Business employers/employees	*	*	Employees only
Conduct outreach on Marketplace		*	
Provide information about the full range of plan options in an impartial manner		*	*

Agent participation in the Marketplace

- Must be licensed and in good standing in MI
- Agents must register with and electronically sign the Agreement(s) at Medicare Learning Network
- Federal training courses and exam are required for agents selling in Individual Marketplace (not for SHOP)
- Create an FFM user account if selling in Individual Marketplace: <https://portal.cms.gov>

Federal Online Training Requirements for Agents

Course	Audience	Estimated time to complete Course
ACA & Marketplace Basics	Required for agents to sell in Individual Marketplace. Available to agents to sell in SHOP.	1.5 hours + .5 hours for exam = 2 hours
Individual Marketplace	Required for agents to sell in Individual Marketplace	1 hour + .5 hours for exam = 1.5 hours
SHOP Marketplace	Available to agents to sell in the SHOP	1 hour + .5 hours for exam = 1.5 hours

Annual Registration Renewal for Agents selling in the Marketplace

Individual Marketplace:

- Retake courses and pass exams
- Re-accept the Marketplace agreements

SHOP Marketplace

- Not required to retake courses/exams
- Re-accept the SHOP Marketplace agreement

Agent Compensation in the Marketplace

- Agents are compensated in accordance with their appointments/agreements with issuers (the Marketplace does not set compensation levels)
- In order to receive compensation from an issuer, agents will need to provide their NPN for applications

Navigator Participation in the Marketplace

4 entities received federal grant funds to operate navigator programs in Michigan:

- Community Bridges Management
- Arab Community Center for Economic and Social Services
- American Indian Health and Family Services of SE Michigan, Inc.
- Michigan Consumers for Healthcare

Navigator Participation in the Marketplace

To participate, navigators must:

- Register with the Marketplace
- Complete online training and exams (15 -20 hours)
- Disclose any conflicts of interest
- Comply with privacy and security standards
- Enter into an agreement with Marketplace
- In addition to enrollment activities, must also do outreach and education
- Renew certification annually

Certified Application Counselor Participation in the Marketplace

- Certain types of organizations may operate a Certified Application Counselor (CAC) program: community health centers; hospitals, health care providers, mental health providers, certain social services agencies, and local government agencies
- The federal Marketplace designates which organizations that apply may operate CAC programs
- CAC's serve many of the same functions as Navigators, but they are not required to perform outreach activities, are not eligible for any federal Marketplace funding, have less training requirements (5 hours)

What Lies Ahead

- With close of open enrollment, attention is now starting to focus on 2015
- CMS is looking to improve the process for next year - what worked or didn't work this year
- Issuers have until June to file rates and forms for the Marketplace in 2015
- Expect more change, more regulations, more guidance

CMS – Agent Resources

<http://www.cms.gov/cciiio/programs-and-initiatives/health-insurance-marketplaces/a-b-resources.html>

Health Insurance Marketplace

www.healthcare.gov

(800) 318-2596

DIFS's Health Insurance Consumer Assistance Program (HICAP)

www.michigan.gov/hicap

DIFS-HICAP@michigan.gov

Medicaid

<http://www.mibridges.michigan.gov/access/>

www.michigan.gov/healthymichiganplan

(855) 789-5610

QUESTION AND ANSWERS



CONSUMER SERVICES UPDATE

Kristie Taber, Manager
Office of Consumer Services

Communication Center

- First point of contact for all incoming calls for DIFS
- 87,600 calls received annually/7,300 monthly

Consumer Assistance

Assists consumers with questions and complaints:

- 3 Consumer Finance/Banking Analysts
- 8 Insurance Analysts

DIFS received approximately 5,208 consumer complaints last year:

- 4,227 insurance
- 777 Consumer Finance
- 204 Credit Unions/Banks

Our Goals

- Educate the consumer
 - Written complain/inquiry handling
 - Telephone calls
 - Outreach efforts
- Ensure the consumer is treated fairly and within standard business practices
- Ensure compliance with statutes and policy language

DIFS Authority

Can

- Review complaints against individuals and business entities regulated by DIFS
- Educate consumers on applicable laws and policy language
- Take administrative action against licensees for violations of the Insurance Code
- Mediate resolution on the consumer's behalf

Cannot

- Determine questions of fact
- Act as court of law
- Take action in matters currently in litigation
- Review complaints involving policies issued in another state

Insurance Complaint Statistics by Reason and Coverage Type

- Claims handling 54%
- Customer Service 19%
- Underwriting 17%
- Marketing and Sales 7%
- Non-compliance 3%
- Accident & Health 46%
- Homeowners 15%
- Auto 24%
- Life 9%
- Annuity 3%
- Liability 1%
- Fire & Commercial 2%

Common Consumer Complaints

- Misrepresentation and Unsuitability in the Sale of Annuities
- Rating Complaints:
 - Long Term Care rate increases
 - Affordability of auto and home insurance
 - Availability and affordability of health insurance
- Medicare Supplement duplication of coverage
- Fiduciary violations
- Claim issues
 - Denials
 - Coverage disputes
 - Unsatisfactory settlement offers

Complaint Process

- Complaint received by DIFS
- Assigned to analyst by topic, forwarded to Respondent
 - 21 calendar days to respond to DIFS
 - Fine imposed for failure to respond
 - Company cannot respond on behalf of agent/agency
 - Respond in duplicate
 - Include supporting documentation
 - Response should be professional, on letterhead, and signed
- Responses received and file reviewed
- Analyst determines appropriate action based on documentation:
 - Close file
 - Continue/expand review
 - Refer to Investigations or Market Conduct for regulatory action

Common Referrals to Investigations

200 respondents were referred to Investigations in 2013

- Unlicensed activity
- Fiduciary violations
- Binding coverage without appointment with insurer
- Fraud
- Public Adjuster
 - Charging fees in excess of permitted 10%
 - Advancing money to insured
 - Not maintaining required records
 - Soliciting insured at the scene of the fire
 - Requiring their name on all settlement checks to the insured
- Forgery
- Misrepresentation of policy coverages
- False and/or misleading advertising
- False statements relative to an application for insurance
- Rebating

Insurance Investigations

- Investigate complaints against insurance licensees accused of violating the Insurance Code
- Source of investigations:
 - Insurance companies
 - Consumer Complaints
 - Other divisions of DIFS
 - Agents and agencies
 - Local, state, and federal authorities
- If a violation is substantiated, recommended enforcement actions include:
 - Civil penalties
 - Market conduct fees
 - Suspension or revocation of license(s)
 - Restitution
 - Possible referral for criminal prosecution

“Business-to-Business” Complaints

- Business-to-business complaints reviewed and processed by the Insurance Investigation Unit
- DIFS will not intervene in contractual disputes
 - Commission and employer contract disputes
- If a dispute involves alleged violation of the Michigan Insurance Code, or involves harm to consumers, we may open an investigation with supporting documentation

Common "Business-to-Business" Complaints

- Illegal advertising
- Failure to remit premiums
- Unlicensed/Un-appointed activity
- Fraud
- Misrepresentation
- Churning
- Unsuitable sales
- Rebating

Investigation Process

1. Complaint received
2. Assigned to investigator
3. Investigator contacts respondent and other pertinent parties to gather facts and documentation
4. Requested information received
5. Investigator determines if Code violation exists
6. Report written with recommendation for closure of referral or file

Investigations are Confidential

Confidential Pursuant to MCL 500.1246

- Freedom of Information Act does not apply
- Not subject to subpoena or discovery; not admissible evidence in any private civil action
- May share documents, materials and other information with state, federal and international regulatory and law enforcement agencies

Are you in compliance?

Some items to consider:

- Recordkeeping
- Fiduciary responsibilities
- Protecting agency from fraud or theft
- Inducements and referrals

Fiduciary Issues

- Failure to remit premium
 - Not submitted in timely manner – causes lapse, cancellation, or no coverage issued
 - Checks from consumers should be written to the insurer not agency (MCL 500.1207)
- Failure to return unearned premium
 - Failure to return unearned premium
 - Workers compensation audit, cancellation – due 60 days (MCL 500.2008)
- Personal use of fiduciary funds
 - Family vacations, office expenses, personal loans, making investments
- Rebating
 - Illegal inducement to or for purchase of insurance

Protect yourself, your agency, and your clients

- To avoid employee theft, no single person should handle accounts (reduce amount of cash in office)
- Have random audits conducted by a CPA (twice yearly recommended by anti-fraud specialists)
- Require two party signatures on all agency checks
- Restrict access to any signature stamps
- Conduct year-end agency audit
- Safeguard clients personal information
- Conduct background check on new hires
- Create an agency code of ethics and use it

Inducements and Referral Fees

- Statute allows life insurers and agents to give gifts of merchandise having an invoice value of \$5.00 or less
- Gifts are limited to \$10.00 or less for property and casualty
- An insurer, or insurance producer may pay or assign commissions, service fees, or other valuable consideration to an insurance agency or to persons who do not sell, solicit, or negotiate insurance in this state.

What happens when an investigation is concluded?

- Refer for administrative proceeding against producer, solicitor or other licensee
 - 97 respondents were referred in 2013
- Refer to Attorney General, local prosecutors or federal authorities for criminal action
- Refer to the Market Conduct Section if there appears to be a pattern of misconduct by the company or agency

How do I avoid a DIFS investigation or enforcement action?

- Operate in an honest and trustworthy manner
- Communicate clearly with your customers
- View the complaint as a warning sign that your practices and procedures may need changing
- Keep accurate records

QUESTION AND ANSWERS



OFFICE OF GENERAL COUNSEL

Deborah Canja, Deputy General Counsel

Hot Topics in Licensing Enforcement

- Use of criminal convictions in license denials
 - Better safe than sorry – ALWAYS report
- Felony Conviction - Producer Only
 - Michigan cannot license ANYONE with a felony
 - Even with 1033 waiver

Hot Topics in Licensing Enforcement

- Felony Set Asides
 - Michigan felonies can be set aside by the sentencing court after 5 years
 - Instructions are on website under Guiding Principles
 - www.michigan.gov/difs > click Licensing in column on left then Producer/Individual Insurance or Producer/Agency Insurance.

Hot Topics in Licensing Enforcement

- 1033 Waiver
 - Needed for ANYONE working in the industry with a felony involving:
 - Breach of Trust
 - Dishonesty
- 1033 Waiver Process
 - File short form; short form will be reviewed
 - If Waiver needed, long form must be filed
 - Form available on website: www.michigan.gov/difs

Hot Topics in Licensing Enforcement

- Material Misdemeanors
 - Embezzlement
 - Fraudulent, coercive or dishonest practices
 - Incompetence, untrustworthiness, or financial irresponsibility in the conduct of business

Hot Topics in Licensing Enforcement

- Failure to Respond
 - Demonstrates untrustworthiness
 - We will fine and may revoke
- Disclosing Information
 - License status can only be disclosed to the applicant – not to licensing coordinator, unless a signed release is submitted by applicant

QUESTION AND ANSWERS





LUNCH BREAK

OFFICE OF LICENSING & MARKET CONDUCT

Michele Riddering, Manager

Jill Huisken, Manager

Paige Colley, Manager

Sherry Bass-Pohl, Manager

For the duration of the Forum, all succeeding speakers will not have a question and answer section.

However, they will be available for any questions during the break-out session at the end of the Forum.

MARKET CONDUCT

Sherry Bass-Pohl, Manager

Market Conduct Section

- Purpose
 - The Market Conduct Section proactively monitors the business practices of insurance individuals and insurance institutions (including companies, agencies, third party administrators, managing general agencies and surplus lines licensees) operating in Michigan to ensure fair treatment of Michigan consumers, and compliance with applicable policies and laws.

- A Brief History



Surplus Lines Premium Taxes

- Collection of premium taxes from surplus lines agencies and producers, direct placements, foreign risk retention groups, and purchasing groups
- 1,550 tax filings annually
- One Market Conduct Analyst assigned

Company Market Analysis

- Market Conduct Annual Statement
 - Data reported by companies: non-renewals, claims, cancellations, lawsuits
 - Baselines established
 - Outliers identified
- Level 1 and Level 2 analyses

Company Examinations

- Areas examined may include: marketing/sales, underwriting/rating, cancellations/non-renewals, claims, lawsuits, complaints, producer licensing, operations/management
- 162 domestic and 1,447 foreign companies
- Four Examiners and one Market Analyst assigned

Agency Audits

- Agency survey
 - Provides snapshot of market conditions
 - Data reported by agencies: premium volume, lines written, billing type, advertising methods
- Complaints
- Audit Program
 - Regular
 - Instant
 - Surplus lines
- 7,460 resident and 9,324 nonresident agencies
- Three Auditors assigned

Agencies: A List of Five

1. Unlicensed activity
2. Unappointed activity
3. Lack of reasonable accounting methods – no deposit records, no reconciliations
4. Failure/delay of remitting premiums to carriers
5. Failure/delay of returning premium refunds to insureds

Insurance Agency Best Practices

DIFS website:

www.michigan.gov/difs

Industry > Insurance Market Conduct >

[Insurance Agency Best Practices](#)

LICENSING OVERVIEW

Jill Huisken, Manager

New License Types

- Effective October 10, 2013
 - Accident & Health Counselor
 - Surety & Fidelity Limited Lines Producer

Accident & Health Counselor

- Prior to October 10, 2013
- Accident & Health Counselor Examination (16-85)
- No Pre-licensing Education (PE) or Continuing Education (CE)
 - Consistent with other insurance counselor types
- Persons admitted to the practice of law in MI are exempt
 - Cannot represent themselves as licensed counselors

Surety & Fidelity Limited Lines Producer

- Prior to October 10, 2013
- Surety & Fidelity Producer/Solicitor Examination (16-86)
- No Pre-licensing Education (PE) or Continuing Education (CE)
- Appointment is required

Business Entity Producers (Agencies)

- New since 2011 Best Practices
 - Changes with Designated Responsible License Producer (DRLP) Requirement
 - Loss of DRLP
 - Notice of Show Compliance (NOSC)
 - Branch Licensing

Designated Responsible Licensed Producer (DRLP)

- Bulletin 2013-17-INS
 - signed on September 24, 2013
 - Took immediate effect
- Every Agency is required to have a minimum of one DRLP affiliated with the agency
- DRLP must be a currently active Michigan producer
- Agency is no longer required to have a DRLP licensed for every line of authority that they hold or want to hold

Designated Responsible Licensed Producer (DRLP)

- DRLP affiliated with the agency will be held responsible for the compliance of the agency
 - Regardless if they hold the same line of authority
- An appointed insurance producer affiliated with the agency is required, before the agency may be appointed
 - This remained unchanged

Loss of DRLP - NOSC

- An agency that does not have a currently active DRLP, will receive a Notice of Opportunity to Show Compliance
- They will have 14 days to affiliate a Michigan licensed producer with the agency
- If no response is received within 14 days, the agency is referred over to the Enforcement Area for further regulatory actions and up to fines and revocation of its license

Loss of DRLP – NOSC

- On September 24, 2013, approximately 2800 NOSC's went out to agencies that did not have a DRLP affiliated with its agency
- Approximately 30% or 870 of these NOSC's were returned to DIFS for bad addresses

Branch Office Registration

- Effective January 3, 2013, DIFS began registering branch office locations
- A branch office is any location, other than the primary location of the licensed business entity, that regularly conducts insurance business or that is advertised as a place where the public may contact the business entity or its employees concerning insurance services.

Branch Office Registration

- FIS 2268 Branch Office Registration Form (register or cancel)
- Registration will be effective the date the completed form is received
- Backdating of the registration is not allowed
- Notification of a branch office location closing is required within 5 business days
- A registration is printed with the name of the agency, branch title, and location

Branch Office Registration

- Separate FEIN is not allowed
- DRLP for agency is responsible for the branches as well

Appointments

- Individuals:
 - Effective August 9, 2013, Michigan appointments and terminations require the Authorized Business Partner to use the National Producer Number as the license ID
 - SSN will no longer be accepted as license ID for Individual appointments and terminations

Appointments

- Business Entities:
 - Effective August 9, 2013, Michigan appointment and terminations require the Authorized Business Partners to utilize the Michigan agency System ID number as the license ID
 - Tax ID (FEIN) will no longer be accepted as the license ID for business entity appointments and terminations

Michigan License Number Conversion with NIPR

- Transactions that require Individuals to use the NPN:
 - Address Change Requests
 - All Electronic Applications (resident and non-resident producer, adjuster, solicitor, counselor, and surplus lines)
 - EXCEPT: The first application requires the use of the Social Security Number or SSN

REPORTING & TERMINATIONS

Leslie Page, Departmental Analyst

Reporting Administrative Action

- Per MCL 500.1247(1), notification must be made to our department within 30 days following the final disposition of an administrative action taken against the producer in another jurisdiction or by another governmental agency.
- The producer must include copy of the order, consent order, or other relevant legal documents.

Reporting Criminal Action

- Per MCL 500.1247(2), notification must be made to our department within 30 days after the initial pretrial hearing date.
- The producer must include a copy of the initial complaint filed, the order resulting from the hearing, and any other relevant legal documents.

Reporting of Actions

- Documentation can be submitted through NIPR Attachment Warehouse.
- Failure to notify our department within the specified timeframe could result in a monetary penalty, suspension or revocation of your license.

Termination for Cause

- Per MCL 500.1208b(1), an insurer may cancel a producers appointment “for cause” by notifying our department in writing within 30 days of termination.
- The termination must be a MCL 500.1239(1) violation.

Termination for Cause

- Per MCL 500.1208b(2), upon written request by the director, the insurer must provide additional information, documents, records, or other data pertaining to the termination.
- Per MCL 500.1208b(4), within 15 days after notifying our department, the insurer must notify the producer by certified mail, return receipt, or by overnight delivery service.

Termination for Cause

- Per MCL 500.1246, all documentation will be treated confidential and is not subject to the Freedom of Information Act, subpoena, discovery or admissible in evidence in any private civil action.

EDUCATION

Tracy Lord Bishop, Departmental Analyst

Education Updates

- 2013 Suspensions
 - 6,410 Total
 - Averages to 534 per month
- 2014 Suspensions
 - 2,223 Total-to-date
 - Averages to 556 per month

Education Updates

- Commissioner must be notified of an address or name change within 30 days of the change (500.1206)
- Public Act 453 of 2012
 - Removal of \$3.00 fee
 - Addition of email address
 - When applying for a license
 - While licensed
- Emails: CE notices and insurance license and/or agency communications

Education Updates

- Address and email additions or corrections
 - www.nipr.com
 - Address Change Request
- FIS 0262 form
 - Name or Address Change for Insurance Licensees. Address change must be used for agencies and may be used for licensees
- DIFS-LICENSING@michigan.gov

CE Updates

- Standardized Terms and Definitions
- Recommended Guidelines for Classroom Webinars
- Class Conduct
- Online Course Guidelines
- Provider Approval Procedures
- CER Form Requests
- Related Task Group

Producer Training - Annuities

- Public Act 544 of 2012 expanded suitability requirements for annuity sales
- PA 544 took effect on June 1, 2013
 - One-time 4 hour training course must be submitted by a CE provider & be in compliance with rules & guidelines applicable to CE
 - Training course applies to all producers who engage in the sale of annuities
 - Producers licensed for Life who engage in the sale of annuities required to complete training by December 1, 2013
 - Individuals who became licensed for Life on or after June 1, 2013, could not engage in the sale of annuities until training course is completed

Producer Training - Annuities

- Producer Training Course – cont'd
 - Producers who complete training course of another state that has substantially similar requirements satisfies this training requirement
 - provide Certificate of Completion
 - Training course shall include information on all of the following:
 - Types of annuities & various classifications of annuities
 - Identification of the parties to an annuity
 - How fixed, variable, & indexed annuity contract provisions affect consumers
 - The income taxation of qualified & nonqualified annuities
 - The primary uses of annuities
 - Appropriate sales practices & replacement & disclosure requirements



PSI SERVICES, LLC

Tadas Dabsys, Executive Vice President

Gina Hoffman, Sr. Specialist-Key Accounts

About PSI

- Insurance Clients

- Arizona

- California

- Kentucky

- Maryland

- Michigan

- Minnesota

- New Jersey

- New Mexico

- North Dakota

- Oklahoma

- Oregon

- South Carolina

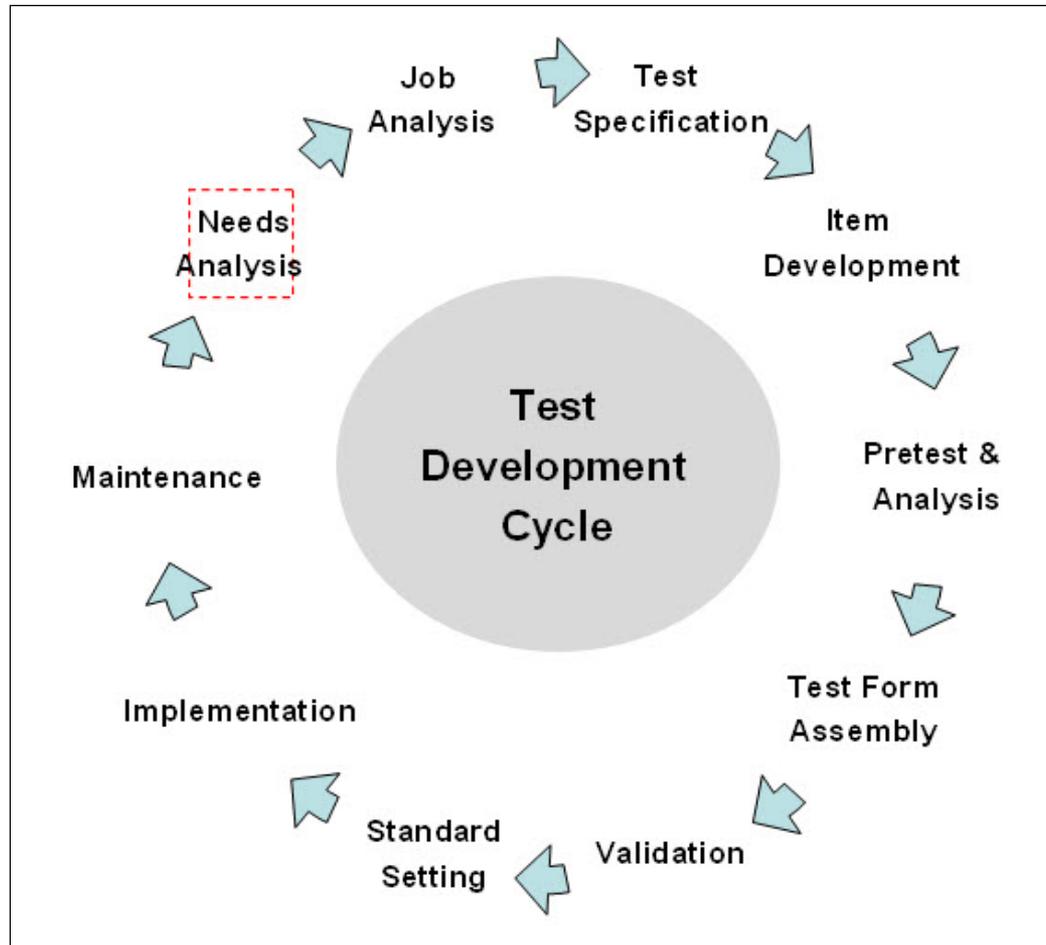
About PSI

- Michigan Clients
 - Licensing and Regulatory Affairs
 - Residential Builders (1997)
 - Cosmetology (2005)
 - Real Estate + 10 (2006)
 - Insurance (2012)

Licensing Exam Development

- Validity
- Reliability
- Fairness
- Legal Defensibility
- Standards
 - Standards for Educational and Psychological Testing
 - (AERA, APA, & NCME, 1999)

Credibility



Credibility

- Subject Matter Experts
 - Qualifications
 - Experience
 - Training in Job Analysis
- Test Development Experts
 - Psychometricians
 - Item Writers

Content Specifications

- Job Analysis Survey
- Establishing Content Base for Inclusion in Exams
- Linking Knowledge Areas to Professional Activities
- Development of Operational Definitions
- Test Outline and Content Weighting

Item Development

- Based on Job Analysis and Content Specifications
- Written by Professionals
- Reviewed by Subject Matter Experts
- Checked Against References
- Sensitivity Review
- Continual Review and Updating
- Quality Assurance

Basic Item Writing Principles

- One Correct Answer
- Relevant and Appropriate
- Realistic
- Important to Related Topic
- Limit Use of Negative Words
- Clear and Concise
- No Clues that Give Away the Answer
- Entry-Level Reading Level

Basic Item Writing Principles

- Response Options
 - Fit the Stem Logic Grammatically
 - Equal in Length
 - Unique Meaning
 - Plausible – yet definitely incorrect
 - Avoid “All of the Above” and “None of the Above”
 - Avoid Multiple Options

Balancing Cognitive Levels

- Recall: Able to state the definition of a “latent defect.”
- Application: Applies knowledge of the definition of “latent defect” by recognizing and classifying certain described property conditions as meeting the definition of a latent defect.
- Analysis: Applies knowledge of the definition by recognizing certain described property conditions as meeting the definition and interpreting the information to determine what action should be made.

Item Statistics

- p-value: Percentage of candidates in a sample who answer an item correctly
- pbis: Correlation within a sample between performance on an item and performance on the overall exam
- option stats: Percentage of candidates who answer each option
- option pbis: Correlation between performances on the options and the overall exam

Forensic Data Analysis

- Suspicious Candidate Activity
 - Test for significant differences in pass rates
 - Better performance on harder items
 - High scores in low test times
 - Suspicious improvement in scores

Item Bank Maintenance

- Ongoing Activity
 - Item Analysis
 - Review Candidate Comments
 - Annual Exam Review Committee (ERC) Meetings
 - Monitoring Rules and Regulations
 - Monitoring Industry Activity (NAIC, SILA, SITE)

Candidate Information Bulletin

- Application Instructions
- Examination Fees
- Scheduling Procedures
- Content Outlines
- Scoring Systems
- Reference Materials
- Test Centers and Driving Directions
- Special Accommodations
- Examination Registration Forms
- Licensing Requirements



PSI Services LLC
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www.pstexams.com

Before paying for your examination registration, the centers you understand, please return and use it as a reference with contacting PSI.

DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES



**LICENSING EXAMINATION
CANDIDATE INFORMATION BULLETIN**

<p>Examinations by PSI Services LLC 1</p> <p>The Licensure Process 1</p> <p>Examination Registration and Scheduling Procedures 1</p> <p> Fees 1</p> <p> On-line, via the Internet Registration 1</p> <p> Telephone Registration 1</p> <p> Rescheduling/Canceling an Examination 1</p> <p> Re-taking a Failed Examination 2</p> <p> Missed Appointment or Late Cancellation 2</p> <p> Special Examination Arrangements 2</p> <p> Additional Time While Taking the Examination 2</p> <p> Emergency Examination Center Closing 2</p> <p> Social Security Number Confidentiality 2</p> <p>Examination Site Location 2</p>	<p>Reporting to the Examination Site 3</p> <p> Required Identification 3</p> <p> Security Procedures 3</p> <p>Taking the Examination by Computer 4</p> <p> Identification Screen 4</p> <p> Tutorial 4</p> <p> Examination Question Example 4</p> <p> Examination Review 4</p> <p>Score Reporting 4</p> <p> Duplicate Score Reports 4</p> <p> Pretest Items 5</p> <p>Tips for Preparing for your License Examination 5</p> <p> Examination Content Outlines 5</p> <p> Examination Registration Form End of Bulletin</p> <p> Special Arrangement Request Form End of Bulletin</p>
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