

# 2002: The Year in Review

Following is a summary of key regulatory events and initiatives that occurred in 2002:

## NAIC Activities

The Illinois Department of Insurance was an active member of 39 Committees and Task Forces and countless working groups and subgroups of the National Association of Insurance Commissioners (NAIC). During 2002, Director Nat Shapo served as Secretary-Treasurer and, in December, was elected Vice President. Illinois also chaired the Consumer Protection Working Group, Functional Regulation Working Group, Valuation of Securities Task Force, Insolvency Task Force and the International Holocaust Commission Task Force, and co-chaired the Risk-Based Capital Task Force.

## SERFF

In 2002, the Department finalized incorporation of the System for Electronic Rate and Form Filing (SERFF), allowing companies to electronically submit policy and form filings (often in excess of hundreds of pages) for all lines of insurance business. SERFF has been under development nationwide for years, and the Department's full incorporation of the system marks a significant improvement in ease of filing and turnaround time for Department action on filings. In 2002, there were 100 property and casualty SERFF filings and 379 life, accident, health and HMO SERFF filings.

## Viatical Settlement Model Act

Concern relating to the purchase and resale of life insurance policies for investment purposes continued to prompt concerns and regulatory action from insurance departments around the nation. As such, the NAIC adopted revisions to the Viatical Settlement Model Act to place additional regulatory requirements on persons involved in the purchase and resale of these policies. Originally intended as a way to provide liquid assets to the terminally ill, viatical settlements more recently have been used to purchase life insurance policies from healthy individuals. The abuses that accompanied this movement resulted in regulatory and legal action on the part of several states. The amendments to the NAIC Viatical Settlement Model, among other things, incorporated these "life settlements" into the definition of a viatical settlement, thereby providing a roadmap to ensure such transactions are appropriately regulated.

## Privacy

Privacy issues also continued to be of great concern to the NAIC in 2002. The **Privacy of Consumer Financial and Health Information Model Regulation** was amended to specifically deal with the responsibilities incumbent on workers compensation insurers to appropriately disclose, to either workers compensation policyholders or claimants, how such companies use non-public personal financial information. Additionally, the NAIC adopted a new model regulation entitled **Standards for Safeguarding Customer Information Model Regulation**. This model provides standards for developing and implementing administrative, technical and physical safeguards to protect the security, confidentiality and integrity of customer information.

## **Office of the Special Deputy**

In 2002, the NAIC's Insolvency Task Force continued updating the Receiver's Handbook and revising the Insurers Receivership Model Act using the current Act and incorporating the Uniform Receivership Law as adopted by the Interstate Insurance Receivership Compact Commission.

## **Financial**

Activities of the Financial Division included the continuing development of the insurance securitization regulation and the development of risk assessment techniques for financial examination and analysis.

## **Consumer**

The Consumer Division participated in activities relating to the federal Terrorism Risk Insurance Act of 2002 and issuing a related bulletin for Illinois-licensed insurers.