

EYE on DOI

North Carolina
DEPARTMENT OF INSURANCE

winter 2012



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Commissioner Names Leaders, Members of Newly Formed Advisory Committee

After much planning and preparation, the North Carolina Department of Insurance is pleased to announce the newly formed Life and Health Agent Advisory Committee.

The independent and captive agents, as well as insurance industry experts, who make up this inaugural committee will have the opportunity to voice their opinions about the regulatory process as it relates to the business of life and health insurance in our state. The group will have in-person meetings and teleconferences throughout the year, during which all parties can come together to discuss insurance industry issues with one another and the Commissioner. The committee's first meeting, held on Jan. 31 in Raleigh, featured a presentation by Chief Deputy Commissioner Louis Belo about the status of the Health Benefit Exchange.

Commissioner Goodwin is pleased to announce that Myrna Harris has agreed to act as chairperson of this committee. Harris is the CEO of Crescent Health Solutions, a regional, provider-sponsored organization serving 40,000 covered lives and 2,700 providers in western North Carolina. She has held a license for Life & Health since 2000 and has been a member of the Western North Carolina Association of Health Underwriters since that time, holding board positions that include treasurer, secretary and president.

The Commissioner has named Johnny Dawkins vice-chairman of this committee. Dawkins is a health insurance broker and consultant for Ebenconcepts. He has managed or owned a small business for more than 25 years. He is also a former



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from the **COMMISSIONER'S** desk



DOI Posts \$42 Million in Recoveries and Savings for 2011

I know that 2012 is off to a busy and exciting start for many of us, but I'd like to take a moment to reflect on 2011. It was another tough budget year; in these economic times, all state departments and agencies are working to do more with less. This means we have to face challenges with creativity and cooperation. And I am extremely proud to say that DOI keeps finding ways to do more for our citizens and for our licensees.

I'm pleased to announce that the Department of Insurance saved or recovered more than \$42.2 million for consumers last year. This is a big accomplishment and took the work of several divisions.

Consumer Services recovered more than \$16.4 million in benefits from insurance companies. Health Insurance Smart NC and Health Care Review returned \$1.1 million. SHIP, the Seniors' Health Insurance Information Program, saved an estimated \$12 million for Medicare beneficiaries. Our Criminal Investigations Division posted \$10.4 million in restitution and recoveries. Agent Services recovered more than \$50,000 for consumers. Market Regulation ordered \$2.1 million returned to policyholders. I am impressed by the work that my staff has done to help foster a thriving and well-regulated insurance marketplace in North Carolina.

But in the grand scheme of things, so much of our work cannot be counted in dollars and cents. We are constantly striving to improve communication with you, our licensees, on changing legislation, continuing education requirements and other issues affecting our insurance industry. I hope you take the time to look through this first issue of Eye on DOI for 2012, and I look forward to working with you throughout the rest of the year.

Wayne Goodwin

The Social Media Snare

Bail bondsmen, insurance agencies, insurance companies and even the National Association of Insurance Commissioners have found Facebook to be a great resource for marketing products, posting articles and spreading their messages. These entities also use social media such as LinkedIn, Twitter, or Google+ as inexpensive and quick ways to reach current and potential customers. Needless to say, using social media is a widespread business practice and certainly has its advantages. However, it is not without risk.

Ron Panko's article "Avoiding Social Media Traps," in the January 2012 issue of *Best's Review*, provides excellent tips to help bail bondsmen, agents and insurance companies avoid the pitfalls associated with these popular and powerful new communications vehicles. For companies—and, in particular, insurance agencies and producers

—there is a risk of exposing the individual and the organization to liabilities when using any of the social media sites. Panko has some great suggestions to help reduce the exposure.

Follow the guidelines. Before setting up any social media account, an agency, company or agent should first make sure that they understand the guidelines of the particular site on which they plan to post; they should also be aware of any social media guidelines imposed by the company or companies they are representing. It is important to ensure that the individual or company page of the social media site has a disclaimer so that consumers are aware of how the site and the information posted on it can be used.

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member of the Fayetteville City Council and past chairman of the board of the Fayetteville Chamber of Commerce.

The Commissioner would like to extend his thanks to all of the agents and experts were willing to serve on this important advisory committee. The following is a complete list of the members who will serve on the L&H AAC for 2012:

Committee Chair: Myrna Harris – Crescent Health Solutions, Asheville

Vice Chair: Johnny Dawkins – Ebenconcepts, Fayetteville

Lori Alala – Carolina First Associates, Hickory

Larry Brooks – North Carolina Mutual, Durham

Luther Carter, Jr. – Allstate Insurance, Charlotte

David Chappell – Carolina Benefit, Greenville

Michael Chase – One America, Charlotte

Rhonda Cobb – Southern Farm, Roper

David Contorno – Lake Norman Benefits, Lake Norman

Ron Corlew – NC Mutual, Durham

Ron Davidson – Davidson Financial Group, Greensboro

Liz Gallops – White Bear Group, Raleigh

Teri Gutierrez – White Bear Group, Raleigh

Grady Hux – First Carolina Insurance, Roanoke Rapids

Bridget Ipock – Farm Bureau, New Bern

David Levinson – Former Delaware Commissioner of Insurance, Harnett County

Ed Mullis – Allstate Insurance, Morehead City

Mike Norris – Wayah Insurance, Franklin

Mel Schlesinger – Self-employed, Winston-Salem

Nat Smith – Rogers Benefit, Charlotte

Tom Snell – Benefit Services & Design, Inc., Sanford

Doug Sutton – Doug Sutton Insurance, Raleigh

Frank Tebyani – Amerilife, Matthews

Hughes Waren – Ebenconcepts, Wilmington

Craig Watson – Watson Insurance Agency, Gastonia

Vicki Williams – Younce Insurance, Lenoir



North Carolina Granted MLR Adjustment

On Feb. 27, North Carolina received approval from the U.S. Department of Health and Human Services for an adjustment to the applicable medical loss ratio standard for individual comprehensive health insurers in North Carolina.

As many of you know, the Patient Protection and Affordable Care Act requires insurance companies to spend at least 80 percent of premium dollars on medical care and health care quality improvement, rather than on administrative costs, starting in 2011.

The federal government has adjusted the MLR standard in North Carolina to 75 percent in 2011 and 80 percent in 2012 and beyond, which will help preserve consumer choice by allowing time for insurers to transition to the new requirements. The decision was a slight modification from the state's original request that the 80 percent MLR requirement be adjusted to 72 percent in 2011, 74 percent in 2012 and 76 percent in 2013.

"I am pleased that the federal government saw merit in our request and granted this adjustment. This decision underscores the value of state-based insurance regulation," Insurance Commissioner Wayne Goodwin said. "The MLR adjustment helps North Carolina strike an important balance. It holds insurance companies accountable to higher standards and provides rebates for consumers, while preserving stability and consumer choice in our individual health insurance market."

The request was based on concerns that a destabilization could occur in the individual market in the state without an adjustment to the MLR standard. The request also expressed concerns that the standards could restrict consumers' access to agents and brokers because of evidence that companies were reducing agent and broker commissions to meet MLR standards.

Commissioner Goodwin strongly feels that the role of the insurance professional is vital to the health of our industry, as well as to the service of North Carolina's citizens. In a show of support for the agent community and for the protection of our consumers, Goodwin motioned and voted for a National Association of Insurance Commissioners' resolution urging the U.S. Department of Health and Human Services to remove commissions from the MLR calculation. Ultimately, the U.S. DHHS did not incorporate this recommendation when it finalized regulations for MLR application, but Goodwin maintains that we must critically examine anything that reduces consumers' access to insurance services.

The USDHHS letter of approval for the MLR adjustment, the request and its accompanying exhibits can be found on the NCDOI website [HERE](#).

NCDOI's Eastern Regional Office is starting the new year in a new home in New Bern. Commissioner Goodwin, staff members and community partners celebrated the ERO's grand opening at the office on 1410 McCarthy Blvd. with an open house and ribbon-cutting on Dec. 8.

"I am very excited about the opportunities this new location brings us," Goodwin said. "We have more space, in a convenient location. This is a win-win for the members of the public who can come to this office for assistance and for our many staff members who can use it as a home base when working in the eastern part of the state."

In addition to office space for the ERO's three full-time employees, there are additional offices available for Office of State Fire Marshal field-based staff, Department of Insurance criminal investigators, agency examiners and others. There is also space for SHIP and Health Insurance Smart NC counseling sessions and a large conference room for meetings, classes and training.

Stop by and visit if you're out east and be sure to spread the word about the useful resources now available to consumers in this part of the state!



New Licensing Administration Services Provider

The number of licenses issued and serviced by the Agent Services Division (ASD) of the Department of Insurance has grown exponentially during the past decade. Through the years, ASD has explored and implemented solutions to improve the efficiency of the licensing process. Outsourcing some administrative-type tasks to professional vendors with the resources and experience to develop technology solutions allows ASD to provide a higher level of service, while performing its regulatory duties.

As part of these efforts, ASD is excited to announce that it has entered into a contractual agreement with Pearson VUE to provide backshop licensing administrative services to all of the license types for which ASD provides service, including agents, adjusters, business entities, bail bondsmen, bail bond runners, premium finance companies, collection agencies and motor clubs. Pearson VUE has extensive experience in providing licensing administration services to agencies in various states, including the Colorado Division of Insurance and the Georgia Insurance Department.

Backshop licensing services provided by Pearson VUE will include initial review of new/renewal license applications, follow-up on required supporting documentation, collection of license fees, responding to licensing questions, and other miscellaneous support transactions. ASD will continue to handle the functions of disqualification of license applications or regulatory oversight of licensees.

Pearson VUE will offer electronic applications for non-insurance licenses, such as bail bondsmen, bail bond runners, collection agencies, premium finance companies and motor clubs, which do not currently have NIPR electronic applications available. NIPR will continue to provide the electronic license applications for insurance license types, processing of insurance appointment/termination transactions and collection of annual company appointment fees. SBS will continue to be the license database for all of our licensees.

Pearson VUE will charge a processing fee for their licensing administrative services that will be included

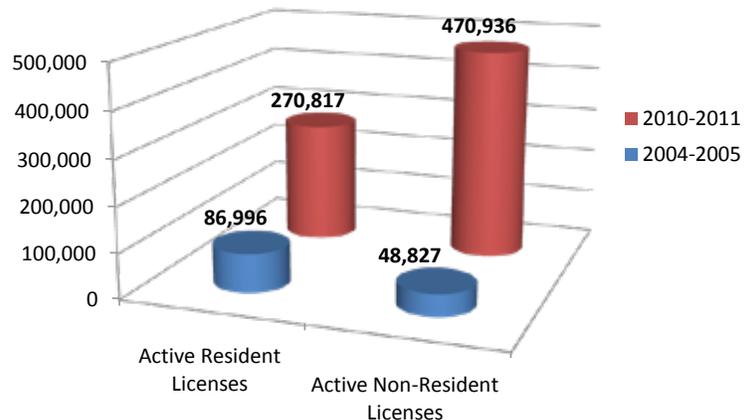
in initial, renewal, and reinstatement applications for all license types, in addition to collecting the current applicable state license fees pursuant to statute.

On April 2, 2012, Pearson VUE will begin providing license renewal administrative services for all NIPR renewal transactions and for bail bondsmen, collection agencies, motor clubs and premium finance company renewals. Pearson VUE is to establish an office in Raleigh, North Carolina by May 1, 2012, and will then begin to phase-in additional services.

Some of the benefits licensees will see when the transition of administration services is fully complete include:

- Extended customer service hours Monday–Friday until 6:00 pm for licensing questions.
- Streamlined, efficient and timely “paperless” licensing processes.
- Electronic method for applications and payment of fees for non-insurance licenses.
- Development of an online system for email and other address updates for individuals, business entities and company contacts.

Number of Licenses Serviced in North Carolina



ASD staff will be working closely with Pearson VUE through the transition of these services and will retain full regulatory oversight over licensing decisions and other regulatory matters. We will provide more information in the coming months, so please check the Department’s website at www.ncdoi.com for updates. For more information, please contact the Agent Services Division at 919-807-6800.

Commissioner Rules on Dwelling Rates

After a lengthy rate hearing, Commissioner Goodwin signed an order pertaining to dwelling fire and extended coverage insurance rates on Dec. 9, 2011.

The Commissioner considered testimony and evidence from both the North Carolina Rate Bureau and Department of Insurance experts during the hearing that began July 25 and ended Oct. 25.

The Rate Bureau filed for an overall statewide average increase of 20.5 percent. The Commissioner ordered a 7.3 percent decrease for dwelling property fire rates and denied a request to raise dwelling extended coverage rates by 36.1 percent, which equated to an overall statewide average decrease of 2.6 percent.

“After listening to all of the testimony, and based on the law, I found that the requested increase in extended coverage rates for dwelling properties is not warranted. I disapproved that request because it would have led to excessive and unfairly discriminatory rates,” Goodwin said. “Additionally, dwelling policyholders will have the benefit of decreased fire rates.”

The ordered rates are to go into effect May 1, 2012; however, the North Carolina Rate Bureau is appealing the Commissioner’s decision.

The full order can be viewed on the Department of Insurance website [here](#).



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Understand advertising regulations. Many state regulators require that companies monitor any advertising disseminated by its producers, and this includes anything communicated via social media sites. So it’s important to be aware of the advertising regulations in each state in which the company or agent holds a license.

Create a social media policy. Before any posts make their way online, a company or agency should use the aforementioned information to create a social media policy and training program for all employees. This policy will help employees know, for example, when to take a particular discussion offline so as not to publish any identifiable customer information that might violate privacy laws and expose the company to liability. Any social media policy should include a code of conduct so that all communications are professional. And a procedure should be in place to respond to criticism that may be posted; Panko suggests that one person within the organization be designated to respond to all postings, both positive and negative.

And training is an essential component of any social media plan, policy or set of guidelines. As with most business tools, companies and agencies should ensure that employees are trained properly on social media policies and that all communications comply with statutory and regulatory guidelines as outlined therein.

In addition, agencies and agents may tend to stray outside of their normal operating procedures while using social media. For this reason, an agency or company should also create a social media strategy that is incorporated into all of the other business’ standard operating procedures.

In short, while many current laws do not specifically address social media do’s and don’ts, any information posted on these sites can still, and often does, present a host of legal and business risks.

One of the most important takeaways from Panko’s article?

Educate yourself and others within your organization.

Read and understand the rules of each social media site you use and also be aware of any state insurance trade practices, advertising statutes and administrative rules that apply to social media communications within the state you are licensed. Company leaders or responsible agents should then use the information they’ve gleaned to implement written policies that govern the use of social media.

By obtaining and disseminating knowledge beforehand, companies, agencies and agents can avoid falling into what could be a costly social media snare.

* Read Ron Panko’s article, “Avoiding Social Media Traps,” in the January 2012 issue of Best’s Review.

REGULATORY ACTIONS

October — December 2011

<i>NC License/NPN#</i>	<i>Action</i>	<i>Date of Action</i>
PRODUCERS		
Li Xian Lin License #: N/A	License Denial Nonresident Producer	10/25/2011
Raymond E. Bostian License #: 2406657	Voluntary Settlement Resident Life, Accident Health Sickness	10/26/2011
Tiffany Lynn Lewis License #: 10166213	License Cancellation Nonresident Producer	11/1/2011
David Lee Maynard License #: N/A	License Denial Resident Producer	11/1/2011
Tracy N. Moon License #: N/A	License Denial Resident Producer	11/1/2011
Andrew Ginsberg License #: N/A	License Denial Nonresident Producer	11/3/2011
Jose A. Gonzalez License #: N/A	License Denial Resident Producer	11/3/2011
William Lautemann License #: N/A	License Denial Resident Producer	11/3/2011
Wesley Belton Jackson License #: N/A	License Denial Resident Producer	11/4/2011
Michael Vaughn License #: 8815191	License Surrender Resident Producer	11/11/2011
Alfred Cali License #: N/A	License Denial Nonresident Producer	11/14/2011
Victoria L. Evans License #: 15644795	License Denial Resident Producer	11/14/2011
Becky B. Wood License #: 8376220	License Surrender Resident Producer	11/17/2011
David Erby Shell License #: 3043453	License Surrender Nonresident Producer	11/28/2011
Victor E. Graham License #: 6605236	Voluntary Settlement Agreement Resident Producer	12/1/2011
Varian Searles License #: 16407918	License Denial Resident Producer	12/2/2011

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NC License/NPN#	Action	Date of Action
BAIL BONDSMEN		
Jeremiah Carter License #: 8393630	License Revocation Resident Professional Bail Bondsman	10/11/2011
Corey Allen Hickman License #: 15878216	Voluntary Settlement Agreement Resident Surety Bail Bondsman	10/19/2011
Christopher Lamont Haddock License #: 13599335	Voluntary Settlement Agreement Resident Surety Bail Bondsman	11/3/2011
Reginald A. McKinney License #: 8796855	Voluntary Settlement Agreement Surety Bailbondsman; Professional Bondsman	11/8/2011
Deuis Gavonta Evans License #: 10011562	Voluntary Settlement Agreement Surety Bailbondsman; Professional Bondsman	11/9/2011
Vincent M. Briscoe License #: 10012559	Voluntary Settlement Agreement Surety Bailbondsman	11/15/2011
Andre D. Day License #: 8392509	Voluntary Settlement Agreement Surety Bailbondsman; Professional Bondsman	11/28/2011
Sharona C. Stokes License #: 10007965	Voluntary Settlement Agreement Surety Bailbondsman; Professional Bondsman	11/28/2011
Lawrence Mark Brown License #: 16395181	License Surrender Surety Bailbondsman	11/30/2011
James Kelly Wilson License #: 16198745	License Surrender Surety Bailbondsman	11/30/2011
Warren R. Hunter License #: 10013760	Voluntary Settlement Agreement Surety Bailbondsman	12/22/2011
ADJUSTERS		
James C. Coutras License #: 8520858	License Cancellation Nonresident Public Adjuster	11/22/2011
BUSINESS ENTITIES		
Rey Currier Financial Services, Inc. License #: 8444311	Voluntary Settlement Agreement Resident Corporation	11/30/2011

Check out the latest published reports from the Market Regulations Division: www.ncdoi.com/mr

Individuals and business entities can now print their own license through SBS Connect and sign up for e-mail notifications of license status changes. Click **HERE** for quick and easy instructions.