

EYE on DOI

North Carolina
DEPARTMENT OF INSURANCE

fall 2012



3

NCDOI NEWS BRIEFS
Hurricane Sandy and
Homeowners Insurance Filing



6

MEDICARE DOs & DON'Ts
Marketing Rules for Agents
and Brokers



7

REGULATORY ACTIONS
Regulatory Actions from
July through Oct. 2012

Help Us Fight Insurance Fraud

One way that the North Carolina Department of Insurance works to protect consumers and insurance professionals is through the prevention and investigation of insurance fraud.

In some cases, the fraud is perpetrated by an unethical insurance agent who charges an amount to a client but does not deliver adequate services or, sometimes, provides no service at all. NCDOI staff members have even seen cases where insurance agents are falsifying contracts, collecting unearned commissions and funneling company funds into personal accounts. These agents sully the name of ethical insurance professionals everywhere and give a black eye to the insurance industry as a whole.

Consumers can also be guilty of insurance fraud. Deliberately attempting to stage an accident, injury, theft, arson or other type of loss that would be covered under an insurance policy; exaggerating a legitimate claim; and knowingly omitting or providing false information on an application for a policy are all examples of consumer insurance fraud.

And even though the U.S. economy is showing signs of a turn-around, economic growth is still slow. Unfortunately, that means that insurance fraud, like other types of crimes, shows no sign of slowing. Research conducted by the Coalition Against Insurance Fraud indicates that one in five U.S. adults — about 45 million people — say it's acceptable to defraud insurance companies under certain circumstances. And according to a 2010 Accenture consumer study, consumers' tolerance of insurance fraud has increased in recent years, while their attitudes toward insurance providers has declined. For example:

- More than half of the survey respondents (55 percent) said that poor service from an insurance company is more likely to cause a person to defraud that insurer.
- More than three-quarters of the respondents (76 percent) said they're more likely to commit insurance fraud during an economic downturn.

more on page 3 •••

from the **COMMISSIONER'S** desk



It's hard to believe it was almost four years ago that I was sworn in as North Carolina's tenth Insurance Commissioner. The time has flown by so quickly, but when I think about the many things the North Carolina Department of Insurance has accomplished in these four years, I know that it was time well spent.

One of my goals has been to strengthen communications with you, our licensees and industry professionals. This quarterly electronic newsletter is just one of the ways NCDOI is keeping you up-to-date on department news and licensing requirements. We've redesigned and improved our website so that it is more user-friendly and provides more online services. I've also created agent advisory committees so

that I have an opportunity to hear concerns and suggestions directly from agents working all over the state in a collaborative and informational environment.

I'm pleased that we have taken steps to improve our customer service to you. The number of licenses issued and serviced by our Agent Services Division has grown exponentially during the past decade, and the recent outsourcing of some of our administrative tasks to a professional vendor has allowed our staff to provide you with a higher level of service while performing their regulatory duties.

I am honored to serve as your Insurance Commissioner, and I look forward to continuing to work with all of you. I am

tasked with protecting North Carolina's citizens from excessive, inadequate and unfairly discriminatory rates, and ensuring a solvent, accessible, well-regulated insurance market in our state. This is not an easy balancing act, but I take the responsibility very seriously. It has always been, and always will be, in the forefront of my mind when I'm making difficult decisions about rates and other matters.

We will no doubt face our share of challenges in the next four years, but I truly believe that by working together, the best years are yet to come.

Wayne Goodwin

Governor Announces Support for a State-Federal Partnership Exchange

On Nov. 15, Gov. Bev Perdue announced that her choice is for North Carolina to establish a state-federal partnership health benefit exchange as part of the implementation of the federal Affordable Care Act.

"North Carolina is moving forward with implementing a process that provides much needed health insurance for every citizen," said Perdue in a press release. "It is critical for our state to participate in decisions that affect our state's citizens. We will not cede total control to the federal government. It remains my goal to pursue a state-based plan."

Under North Carolina Session Law 2011-391, the North Carolina Department of Insurance and the North Carolina Department of Health and Human Services are charged with collaborating and planning in the requirements of the Affordable Care Act. At the direction of the North Carolina General Assembly, NCDOI has applied for a federal grant to support state-based operation of consumer assistance and plan management, and to allow the North Carolina Department of Health and Human Services to work on technology components of the exchange related to Medicaid eligibility.

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Whether fraud is perpetrated by an unethical agent, or by a cash-strapped consumer, we all ultimately pay for these crimes in the form of higher insurance premiums.

The 20 sworn law enforcement officers of the Department of Insurance Criminal Investigations Division have been very busy in successfully making 720 arrests and 380 successful prosecutions since Insurance Commissioner Wayne Goodwin took office in 2009, but we cannot fight fraud alone. We need the help of every insurance professional to assist us in spotting fraud and reducing these crimes.

If you know of or even suspect fraud, please don't hesitate to contact the North Carolina Department of Insurance Criminal Investigations Division toll-free at 888-680-7684. You can even report tips anonymously. Learn more about how our agents fight insurance fraud by watching our video [HERE](#) or by downloading our guide to recognizing, reporting and protecting consumers from insurance fraud [HERE](#).

With your help, the Department of Insurance will continue to work diligently to prevent fraud, help prosecute insurance-related crimes, keep all of our insurance premiums down and uphold the strong reputation of the insurance industry as a whole.

NCDOI NEWS BRIEFS

HURRICANE SANDY

After what had been a quiet hurricane season for North Carolina, Hurricane Sandy battered our state's coast at the end of October before making its way up the Eastern seaboard.

While North Carolina was not impacted as much as states in the Northeast, some property owners in the beach and coastal areas of our state experienced damage, primarily from flooding. In an effort to provide information and assistance to North Carolinians, Insurance Commissioner Wayne Goodwin organized an insurance assistance center in Kitty Hawk, where NCDOI staff members were on hand for two days to give people in-person help with filing insurance claims or complaints.

The Department of Insurance's website NCHurriClaims.com continues to be a source of insurance-related information and updates related to hurricane and disaster recovery.

HOMEOWNERS INSURANCE FILING

The North Carolina Rate Bureau has requested an overall statewide average increase of 17.7 percent for homeowners insurance rates. Insurance Commissioner Wayne Goodwin has ordered that a hearing be held in the matter, stating that an initial review raises concerns that the requested increases may be excessive and unfairly discriminatory.

The hearing, which is open to the public, is scheduled to begin on June 3, 2013, at 10 a.m. at 430 N. Salisbury St. in Raleigh.

Read the full notice of hearing [HERE](#).

Agent Advisory Committee Updates

Property & Casualty Agents Advisory Committee

Members of the Property and Casualty Agents Advisory Committee met Sept. 26 on the campus of the University of North Carolina Charlotte. Commissioner Wayne Goodwin opened the meeting by expressing his appreciation to the staff and faculty at UNC Charlotte for the close cooperation and partnership between the university and the Department of Insurance. UNC Belk College of Business finance lecturer Tom Marshal and UNC student Andy Perez followed the commissioner's remarks with a presentation about UNC's Risk Management and Insurance program.

classifying employees as independent contractors to avoid complying with workers compensation laws. Employee misclassification not only leaves employees who were injured or killed on the job without coverage, but it also results in the underpayment of taxes. The new task force aims to increase inter-agency communication and offer solutions that will protect the workers of our state while reducing the number of businesses that violate the law.

Committee Chairperson Linda Willey allowed reports from around the table, discussions of old business, the introduction of new business and then adjourned the meeting.

The final Property and Casualty Agents Advisory Committee meeting for the year was held on Nov. 15th at the campus of Appalachian State University and included a discussion about consent to rate forms and the recent homeowners insurance rate filing by the N.C. Rate Bureau. Goodwin presented certificates of appreciation to committee members for their service during the past year. Full details from that meeting will be provided in the next edition of Eye on DOI.

Insurance Commissioner Goodwin presented a Certificate of Appreciation to Property & Casualty Agents Advisory Committee Chair, Linda Willey. Willey just recently completed her three-year term, serving as chair of this committee since its inception.



Rebecca Shigley, deputy commissioner of the NCDOT Agent Services Division, joined the committee in Charlotte and gave a presentation about new developments with the outsourcing of some services to Pearson VUE. She noted that NCDOT has seen a 50 percent increase in number of license applications being processed and that the processing turn-around time has been significantly reduced since the outsourcing began.

Commissioner Goodwin then announced the formation of the Governor's Task Force on Employee Misclassification. Serving as chairman of the group, Goodwin will facilitate the conversation about issues surrounding businesses illegally

Life & Health Agents Advisory Committee

The Life and Health Agents Advisory Committee meeting was held on Sept. 19 at the N.C. Department of Insurance offices in the Dobbs Building in Raleigh. The meeting began with presentations by Rose Vaughan Williams, legislative counsel for the Department of Insurance, and Julia Lerche, health actuary with the department's Actuarial Division, who provided updates on North Carolina's steps to comply with the requirements of the Patient Protection and Affordable Care Act. NCDOT is prepared to take on in-person assistance functions and plan management related to the health benefit exchange, and at the direction of the

more on page 5 •••

Agent e-Reminder

As the N.C. Department of Insurance streamlines its operations and communications efforts, it is very important that all insurance professionals licensed by the state provide their current email and street address to our Agent Services Division. If you suspect that ASD does not have your most current email address, please click on the Free E-Mail Address Update link on our [website](#).

You can also check your street address by selecting the Free Online Address Change Request link on that page. This will link you to National Insurance Producer Registry website where you can check your street address and change it if it is incorrect.

••• continued from page 4

North Carolina General Assembly, has applied for grant funding to continue to lay groundwork for the exchange in North Carolina.

Latisha Allen from the NCDOI Criminal Investigations Division was also in attendance and spoke about recent arrests she made after investigating instances of insurance fraud involving supplemental life and health policies. Allen informed committee members that unscrupulous agents have been writing fraudulent policies and collecting the commissions on those sales before the insurance company could discover that the policies were bogus. She encouraged insurance company and agency owners to perform criminal background checks before hiring potential agents and to contact NCDOI's Criminal Investigations Division if they suspect any suspicious activity.

Assistant Commissioner Mark Edwards was the closing speaker and gave a presentation about NCDOI's NCHurriClaims.com initiative. After

Appalachian State University student Annalie Ricketts introduced speaker Commissioner Goodwin to agents, faculty and students at the most recent Property & Casualty Agents Advisory Committee Meeting.



committee members addressed new and old business, the meeting was adjourned.

The next Life and Health Agents Advisory Committee meeting will be on Dec. 5 at East Carolina University.

Medicare DOs and DON'Ts

The Annual Election Period, which runs from Oct. 15 through Dec. 7, is the busiest time of year for the Seniors' Health Insurance Information Program. During AEP, SHIIP helps tens of thousands of Medicare beneficiaries in North Carolina evaluate their Medicare options and make changes to their coverage.

During this high volume period for Medicare-related activity, the North Carolina Department of Insurance and the Centers for Medicare and Medicaid Services would like to remind agents and brokers of the marketing rules for Medicare products.

PROHIBITED AGENT/BROKER BEHAVIOR	APPROPRIATE AGENT/BROKER BEHAVIOR
Can't state that they are from Medicare or use "Medicare" in a misleading manner. For example, they can't state that they are endorsed by Medicare, are calling on behalf of Medicare, or that Medicare asked them to call or see the beneficiary.	May call or email someone with Medicare who has expressly given permission. The permission applies only to the plan or agent/broker the person that requested contact from, for the duration of that transaction, and for the scope of products.
Can't solicit potential enrollees door-to-door.	Can call their own clients to discuss new plan options.
Can't send unwanted emails, text messages, or leave voicemails.	May call or visit someone with Medicare who attended a sales event if the person gave permission.
Can't approach people with Medicare in common areas (i.e. parking lots, hallways, lobbies, sidewalks).	May initiate a phone call to confirm an appointment. Scope of the appointment may be changed with appropriate documentation.
Can't conduct sales activities in healthcare settings except in common areas. Improper areas include waiting rooms, exam rooms, hospital patient rooms, dialysis centers and pharmacy counter areas.	Can conduct sales activities in common areas of healthcare settings. Appropriate common areas include hospital or nursing home cafeterias, community or recreational rooms, and conference rooms.
Can't make unwanted calls, including contacting people with Medicare under the guise of selling a non-Medicare Advantage (MA) or non-Prescription Drug Plan (PDP) product and allow the conversation to turn to MA or PDP. For example, an agent/broker can't begin by selling a Medicare Supplement plan and then turn the conversation to MA or PDP products. Agents may not call a beneficiary based on a referral received from an existing client.	Must secure a signed "scope of appointment", prior to the appointment. For example, provided that the person has completed the scope of appointment form following a marketing/sales event, the future appointment may take place immediately after marketing/sales meeting. Agents may leave information at the beneficiary's home if the agent had a scheduled appointment and the beneficiary was not home.
Can't provide meals to potential enrollees at sales presentation.	May provide refreshments and light snacks to potential enrollees at sales presentations.
Can't conduct marketing or sales activities at an educational event (such as discuss plan benefits).	May schedule appointments with people who live in long term care facilities only upon request.
Can't market non-health related products (such as annuities and life insurance) to potential enrollees during MA or PDP sales activities or presentations.	May leave cards behind for clients to give to their friend or family. The "referred" person has to contact the agent/broker directly.
Can't offer gifts to potential enrollees of more than \$15. If a gift is offered it must be made available to all potential enrollees even if they do not enroll in a plan.	May make sales presentations to groups of people without documenting scope of appointment with each individual since such documentation is only required for personal/individual sales events.

If you have concerns or specific complaints about possible inappropriate marketing practices, please report them to the Department of Insurance. For concerns or complaints related to Medicare Advantage or Medicare Prescription Drug Plans, call SHIIP at 800-443-9354; for concerns or complaints related to Medicare Supplements, call the Consumer Services Division at 800-546-5664.

REGULATORY ACTIONS

July — October 2012

NC License/NPN#	Action	Date of Action
PRODUCERS		
Rebecca Plummer License #: 8933151	Voluntary Surrender Resident Life, Accident Health Sickness	7/26/2012
Ervin Malloy Cade License #: 16508993	License Denial Upheld by Administrative Hearing Resident Life	8/2/2012
Ronald Allen Bundy License #: 6581896	Voluntary Surrender Resident Life, Accident Health Sickness, Property, Casualty, Variable Life & Variable Annuity	8/3/2012
Andrew B. Smith License #: 6599258	Voluntary Surrender Resident Property, Casualty	8/14/2012
Edward Forsythe License #: 16258609	Voluntary Settlement Agreement Resident Life, Accident Health Sickness	8/15/2012
Michael Brandon Mobley License #: 6797695	License Revocation Nonresident Life, Accident Health Sickness	8/15/2012
Rochelle S. Bethea License #: 1000243153	License Denied Resident Credit Agent	8/28/2012
Jack M. Smith License #: 0016488959	License Denied Resident Life	8/30/2012
Jerry J. Blue License #: 12223042	Voluntary Surrender Resident Life, Accident Health Sickness	9/7/2012
Jennifer L. Tison License #: 8773607	Voluntary Settlement Agreement Resident Life, Accident Health Sickness	9/12/2012
Edward W. Holloman License #: 2391749	Voluntary Surrender Resident Life, Accident Health Sickness	9/20/2012
Marcus Jermaine Johnson License #: 16791890	License Denial Upheld by Administrative Hearing Accident Health & Sickness	9/20/2012
James L. Mangum License #: 6559251	Voluntary Surrender Resident Life, Accident Health Sickness, Property, Casualty	10/10/2012

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NC License/NPN#	Action	Date of Action
BAIL BONDSMEN		
Brandon A. Morgan License #: 12753045	Voluntary Settlement Agreement Resident Surety Bail Bondsman	8/6/2012
Zandra D. Felder License #: 10008759	Voluntary Settlement Agreement Resident Surety Bail Bondsman	8/15/2012
Nikia Chevette Sharpe License #: 10135606	Voluntary Settlement Agreement Resident Surety and Professional Bail Bondsman	8/23/2012
James O. Perry License #: 6574366	Voluntary Settlement Agreement Resident Surety and Professional Bail Bondsman	8/24/2012
Gerald Richardson License #: 9074742	Voluntary Settlement Agreement Resident Professional Bail Bondsman	8/28/2012
Ashraf M Mubaslat License #: 10011229	Voluntary Settlement Agreement Resident Surety Bail Bondsman	9/7/2012
Michael Kelly Albritton License #: 8393668	Voluntary Settlement Agreement Resident Surety and Professional Bail Bondsman	10/3/2012
Cameron D. Stinson License #: 16618193	License Denial Upheld by Hearing Resident Surety Bail Bondsman	10/22/2012
Marion E. Lewis License #: 8393868	Voluntary Settlement Agreement Resident Professional Bail Bondsman	10/29/2012
Benita W. Scott License #: 6140641	Voluntary Settlement Agreement Resident Surety and Professional Bail Bondsman	10/29/2012
ADJUSTERS		
Jose Luis Cordo License #: 1590827	License Revocation Nonresident Public Adjuster	8/23/2012
Matthew T. Mailey License #: 1428313	License Denied Nonresident Self-Employed Adjuster	9/5/2012

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.