

NHID E-NEWS

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COMMENTS FROM THE COMMISSIONER'S OFFICE

On November 27, 2007 representatives of the NHID met with representatives of the Financial Industry Regulatory Authority (FINRA), formerly known as the National Association of Securities Dealers (NASD). The goal of the FINRA initiated meeting was to establish open communications between the security industry's largest self-regulatory organization and the New Hampshire Insurance Department. By all accounts this goal was achieved.

In an atmosphere best described as supportive and cooperative, the two sides discussed FINRA's regulatory mandates which include oversight of the broker-dealer community, marketing material review and regulatory examination. More importantly, however, FINRA and the Department used the additional hour to discuss two of the industry's more sensitive issues – Equity-Indexed Annuities (EIA's) and Suitability oversight of variable annuity (VA) sales.

Acknowledging the complexity of EIA's, FINRA and the Department discussed the challenges that both regulators face in adopting rules to protect consumers who purchase these financial instruments. On one hand, EIA's, whose performance is tied to securities market indexes (i.e., the S&P 500 Composite Stock Index), are annuity contracts (insurance products) which are regulated by the state insurance departments. On the other hand, the SEC has stated that EIA's may be securities under certain circumstances. Fortunately for the Department, FINRA has established guidelines for supervising the registered representatives, who sell EIA's. These guidelines (NASD Notice to Members 05-50) not only encourage member firms to supervise the sale of EIA's by their registered representatives, but have the added value of fostering a spirit of cooperation between FINRA and the various state insurance departments.

Further demonstrating the organizations' willingness to discuss matters of regulatory concern, FINRA and the Department discussed their positions relative to the NAIC Suitability in Annuity Transactions Model Regulation and the Department's regulation of the sale of annuity products. The Department licenses and regulates both producers and insurers, who sell VA products, and requires its licensed insurers to ensure that all VA sales are suitable. Similarly, FINRA registers and regulates producers who sell VA products and has regulatory authority over the suitability determinations involved in these sales. In the end, the two sides agreed to discuss options for eliminating unnecessary redundant regulatory oversight, while still ensuring that all variable sales are suitable for the needs and means of the consumer.

In closing, as 2007 comes to an end, the Department and FINRA have established open lines of communication, which promise to be beneficial to both regulators and the market place in the coming years.

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LAH DIVISION REORGANIZATION

Several department functions have been recently reorganized to form the Department's new Life, Accident & Health Division. The goal of the reorganization is to bring together the broad knowledge and experience of the current LAH staff from different areas into one division. The division will be managed by Michael Wilkey, who has been in the insurance and managed care industry for over 25 years.

The LAH Division will be comprised of three sections:

- (1) Market Conduct & Exams, Directed by Joellen Atwater, who will have responsibility for investigating and conducting compliance examinations of admitted LAH insurance companies, and other LAH related entities.
- (2) Forms & Filings, Directed by Maureen Hartsmith, who will have responsibility for LAH forms filing review, monitoring products offered and availability, underwriting trends, alternative markets, entries and exits, and responding to related carrier inquiries.
- (3) Consumer Services, Directed by Michael Wilkey, who will have responsibility for LAH consumer services, responding to consumer inquiries.

SERFF USE OFFICIAL

Effective January 1, 2008, the New Hampshire Insurance Department will no longer be accepting paper filings for its rate and policy forms reviews. All insurance rate, rule and form filings will be submitted to the Department via the System for Electronic Rate and Form Filing ("SERFF") and all the fees due in connection with such filings will be paid with Electronic Funds Transfer ("EFT").

As part of the New Hampshire Insurance Department's commitment to enhancing speed to market for all lines of insurance we see this move as a way to allow new products to be introduced into the New Hampshire marketplace at a much faster rate. SERFF is a reliable and relatively inexpensive means of submitting filings that should prove less costly and more efficient for both the insurance industry and the Department, and as such, it is our hope that these cost savings will be experienced in the market for the NH citizens.

FAVORABLE PRICING TRENDS OBSERVED FOR PERSONAL LINES PRODUCTS IN 2007

Overall, rate changes filed by insurers to be effective in 2007 for personal auto and homeowners insurance products indicate that the “soft” market continues to be alive and well in New Hampshire. This year is going to be a continuation of the recently observed pattern that a significant portion of all submitted personal lines rate filings propose decreased rate levels. The following table shows, out of the total number of filings approved for 2005, 2006, and 2007, how many and what percentage were decreases:

Personal Auto	2005	2006	2007
Approved	29	40	40
Decreased	16	25	28
Percentage	55%	63%	70%
Homeowners	2005	2006	2007
Approved	19	18	27
Decreased	7	9	17
Percentage	37%	50%	63%

This continues the good news for the NH consumer and reflects a financially sound and competitive personal lines insurance market in our state. This kind of pricing activity on the part of insurers shows that a “soft” market has existed for the last few years. Available information suggests that, absent an event or series of events of catastrophic proportions, any significant market hardening is unlikely in 2008. In addition, according to Dr. Robert Hartwig, CPCU, and President of the Insurance Information Institute, another indicator of increased competition in the insurance industry is advertising expenditures which rose to a record \$3.7 billion in 2006, up 24% from \$3.0 billion in 2005 and more than double the amount spent in 2001.

Projections are that insurer profitability for 2007 will be strong, and that once again the combined ratio will be under 100%. The resulting underwriting profit along with somewhat higher investment income and much higher realization of capital gains will produce another profitable year for insurers.

PRODUCER LICENSING COALITION UPDATE

The NAIC/Industry Producer Licensing Coalition met again in December at the NAIC Quarterly meeting in Houston. Commissioner Sevigny led a group discussion regarding the group's concerns on the reciprocal processing of Business Entity licensing across state lines and the national on-site licensing review program initiated by the Coalition.

Through the results of the initial surveys it was discovered that some states process Producer licenses for business entities slightly different from other states. Commissioner Sevigny, as the Coalition's chair, has set up a meeting to speak with the National Association of Secretaries of States ("NASS") to get their opinion on this subject. This opinion will be vetted with the Coalition and incorporated into an open discussion with the goals of reciprocity and uniformity. It is believed that the results will be the determination of a best practice to suggest to the National Association of Insurance Commissioners ("NAIC") as a whole.

The national on-site reviews began in November and at the time of the December meeting fifteen states had been through the onsite legal review process. The goal, which still appears to be attainable, is to have all 50 states and commonwealths reviewed by the middle of January 2008. The NAIC has taken the charge to look at the Producer licensing process within each state very seriously. The hope is that once the onsite review process has been completed all of the states' Insurance Department's will be able to benefit from this external audit of their practices. Results will show where improvements or upgrades in processing can be made. The resulting final report from the Coalition will also provide a format for sharing what the review teams found to be best practices for all the states' to benefit from.

ENFORCEMENT ACTIONS



Re: Flores, Estela C.

License denied for failure to pay child support.

Effective: October 19, 2007

Re: Newkirk, Timothy W.

Consent Order and Agreement Docket No. INS No. 07-041-EP Failed to make required disclosure on license application.

Date of Order: July 25, 2007
Administrative Penalty: \$500.00

Re: Wong, Kiew My

Failure to make required disclosure on license application.

License denied.

Effective: August 31, 2007

Re: Schumann, Joshua Michael

Consent Order and Agreement Document No. INS No. 07-066-EP Action and Penalty: License issued on a probationary status due to criminal record/history.

Date of Order: December 11, 2007

Re: Tracksure Insurance Agency, Inc.

Consent Order and Agreement

Docket No. INS No. 07-078-EP

Failure to make required disclosure on license application.

Date of Order: December 7, 2007

Administrative Penalty: \$6000.00

Re: Paul D. Willson, Jr.

Consent Order and Agreement

Docket No. INS No. 07-057-EP

Failure to comply with previous order.

Date of Order: November 26, 2007

Administrative Penalty: \$14,945.00

INSURANCE FRAUD—CASE RESOLUTIONS

Automobile Insurance Fraud:

State v. Joseph Arcidiacono
Cheshire County Superior Court
9/12/07, Guilty Plea to Insurance Fraud, class
A felony
Sentence:
6 months in House of Corrections, suspended
\$3000 fine
Carrier: Peerless

State v. Kim Falle
Cheshire County Superior Court
10/25/07, Guilty Plea to Insurance Fraud, class
A felony
Sentence:
6 months in House of Corrections, suspended
\$4000 fine (\$2000 suspended)
\$4089.33 restitution to Safety Insurance
Carrier: Peerless

State v. Terri Chase
Rockingham County Superior Court
11/27/07, Guilty Plea to Insurance Fraud, class
A felony
Sentence:
6 months in House of Corrections, deferred
and suspended
\$4000 fine or community service
\$450 restitution and apology letter
Carrier: Allstate

State v. Inge Lasut
Strafford County Superior Court
12/17/07, Guilty Plea to Insurance Fraud, class
B felony
Sentence:
6 months in House of Corrections, deferred
and suspended
\$2000 fine or community service
apology letter
Carrier: Progressive

Homeowners Insurance Fraud:

State v. Wellington Potter
Coos County Superior Court
1/4/08, Guilty Plea to Insurance Fraud, class A felony
Sentence:
6 months in House of Corrections, suspended
\$42,000 fine
\$21,039.52 restitution and apology letter
Carrier: Vermont Mutual

Liability Insurance Fraud:

State v. Scott Baldwin
Strafford County Superior Court
10/10/07, Guilty Plea to Insurance Fraud, class B fel-
ony
Sentence:
6 months in House of Corrections, suspended
\$2,000 fine
Carrier: Wausau

Producer Crimes:

State v. David Burbine
Strafford County Superior Court
8/1/07, Guilty Plea to Forgery, class B misdemeanor
9/10/07, Sentencing
Sentence:
\$2472.70 restitution to consumer
Carrier: Chase

Workers' Compensation Related Crimes:

State v. Philip Rice
Rockingham County Superior Court
11/6/07, Guilty Plea to Theft By Deception, class A fel-
ony
Sentence:
6 months in House of Corrections, suspended
485 hours of community service
\$5544 restitution and apology letter
Carrier: The Hartford

INSURANCE DEPARTMENT LAUNCHES NEW WEB SITE

The Insurance Department is proud to announce that its long awaited new web site will become active on February 19th. The site contains new and useful features, including much improved and simplified navigation, a search feature, multiple means of reaching sought after information, and new features like the “New Hampshire Rate Resource”. The NH Rate Resource gives the public access to the newly created “NH Auto Cost” and “NH Homeowner Cost” premium comparison tools, and incorporates the previously launched NH Healthcost web site that allows health care consumers to shop prices from hospital to hospital and physician to physician.

Other highlights include a new red, white and blue look, home page enhancements like “most frequently used” links and downloads to make navigation easier, navigation buttons targeted at our most frequent users, a simplified and streamlined navigation system, and many, many more improvements. The site will now also allow electronic filing of certain documents.

The new site’s address remains the same at www.nh.gov/insurance. You can link to the NH Healthcost web site through the Department’s site, or directly at www.nhhealthcost.org. Be sure to bookmark both sites for easy reference and immediate access to valuable information.

GRAND CHINA, INC. & ET AL. VERSUS UNITED NATIONAL INSURANCE COMPANY

The NH Supreme Court issued an opinion on November 9, 2007 that impacts surplus lines insurance in New Hampshire.

Grand China, a restaurant in Salem was insured for liquor liability under a surplus lines policy issued by United National Insurance Company. The policy provided for cancellation after 10 days notice.

On November 12, 2003, United National Insurance Company sent a notice of cancellation to Grand China, stating its intent to cancel the policy effective December 1, 2003. On December 13, 2003, a patron of Grand China was involved in an accident in which one person was killed and another injured. Grand China sued for coverage under the policy claiming that the cancellation provisions of RSA 417-C require 60 days notice prior to cancellation.

The Superior Court ruled that the surplus lines policy issued by United National Insurance was governed by the provisions of RSA 417-C and therefore a cancellation with less than 60 days notice was ineffective to cancel the policy. United National Insurance appealed to the Supreme Court, which upheld the decision of the Superior Court concluding that the legislature intended that surplus lines policies be subject to RSA 417-C.

This holding is directly contrary to the Department’s interpretation of RSA 417-C as set forth in Bulletin 07-006-AB issued in February, 22, 2007.

The Department has introduced legislation (HB 1378) to address the regulation of surplus lines insurance. However, pending any legislative clarification of the regulation of surplus lines policies, all surplus companies must comply with the court’s ruling and provide cancellation notices that conform to RSA 417-C.

WORKERS' COMPENSATION 2006 HB 471'S UNINTENDED CONSEQUENCES

Under the NH Workers' Compensation system, there are a number of people who are not required to have worker's compensation coverage on themselves. These would include mainly people who are 'owners' of a business, such as sole proprietors, independent contractors and partners. In addition, up to three executive officers or members of a corporation or an LLC can exempt themselves from workers' compensation coverage. These exclusions from the requirement to carry workers' compensation coverage are based on the premise that employees must be protected, but owners are free to take their own risks.

HB 471 affects this ability to exclude oneself from WC coverage. The major part of the bill requires anyone, no matter what the business structure and what their position, to have workers' compensation coverage on themselves if they work on a state public works or DOT project. In addition, the legislation took away the availability of the exclusion of executive officers or members of an LLC if these person (s) are actively engaged in work on any construction site in the State of New Hampshire. This has been the more controversial section, since it requires many people who may not want to carry coverage on themselves to pay premiums that (because of the rates for classes in the construction industry) may range from a couple of thousand dollars to tens of thousands of dollars per year per person. A construction firm may choose not to work on state jobs (and thus not be subject to the major part of the legislation) but can't choose not to work on any construction site and still stay in business.

There have been many meetings, discussions and informational forums to discuss how to implement the law. No official rules have yet been promulgated by the Department of Labor, but the Insurance Department has issued some guidance, in conjunction with the NCCI, to the residual market with hopes that the voluntary market will follow along. This guidance requires the coverage on any policy renewed or written new on or after 9/14/2007. It defines those affected as those who are onsite, advancing the goal of the project and working in any of the 80+ NCCI construction classification codes listed in the guidance.

Legislators, the Governor's office, the DOL, the NHID and the industry (agents, brokers, carriers, etc.) have all been getting a lot of questions, comments and complaints about the negative impact of HB 471 on businesses in the construction trades. As a result, there are several pieces of legislation being introduced in the new legislative session to address these concerns. In fact, HB 692 was recently passed and signed into law by the Governor on January 4, 2008.

RULEMAKING – FALL 2007 / WINTER 2008

The New Hampshire Insurance Department has adopted or currently has the following rulemaking in progress. For additional information refer to the NHID Website: www.state.nh.us/insurance

Ins 200 Practices and Procedures

This rule governs the practices and procedures used in all proceedings before the Department including prehearings, hearings, appeals. This rule also includes a section delineating the rule-making process. This proceeding readopted Ins 200 with amendments.

Adopted: 12/28/07; Effective: 01/02/08

Ins 800 Report of Statistical Data by Property and Casualty Insurance Companies

This rule sets forth the manner of reporting data by insurers to statistical agents, to prescribe reports to be submitted to the commissioner, and to prescribe certain conduct in connection therewith.

Adopted: 12/18/07; Effective: 01/02/08

Ins 1800 Continuing Care Retirement Communities

This rule implements the provisions of RSA 420-D regulating continuing care retirement communities. The rule delineates continuing care retirement community licensing and reporting requirements, as well as required liquid reserves, procedures for obtaining and extending liens, criteria for entrance fee escrow accounts, documents to be given to residents, resident contract standards, disclosure statements, NH Insurance Department audits and investigations, and the transfer or sale of interest.

Adopted: 09/24/07; Effective: 10/01/07

2008 LEGISLATIVE PROPOSALS

The Department plans to actively participate in the 2008 Legislative Session weighing-in on numerous initiatives and assisting Senators and Representatives when requested with information and language. Further, the Department requested the introduction of the following nine bills:

HB 1244: Auditable Policies. This bill clarifies when audits shall be conducted on those policies issued on an auditable basis.

HB 1245: Department Records, Investigations, and Enforcement

This bill clarifies the documents and records required to be produced and the use of such documents and records during an insurance investigation.

HB 1246: Insurance Adjuster Definition Clarification; Policy Provision Disapprovals

This bill adds a definition of insurance claims adjuster and clarifies the exemptions from the law governing them; and clarifies when the insurance commissioner may disapprove forms filed by insurers.

HB 1279: Scope of Certain Insurance Laws

This bill clarifies the scope of certain insurance laws as they apply to surplus lines.

HB 1376: Penalty Provisions

This bill clarifies the penalties for violations of certain insurance laws (RSA 400-A and RSA 400-B).

HB 1378: Taxes and Fees

This bill establishes penalties for certain insurers who fail to file reports or remit the proper tax within the specified time period.

HB 1578: Insurance Fraud

This bill clarifies the laws relative to insurance fraud, including: adding a fine for failure to report fraudulent claims; specifying the commissioner's use of fraud unit information; adding insurance producers to the laws regarding theft by misapplication of property defining insurance document for the purposes of forgery.

HB 1605: Life, Accident & Health Amendments

This bill makes amendments in the insurance laws and clarifies the definition of "dependent" for purposes of dependent care coverage.

SB 369: Storage and Towing

This bill makes it an unfair and deceptive insurance practice for an insurer to unreasonably refuse payment of storage or towing claims for damage to an insured's motor vehicle under the insured's physical damage coverage or property damage liability coverage.



2007 COMPANY CHANGES

COMPANY NAME CHANGES

Old Name	New Name	Effective Date
Quadrant Indemnity Company	Harbor Point Reinsurance US, Inc.	4/17/2007
Newmarket Underwriters Insurance Co.	Allied World National Assurance Co.	8/27/2007
Royal Indemnity Company	Arrowood Indemnity Company	9/15/2007
Private Residential Mortgage Ins. Corp.	Genworth Financial Assurance Corp.	7/12/2007
American Live Stock Insurance Company	Hiscox Insurance Company, Inc.	12/31/2007
Valley Forge Life Insurance Company	Reassure America Life Insurance Co.	9/30/2007
American Employers Insurance Company	SPARTA Insurance Company	8/31/2007
Industrial-Alliance Pacific Life Ins. Co.	Industrial Alliance Pacific Ins. and Financial Services, Inc.	9/25/2007

NEWLY LICENSED COMPANIES

Company Name	Type of License	Effective Date
Sequoia Insurance Company	Property and Casualty	08/21/07
Preferred Professional Insurance Co.	Property and Casualty	09/18/07
Universal Underwriters of Texas Ins. Co.	Property and Casualty	09/24/07
Safety Property and Casualty Ins. Co.	Property and Casualty	09/14/07
Safety Insurance Company	Property and Casualty	09/14/07
Safety Indemnity Insurance Company	Property and Casualty	09/14/07
Covington Specialty Insurance Company	Property and Casualty	10/23/07
Sentinel Insurance Company, Ltd	Property and Casualty	12/05/07
Humana Insurance Company	Health	12/20/07

AMENDED LICENSES

Company Name	Line of Business	Effective Date
Centennial Insurance Company	Add the restriction of servicing existing business only with non-renewal	10/1/2007
Atlantic Mutual Insurance Company	Add the restriction of servicing existing business only with non-renewal	10/1/2007
Alea North America Insurance Company	Add the restriction of servicing existing business only with non-renewal	10/1/2007
Clarendon National Insurance Company	Add the restriction of servicing existing business only with non-renewal	10/1/2007
FFG Insurance Company	Add the restriction of servicing existing business only	10/1/2007
Harbor Point Reinsurance US, Inc.	Add the restriction of servicing existing business only	10/1/2007
Western Diversified Casualty Ins. Co.	Add the restriction of servicing existing business only	10/23/07
Great Divide Insurance Company	Add line of business-Miscellaneous Casualty Insurance	11/01/07

COMPANY MERGERS

Old Name	With and Into	Effective Date
Veterans Life Insurance Co.	Stonebridge Life Insurance Company	07/01/07
Peoples Benefit Life Insurance Company	Monumental Life Insurance Company	10/01/07
Security Insurance Company of Hartford	Arrowood Indemnity Company	09/30/07
Farmers & Traders Life Insurance Co.	Columbian Mutual Life Insurance Company	10/01/07

2007 COMPANY CHANGES CONT.....

COMPANY REDOMESTICATIONS

Company Name	From and To	Effective Date
Guarantee Insurance Company	South Carolina to Florida	12/29/06
Response Insurance Company	Delaware to Connecticut	07/31/07
Acadia Insurance Company	Maine to New Hampshire	12/01/07

CANCELLED LICENSES

Company Name	Effective Date
First American Title Insurance Company of New York	08/30/07
Aetna Health Inc.	10/01/07

RELICENSED FOLLOWING ACQUISITIONS

Company	Acquired By	Effective Date
Genworth Life and Health Ins. Co.	Sun Life Financial and Sun Life Assurance Co. of Canada	05/31/07
Bristol West Insurance Company	BWH Acquisition Company, Farmer Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange and Mid Century Insurance Company	07/03/07
Harbor Point Reinsurance U.S. Inc.	Harbor Point Limited, Harbor Point Re Limited and Harbor Point U.S. Holdings, Inc.	01/01/07
American Live Stock Insurance Company	Hiscox Holdings, Inc.	08/17/07
Redland Insurance Company	QBE Holdings, Inc. and QBE Ins. Group Limited	05/31/07
Praetoran Insurance Company	QBE Holdings, Inc. and QBE Ins. Group Limited	05/31/07

NHID STAFF NEWS

Introducing new hires:

The following individuals joined the Department over the last few months. We welcome them to their new "home".

Ruju Dave, Business Administrator
 Keith Nyhan, Insurance Company Examiner (LAH)
 Ellen Walsh, Insurance Company Examiner (P&C)
 Michael Wilkey, Director LAH Division

Greener Pastures:

Anu Luckoor (former Business Administrator)
 Eric Remillard (former Insurance Company Examiner - financial)

It is with sadness that we note the passing of A.D. Copestakes. A.D. served at the Insurance Department for numerous years. He is fondly remembered by those of us with Department longevity.

