Life Insurance Compliance
New Business and Underwriting Issues.

Educational Webinar Series
October 8, 2013
CEFLI PREMIER PARTNERS
~ Leading the Way ~
Agenda.

- CEFLI’s Antitrust Policy.
- Regulatory Perspective.
- Company Perspective.
- Questions & Answers.
Presenters.


• Andrea Christensen, AIRC - Compliance Supervisor (Sagicor Life Insurance Company).

• Ben Davidson - Chief Underwriter (Sagicor Life Insurance Company).
Once again in 2013, CEFLI’s Educational Webinar Series is focused to provide regulatory, company and industry insights on emerging issues, functional compliance areas and other relevant compliance and ethics topics.

- Provide you with regulatory interpretations and guidance.
- Present you with an overview of the company challenges and some possible leading practices that are being used.
- Give you opportunities to ask questions of the regulators, company professionals and industry experts.
- Allow for a convenient and easy way for CEFLI members to use this educational forum to further supplement their compliance training with Compliance and the Business.
- Point you to valuable resource materials.
Today’s Session.

• Regulatory Perspective.
  – Discussion of new business, replacements, suitability, cancellations/terminations and other application processing issues.
  – Review applicable state regulatory requirements.
  – What are the issues examiners are finding and guidance on some possible leading practices.

• Company Perspective.
  – Structure and compliance-related responsibilities for the New Business Department and the Underwriting Department.
  – Operational review to ensure processes are addressing compliance requirements.
  – Compliance issues and possible leading practices to address these issues.
Polling Question #1.

• Where do market conduct examiners find the most issues when reviewing a company’s life insurance practices?
Polling Question #2.

Within the overall new business process, where do examiners find the most issues in regards to a life insurance company’s practices?
Regulatory Perspective.

- Core areas examined during on-site market conduct exams.
  - Company, Operations and Management.
  - Marketing, sales and advertising.
  - Producer licensing.
  - Policies, forms and rates.
  - Policyholder services and complaints.
  - Claims.
  - Underwriting and rating.
Regulatory Perspective.

• Underwriting new business process.
  – Review application for completeness, check signatures. Check for in-force policies and total coverage. Check for replacements or 1036 exchanges.
  – Verify requirements, request as needed. Requirements vary depending on face amount, age, total amount in force and admitted medical impairments.
Regulatory Perspective.

• Underwriting new business process.
  – When all requirements are on file, review them and make a decision. Varieties of decision are: accept as applied for, make a better offer if warranted, rate or decline.
  – In Wisconsin, it is necessary to write a letter to the applicant in the event of a decline, pursuant to s. 631.17. Wis. Stat. (This is something we look for when we’re on-site for a market conduct exam too).
  – In some jurisdictions, a letter is required in the event of a rated policy as well.
Regulatory Perspective.

- Examined under the core area of underwriting and rating.
  - New Business.
  - Replacements.
  - Suitability.
  - Cancellations and terminations.
Regulatory Perspective.

• New business.
  – Insurable interest, s. 631.07 (1), Wis. Stat.
  – Consent, s. 631.07 (2), (3) (a) (b), Wis. Stat.
  – Misrepresentation, s. 628.34 (1) (a), (2) (a), Wis. Stat.
  – Unfair discrimination, s. 628.34 (3) (a), Wis. Stat.
Regulatory Perspective.

• New business.
  – Assignments, s. 632.47, Wis. Stat.
  – Beneficiaries, s. 632.48, Wis. Stat.
  – Unfair inducement, s. 628.34 (2) (a), Wis. Stat.
Regulatory Perspective.

- Replacements (covered in s. 2.07, Wis. Adm. Code).
  - Identification of the policy replacement.
  - Disclosure of the policy replacement.
  - Submission of required forms.
  - Required replacement process followed on a timely basis.
  - Company replacement policy and procedures followed.
Regulatory Perspective.

- Suitability (covered in s, 628.347, Wis. Stat.).
  - Needs based analysis.
  - Affordability.
  - Is there an obvious case of someone being over insured or under insured?
  - Is company adhering to its policies and procedures?
Regulatory Perspective.

- Cancellations and terminations.
  - Free look cancellations.
  - Terminations (lapses, surrenders, replacements, conversions).
  - Declines.
  - Are companies monitoring for trends and addressing trends?
Regulatory Perspective.

- General observations of examination findings associated with the new business and underwriting processes.
Polling Question #3.

- Does Compliance train and communicate applicable regulatory requirements to the appropriate business areas?
Polling Question #4.

- Does your company monitor the compliance requirements within the business operations?
  - No.
  - Yes, the business develops the metrics and monitors the trends.
  - Yes, the business develops the metrics and Compliance monitors the trends and provides advice.
  - Yes, Compliance develops the metrics and Compliance monitors the trends and provides advice.
  - Yes, the business in conjunction with Compliance will develop the metrics and Compliance monitors the trends and provides advice.
  - Yes, the business in conjunction with Compliance will develop the metrics and another control group monitors trends and provides advice.
  - Other.
Polling Question #5.

- What New Business related items will your company measure (select all that apply)?
  - Producer issues (e.g., not properly licensed, rebating, etc.).
  - Acceptance of payments.
  - Suitability of the product being sold.
  - Replacements.
  - Collection of required forms and disclosures.
  - Underwriting issues (e.g., cancellations, terminations, discriminatory practices, etc.).
Company Perspective.

• Background of Sagicor Life Insurance Company.
  – Products: sell term, universal, whole life and fixed annuities.
  – Distribution: use Career and Independent Channel of producers.
    • Most sales through Independent Channel.
Company Perspective.

• Overview.
  – Organizational structure and upfront operations.
  – Process, review, and actions taken.
  – Monitoring, identifying trends and addressing issues.
Company Perspective.

• Organization structure and upfront operations.
  – New Business Department.
    • Four specialized teams.
      – Triage.
      – Submit
      – Transfer.
      – Issue.
  – Underwriting Department.
    • Cross functional / Team approach.
      – Financial.
      – Medical.
      – “Good Order”.
Company Perspective.

• New Application Review Process.
  – For the most part, the review process is a manual process.
    • Checklists and guidelines address regulatory and legal compliance.
      – New Business.
        » Appointment status.
        » Completion of required training.
        » AML Screening
        » Payment type / Payor.
        » Replacement Transaction.
        » Free Look Cancellations.
        » Consent – (POA/Parent/Guardian).
Company Perspective.

• New Application Process and Review.
  • Underwriting.
    – Insurable Interest.
    – Misrepresentations.
    – Unfair Discrimination.
    – Assignments.
    – “Over Insured”.
    – Declines.
Company Perspective.

- New Application Process and Review.
  - Operational and Compliance issues are closely monitored.
  - Designated Compliance “point person” for each department.
  - Designated Underwriting “point person” for each hierarchy.
  - Outliers are referred to Compliance / Chief Underwriter for additional review.
    - Request additional information for agent / client.
    - Conduct “roundtable meetings” with applicable subject matter experts.
Company Perspective.

• Monitoring, identifying trends and addressing issues.
  – Use of Policyowner Questionnaire – Compliance.
    • Look at specific problematic cases.
      – Determine what (if any) additional actions are needed.
      – Issues reported to Department Manager / Sales Manager.
    • Review metrics quarterly.
      – Trends reported to Senior Management quarterly.
      – Corrective action is taken under the direction of Senior Management.
Company Perspective.

- Monitoring, identifying trends and addressing issues.
  - Department Meetings – Underwriting.
    - Look at specific problematic cases.
      - Determine what (if any) additional actions are needed.
    - Individual Underwriting “point person” monitors for trends within their assigned hierarchies.
Company Perspective.

- Leading practices.
  - “Standing” agenda item.
  - Creation of tools and checklists.
  - Product Implementation Committee.
  - Compliance/Legal Department intranet public site.
Closing Thoughts.

• From the regulator…
• From the companies professionals…
CEFLI’s next in person event will be our Compliance & Ethics Symposium in Baltimore on November 14 and 15, 2013. This exclusive event is geared toward the sharing of company compliance leading practices on the key topics of Unclaimed Property, ORSA/ERM, Annuity Suitability, Fraud Awareness/SIU and Social Media. In addition, this meeting will be kicked off with and extensive discussion on these topics by leading state and federal regulators. Please see CEFLI’s website for more information.

Come join the Forum for another CEFLI signature event!
We’d love to hear from you.

For any questions or comments regarding CEFLI and the content of this presentation, please contact:

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