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## Superintendent Wrynn shares agenda, concerns at CEO Conference

Superintendent James Wrynn shared his immediate concerns with some 100 insurance executives attending the 2009 CEO Conference co-sponsored by PIANY and the New York Association, held in Albany on Nov. 4.

By necessity, Wrynn said, the New York State Insurance Department has been deeply involved in the national financial crisis over the past year. While these financial problems have increased “the threat of federal regulation,” Wrynn is optimistic that state-based regulation of the insurance industry will remain in place. A shift to Washington “could have a tremendous impact” on the state’s finances, he said with “several hundred million dollars” of revenue potentially at stake. His department also is monitoring the federal health-care reform developments on a daily basis, Wrynn added.

Wrynn outlined three major areas where he intends to focus his energies, in addition to all that is happening at the federal level. These include greater emphasis on the local insurance market he regulates, bringing to a successful completion a number of endeavors the NYSID currently has underway, and enhancing New York’s stature as a world financial center conducive to doing business in the state. “I’d like to make it easier to do business—create a business environment that promotes insurance. I want companies to want to work here.”

**Coastal availability.** In the local market, Wrynn said he remains concerned about availability of coastal homeowners insurance on Long Island—a remark that prompted applause from some agents in the room. In response to questions, Wrynn said the NYSID is “generally supportive” of uniform hurricane deductible triggers. He expressed reservations about requiring insurers to set up segregated surplus reserve accounts on their own, an idea floated by his predecessor, former Superintendent Eric Dinallo. However, he said the NYSID actively is researching the possibility of a state or regional fund to handle catastrophe loss. “Creating a separate vehicle and a real pool or fund could allow reserves to build up without having to be distributed or taxed—it’s something we’re pretty aggressively exploring,” Wrynn said.

**Ongoing issues.** Additional issues Wrynn cited as priorities include the NYSID’s proposed regulation governing disclosure of insurance producer compensation; regulation of the life settlement industry; and restoring the state’s medical malpractice market to a sound footing. He has met with medical malpractice stakeholders with the goal of restoring credibility to rates in this market (“the rate has been highly politicized,” he acknowledged) and addressing some \$485 million in unfunded liabilities. He also hinted at possible tort reforms in the medical area.

Wrynn also is looking at rebooting the New York Insurance Exchange. He has met with stakeholders, including people involved in the original exchange during the 1980s, to explore “why it didn’t work then and would work now.” He added that, in bringing this new market online, care would be needed to protect New York’s existing market as well.



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Seeing such high-profile issues through to a successful conclusion, Wrynn said, in part will be a tribute to those who have been working on them at the NYSID: “I am the beneficiary of a wonderful staff. They are dedicated, tremendously talented and very conscientious.”

**WC group trusts.** As former Executive Director of the State Insurance Fund, Wrynn fielded several questions on the state’s workers’ compensation group self-insured trusts. “This was a big issue at the State Insurance Fund,” Wrynn said, adding that he has spoken to the Chairman of the Workers’ Compensation Board, Robert Beloten, providing certain recommendations. “We have to restore credibility to the rate-setting process. [Trusts] have to charge a premium that will provide for the risk they are insuring.” Wrynn said existing trusts need to be examined carefully for solvency, and then make sure they are charging a proper rate going forward. Asked whether brokers can have confidence in the trusts at this point, he added, “That’s why we have to fully understand their liabilities and whether they are adequately capitalized. I don’t feel confident we have that information.”

**Homeowners nonrenewals.** Responding to questions about the coastal market, Wrynn said the NYSID is seeing more nonrenewals. While new players are coming in, “we don’t want them to take on too much,” he said. “We want to create a situation where there is competition—not just a few big carriers. The way to proceed is for market forces to create a competitive environment. We have many more [companies] coming in than are leaving,” he continued. But, he added, since companies can nonrenew up to 4 percent of their statewide homeowners business, without geographic restriction, for a large carrier this can mean a large number of policies being dropped.

**Carrier filings.** A query from a company participant about moving filings through the NYSID more expeditiously found Wrynn prepared: “I will appoint a high-level person to expedite some 700-800 rate and form filings we receive annually,” he said. “We will try to do triage, separating out the very complicated filings. Routine filings—I want a way to process these quickly. If more information is needed, we shouldn’t be waiting to request it.”

**No-fault claims costs.** Regarding no-fault claims, Wrynn said he has looked at data showing that not only are costs going up, but the trend is accelerating. Procedure payments are capped, but Wrynn said the data shows more procedures are being performed. He said the NYSID will revise Regulation 68, dealing with no-fault claims settlements. “Data will be required from a lot of companies. If they see numerous procedures, they will report, so we can investigate. We have to be very aggressive.” In addition, “we definitely are considering mandatory arbitration below a certain dollar threshold, where it makes no sense to bring in doctors and spend several days on the case.”

**Federal regulation.** Asked for his forecast on the outcome of federal regulation, Wrynn expressed general optimism: “I don’t believe they will do anything significant with state regulation.” He described meetings in Washington on the consumer protection legislation, where he described the NYSID’s workload: “We get 75,000 complaints and 125,000 inquiries a year—do [the feds] want to take that on? I think they will be careful not to bite off more than they can chew.”



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**Compensation disclosure.** When the basis of the disclosure initiative was challenged, Wrynn defended the NYSID's actions. "There's a history. The concerns were the consumer's right to know and a level playing field." He described the process by which each of three successive drafts responded to producer comments. "The consumer has a right to know," Wrynn insisted. "The customer already feels this way. The [current proposed] disclosure is just memorializing that fact. We've tried to make it as fair as possible. Now, are you paying for the sins of others? Yes, to an extent you are. But, if nothing is done and some other group of producers does something, then we've failed, in a way."

**Contract certainty.** Regarding the NYSID's Circular Letter on contract certainty, Deputy Superintendent Michael Moriarity, traveling with the Superintendent, confirmed that this guidance, which took effect in October, "is an advisory. We don't intend to go out and start fining people right and left. But it [the 30-day contract issuance standard] is being done elsewhere and we don't see why not here."

Wrynn urged insurance agents to provide him with recommendations "that will let you service your clients better. I'd like to be less a regulator and more a facilitator" for agents as well as companies, he said. Then he graciously lingered, chatting with conference participants, long after his formal remarks concluded.