



**STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004**

**Circular Letter No. 11 (1999)
March 26, 1999**

TO: All licensed life insurers, property/casualty insurers, accident and health insurers, Article 43 Corporations, Public Health Law Article 44 health maintenance organizations and integrated delivery systems, fraternal benefit societies, municipal cooperative health benefit plans, charitable and segregated gift annuity societies, employee welfare funds, retirement systems, viatical settlement licensees, governmental supplemental annuity funds, savings bank life insurance departments, co-operative property/casualty insurers, financial guaranty insurers, mortgage guaranty insurers, reciprocal insurers, accredited reinsurers, title insurers, the State Insurance Fund, the Medical Malpractice Insurance Association, the New York Property Insurance Association, the Motor Vehicle Accident Indemnification Corporation and rate service organizations; all hereinafter referred to as "licensees."

RE: Update on Department's Electronic Initiatives

The New York State Insurance Department ("the Department") recognizes the dramatic changes that are taking place in the insurance marketplace as a result of the convergence of the different sectors of the financial services industry. These changes are compounded by rapid technological developments, which are continually creating new mediums of communication and distribution. The Department also recognizes its responsibility to find ways to use established and emerging technologies to improve the effectiveness and efficiency of our internal business operations -- the processes by which we interact with insurers and the services we offer to consumers. The purpose of this circular letter is to communicate the Department's current goals and strategy for maximizing the utilization of technology. In addition, this letter will illustrate how we are integrating new technologies into our daily operations, and explain how these electronic initiatives will benefit both insurers and consumers. Finally, we encourage the industry's input regarding the Department's technology initiatives.

E-Commerce

The Department has been appointed Vice-Chair of the NAIC's Committee on Regulatory Re-engineering. In this capacity, the Department will be working to increase efficiencies in the regulatory process through greater use of the Internet and electronic commerce. As part of this process, we will be helping to conduct a detailed review of state legislation and regulations in an effort to identify potential obstacles to electronic commerce. It is vital that we then work through these obstacles as insurers and other financial services companies expand into the world of E-commerce and access the Internet as an additional marketing and distribution channel. The Department must keep pace with these technological changes and, where necessary, alter our regulatory scope to address these issues, such as processes for electronic signatures and payments, so that the industry and consumers can take full advantage of opportunities afforded by E-commerce.

Consumer Information and Imaging Management System (CIIMS)

Streamlining operations to better serve consumers remains a priority for the Department, which is why we have implemented a new electronic imaging system that fully automates our consumer services operation. Our new system integrates electronic imaging, document storage and workflow applications and will allow staff to respond more timely to the Department's tremendous volume of consumer complaints. To further improve our operations, we will be working with the design vendor in the months ahead to add enhancements and additional features to this state-

of-the-art application.

Licensing Information On-Line Network (LION)

The Department's new licensing on-line network will allow the Licensing Bureau to manage all of their operations electronically. The first component of the system has been installed and will allow the Department's Licensing Bureau to handle the thousands of various entities (Providers, Courses, Instructors, Affiliates and Monitors) necessary to approve and administer Continuing Education. This component will improve turnaround time – ensuring that the bureau is as responsive as possible to customer inquiries, especially during busy renewal periods. The Department will be rolling out the remaining three components of this client-server system throughout the year.

Producer Database (PDB)

The Department has committed to supporting the NAIC's central repository of producer licensing information that is updated daily by all participating State insurance departments. Through the database, the industry can access all public information regarding a particular producer including demographics, license and appointment history, final regulatory actions and certification history. We are in the process of working with the NAIC to implement the necessary programming and we anticipate transmitting data in the third quarter of this year.

System for Electronic Rate and Form Filing (SERFF)

The Department is beginning participation in the NAIC's system for electronic rates and forms filings, which enables companies to submit rate and form filings to their regulators electronically. Adopting SERFF builds on the Department's industry task force discussions that we initiated last June to identify steps we could take to enhance the efficiency of the Department's filing approval process. By allowing insurers to file electronically and the Department to respond electronically, we extend the gains already being realized elsewhere in our business operations.

Financial Database Reengineering (FDR)

The Department has committed to the concept of electronic filing of insurer financial statements, and has already charged an internal taskforce to implement this by the summer. The NAIC's FDR initiative is an extension of this commitment. This reengineering project will make the NAIC's database, which is the largest of its kind in the world, more useful to regulators. By relying on the NAIC's database, rather than continuing to support our own, insurers will benefit by reducing compliance costs. Insurers will be able to identify and correct errors before the filings are submitted – saving valuable quality assurance time. The Department will be able to redirect its resources to working with the regulatory bureaus to provide global leadership in developing powerful computer-based financial solvency surveillance tools that capitalize on what the NAIC currently offers.

Electronic Library

In response to the increased demand by staff for greater and more timely access to financial information about the companies we regulate, we are issuing Requests for Proposals to develop a strategy for converting our Public Affairs Library into an Electronic Resource Center ("ERC"). The ERC will provide on-line and CD-ROM access to a variety of publications, databases, Bloomberg and the Internet that examiner staff have determined are essential for the completion of their jobs. The Department will use resources from Systems and the regulatory bureaus to ensure that the ERC is up and running by the third quarter.

Website

The Department remains committed to using its website as a primary vehicle for communicating with the industry and to ensuring that the site is accurate and up to date. Toward that end, we have dedicated significant resources to maintaining and enhancing the site and welcome any suggestions for further improvement. We are currently embarking on exciting projects to enhance the site, including adding a new frauds resource center and redesigning the homepage to make it more user-friendly.

Very truly yours,

Neil D. Levin
Superintendent of Insurance