

Advocate would probe insurance complaints

BY S.P. DINNEN • REGISTER BUSINESS WRITER • APRIL 20, 2008

A sign in the lobby of the Iowa Insurance Division proclaims the agency as the "consumer's best friend." Susan Voss, the division's commissioner, has publicly called herself the best supporter that insurers have.

Voss could get a chance to balance between companies and consumers with the likely establishment of a consumer advocate inside her office.

Both the Iowa Senate and House have passed bills creating a position whose sole responsibility is to stand up for Iowans who believe they've been poorly treated by insurers.

But because the bill contains no extra funding for an advocate, the position will be filled by someone already working for Voss. A division spokesman said staffing would be accomplished "by an internal realignment of skill positions."

Voss wanted to maintain control and oversight of that position, housing it within the insurance division and having the advocate report to her.

A consumer advocate, under the bill that now awaits signing by Culver, could investigate consumer complaints, conduct investigations, and conduct administrative hearings against insurers or agents when appropriate.

The advocate and any staff would be named by Voss and report to her. She said that creating a stand-alone office would lead to an industry that is regulated by two separate entities.

"It causes time delays and confusion for consumers and costs additional money for carriers that are ultimately passed on to consumers," she said.

The division has critics who believe that on several key issues in recent history consumers were not treated fairly. Among their complaints:

- In 2006, as lawsuits against Iowa-based annuities marketers were mounting in other states over their marketing practices, the Iowa Insurance Division decided against setting new guidelines for insurers. Instead, it invited the Insurance Marketplace Standards Association, an industry trade group, to establish standards for members. The public was not allowed into the meetings that led to the standards.

"State regulators should not defer to trade associations," said Kevin Hennosy, a former official of the National Association of Insurance Commissioners.

- Gov. Chet Culver ordered Voss to hold public meetings last summer to address what he called serious concerns about news reports that long-term care insurers were improperly raising rates and denying claims.

Policyholders at the long-term care hearings said their gripes to the insurance division had not been heard.

However, the result of those meetings was a proposal from Voss that called for her office to implement 27 separate controls over not only long-term care but also other types of insurance, and their regulation. Not soon after, calls for a consumer advocate began to grow.

- In March 2007, Voss collected a record \$750,000 penalty from an Indiana insurer but refused to make public any documents that specified allegations of wrongdoing.

Gov. Culver and other lawmakers questioned the deal, and in April, Voss appeared before a special meeting of the Senate and House commerce committees.

Voss said she agreed to the deal in part because she lacked the authority to unilaterally impose a fine against an insurer. Lawmakers responded by granting her that power, and she has since said that she intends to wield it to the advantage of consumers.

But insurers might have gotten the impression in 2005 that Voss was on their side. In a speech at Drake University, she proclaimed herself the biggest supporter that Iowa's huge insurance industry has. That remark, Voss later explained, was made in "the context of wanting the industry to stay a strong and vital part of the Iowa economy."

Because insurance is such a key business in Iowa, Voss said it would benefit both the state and policyholders to ensure that "any activity of the industry is appropriate and within state law."

"We work very closely with industry to make sure that they have the financial ability to increase productivity and provide products and services for consumers," Voss said. "We have not had a multi-state company go insolvent in Iowa in over 20 years. I believe that is based upon good regulation that is neither lax nor heavy-handed."