

PRESS RELEASE

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State Insurance, Securities Regulators Are Monitoring Industry Y2K Compliance

Officials of two state agencies that regulate insurance and securities in Arizona expressed confidence today that the industries they oversee have taken reasonable precautions to prevent serious Y2K computer problems.

Arizona Insurance Director Charles R. Cohen and Securities Director Mark Sendrow of the Arizona Corporation Commission said their agencies have closely monitored efforts by state-licensed insurers and securities firms to upgrade computers so they will function properly with the start of the new millennium on Jan. 1, 2000.

There is some concern that computers that use two digits for the year will read "00" as 1900 instead of 2000, and may malfunction.

At the Arizona Department of Insurance, these actions have been taken:

- In 1997, the Insurance Department began inspecting Y2K readiness of insurers as part of financial and market conduct examinations of insurers.
- Arizona-domiciled insurers were ordered to complete a Y2K compliance questionnaire, including a detailed plan on how they intend to become compliant.
- Questionnaire results were analyzed by the Insurance Department and by information technology consultants.
- The department followed up with numerous on-site inspections.

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- The department has actively participated in information-sharing arrangements with insurance regulators in other states to monitor insurers doing business in multiple states.

The insurance Department is close to having completed all on-site Y2K inspections of Arizona-domiciled nationally significant insurers. In addition, the agency will continue to inspect Y2K readiness when examining insurers, conduct periodic follow-up inspections of companies that may not yet be in full compliance, and review the industry's contingency plans.

Nationally, major insurance companies appear to have prepared well for Y2K, according to the National Association of Insurance Commissioners Year 2000 Industry Preparedness Task Force. The NAIC Task Force reported that state insurance regulators have inspected Y2K compliance through on-site examinations of insurers that collectively write approximately 86 percent of the total premiums for life and health and property and casualty insurance. Regulators are monitoring compliance for the remainder of the insurance industry through surveys, audits, examinations and other methods.

Glen Pomeroy, chairman of the task force and North Dakota insurance commissioner, said in a statement released Sept. 20: "We are making significant progress in implementing the initiatives developed by the task force to gauge Y2K compliance and readiness by the insurance industry. While our work is far from completed, the members of the NAIC's Y2K Industry Preparedness Task Force believe the insurance industry will not experience any serious problems when the year 2000 begins."

The NAIC also expressed confidence that state insurance departments across the nation are substantially in compliance. The NAIC, the oldest association of state government officials, consists of insurance regulators of all 50 states, the District of Columbia and four U.S. territories.

With regard to securities, Sendow said his office at the Arizona Corporation Commission has worked with the U.S. Securities & Exchange Commission on Y2K preparedness. Arthur Levitt, SEC chairman, issued a statement in September asserting: "I am confident that the first day of trading after the New Year will be business as usual."

Sendow agreed that stock exchanges, mutual funds, securities firms, depositories, clearing corporations and transfer agents have worked together to check and re-check networks. "Comprehensive contingency plans have been developed," Sendow said, adding, "I see no reason why fear of a Year 2000 problem should cause investors to alter their investment or trading habits."

In addition to monitoring the industries' computer readiness, computers at the two state agencies have been upgraded and are Y2K compliant as part of a statewide effort ordered by Governor Jane Dee Hull.