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Via email to Craig Leonard

Commissioner John Morrison,
Chair, Consumer and Market Regulation (D) Committee
2301 McGee Street, Suite 800
Kansas City, Missouri 64108-2662

**Re: Market Regulation Accreditation Program
August 2008 Draft**

Dear Commissioner Morrison:

The American Insurance Association (AIA) appreciates the opportunity to comment on the draft Market Regulation Accreditation Program (proposal). Advancements in market regulation are important steps in modernization. Given the significance of accreditation, choosing the appropriate standards and timing for implementing those standards is important.

There are a few instances where AIA believes that if the NAIC were to implement it's most recent draft it may be putting the cart before the horse. This is not to say that these items never have a place in an accreditation system. However, for some of the proposed accreditation standards, the time is not ripe. Importantly, there are some cases where regulators may need to seek legislative and/or contractual changes in order to appropriately act consistent with the proposal. Furthermore, the NAIC should be taking significant steps to make operational or data enhancements that would be proven before the proposal takes effect.

Category II dealing with **market analysis** is a perfect example. This was not a component of the proposal circulated earlier this year. As of today, almost 54% of jurisdictions (28 of 52) – the majority, if my numbers are correct – have not previously participated fully in a market conduct annual statement (MCAS) cycle. Ramping up to handle MCAS and market analysis may involve a number of very important steps for those Departments who are new to the effort.

The MCAS process is still relatively young and the newest version of that process is still in its infancy. AIA urges the NAIC to hold-off including market analysis as a component of the accreditation proposal until the process has the chance to further mature. The NAIC could take a stepped approach - move forward with some of the other components now and reconsider market analysis in a few years, after the pilot and the next (possible) year MCAS experience.

Category I dealing with **data collection and reporting** brings a serious responsibility for and dedication to accuracy and reconciliation. Obviously, the same is true for Category II. AIA encourages the NAIC and states to engage in robust efforts to advance definition consistency and to provide interactive forums for working through data concerns.

Category III addressing **market conduct** exams omits reference to the continuum of actions. The standards seem to presuppose that an examination will be called.

Category IV dealing with treatment of **confidential information** does not acknowledge that there may be a need to take time to address the conflict between the current state of the law and the state regulator submitting information to the NAIC or otherwise engaging in items in the proposal, such as market analysis and MCAS. This conflict should be quickly addressed.

In conclusion, while AIA supports modernization we ask you to consider the bigger picture of how these items come together given the current state of the law and readiness. Again, we urge you not to include Category II at this time.

Respectfully submitted,

/s/

Catherine Paolino
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