
From: Moore, Laura
Sent: Thursday, October 23, 2008 2:40 PM
To: Wallace, Petra
Cc: Clark, Sharon P.; Burkholder, John; Burton, Sharron
Subject: Market Conduct Proposed Accreditation Proposal - Kentucky DOI Comments

Following are Kentucky's comments regarding the Market Regulation Accreditation Program Draft of August 25, 2008:

The Kentucky Department of Insurance welcomes the adoption of an accreditation program for Market Regulation. In anticipation of adoption of such a program, Kentucky has already implemented most all of the standards set out in the draft. Some issues of concern are noted as follows:

ACCREDITATION CATEGORY III - MARKET CONDUCT EXAMINATIONS

Standard 12 The Department of Insurance shall utilize a standardized timeline as required by the state's statute or the NAIC Model Law on Examinations.

A. The Department of Insurance shall deliver a draft report to the regulated entity within 60 days of completion of the examination:

Comment: The Kentucky statutory scheme does not differentiate between draft and final reports. Kentucky Revised Statute 304.2-250 provides no specific time frame for delivery of the report; however, in the normal course of events the report is delivered within 60 days of completion of the examination.

B. The Department of Insurance shall provide the regulated entity with 30 days in which to respond to the examination;

Comment: KRS 304.2-260(1) provides that the regulated entity shall have 20 days, "...or such additional reasonable period...", within which to respond to the report. Extensions of time have been liberally granted.

C. The Department of Insurance shall informally resolve issues and prepare a final report within 30 days (unless there is a mutual agreement with the regulated entity to extend the deadline); and

Comment: The Kentucky scheme (per KRS 304.2-260(3)) provides for the entry of an order within 60 days after the conclusion of the 20 day period in which the company must respond to the report in those instances in which a hearing was not requested. The 30 day period set out in proposed paragraph C., is very short and in practice may not leave enough time for meetings with regulated entities and their legal counsel.

D. The Department of Insurance shall provide the regulated entity with a 30-day time period in which to accept the final report or request a hearing.

Comment: Under Kentucky law a hearing must be requested within 20 days of receipt of the report (KRS 304.2-260(1)).

Examination Workpapers

We would like to recommend that the draft also include standards in reference to examiner workpapers. The Market Regulation Handbook sets out detailed examiner procedures by type of examination. The Market Regulation Accreditation Program would be enhanced by including standards regarding the use of these procedures in the form of examiner work papers.

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