

The Louisiana Insurance Department appreciates the opportunity to comment on the proposed Market Regulation Accreditation Standards and offers the following comments and questions for discussion:

Category 1, Standard 1 D: The Department of Insurance shall complete a data reconciliation, with NAIC staff, of Department of Insurance data files regarding closed complaints and the NAIC CDS database.

Comment: Is it contemplated that a process be developed to determine how the data reconciliation will be conducted between NAIC and the various Insurance Departments?
How often will such reconciliation be contemplated?

Category 1, Standard 1 F: The Department of Insurance shall reconcile CDS data with regulated entities' complaint data. The Department of Insurance shall submit to the NAIC updates to corrected CDS data within 30 days after reconciling complaint data with data provided by regulated entities.

Comment: Is it contemplated that a process be developed to determine how the data reconciliation will be conducted between the various Insurance Departments and every type of regulated entity? For this to work efficiently, I believe a uniform process would need to be developed so that each regulated entity would have a single uniform process to reconcile data with all of the various jurisdictions in which it operates.
How often will such reconciliation be contemplated?

Category 1, Standards (2 E.), (4 D.), (5 D.) and (6 C): Each of these standards dictates that Insurance Departments shall complete a data reconciliation with NAIC staff for all entries into various NAIC databases (ETS), (MITS), (RIRS) and (SAD):

Comment: Is it contemplated that a standard process be developed to determine how the data reconciliation will be conducted between NAIC and the various states Insurance Departments?
Is it contemplated that this reconciliation occurs only during the accreditation review, or at various intervals.
If the reconciliation will occur at times other than the actual accreditation review, at what intervals will the reconciliation take place for each of the noted databases?

Category 1, Standard 6 B: The Department of Insurance shall submit, on a quarterly basis, a minimum of one SAD data transaction to the NAIC.

Comment: This standard contemplates that each and every Insurance Department will have at least one SAD entry for each and every quarter. Will a state fail accreditation if it simply has no action to report?

Category 3, Standard 4 A: The Department of Insurance shall develop a preliminary examination packet or handbook that shall be sent to the examination coordinator at least 30 days before the scheduled commencement of the on-site examination.

A. The due date for a standardized data request, if utilized by the Department of Insurance shall be scheduled before the preliminary examination packet is received by the regulated entity. The preliminary information shall contain the following information:

- 1) General instructions;
- 2) The scope of the examination;
- 3) The materials requested to perform the examination;
- 4) Standardized data requests;
- 5) Requirements for accommodations and supplies including modem requirements;
- 6) Time and cost estimates;
- 7) Travel information;
- 8) Specific instructions regarding sampling, communications with the regulated entity and other pertinent information;
- 9) Location of on-site examination;
- 10) Security arrangements; and
- 11) Billing procedures.

Comment: I believe this standard may need to be reworded. As written, it states that the due date for the standardized data request shall be scheduled before the preliminary examination packet is received by the regulated entity; however, the standard data request is to be included in the preliminary examination packet (see A.(4)). If the standardized data request is part of the preliminary examination packet, how can the regulated entity respond to the data request before it receives the packet?
 Perhaps we should say that *the due date for the initial standardized data request shall be included in the preliminary examination packet?*

Category 3, Standard 12 B:

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

Comment: I believe we should add the phrase “unless there is a mutual agreement with the regulated entity to extend the deadline for justifiable reasons.”

Category 3, Standard 12 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: I believe we should add the phrase “unless there is a mutual agreement with the regulated entity to extend the deadline for justifiable reasons.”

Category 3, Standard 14 B:

The Department of Insurance shall establish a documented process for releasing final examination results to the public.

Comment: Is the NAIC contemplating a press release with each finalized public examination report. I am not sure this is necessary given that the final Examination Reports, including the executive summary, will be posted to the Department’s website (per Standard 14 A).

Category 3, Standard 15 B:

The Department of Insurance shall be able to demonstrate an enforcement strategy, and specifically the role of market conduct activities in that effort.

B. The Department of Insurance shall have a documented methodology in place for determining the amounts of fines, based on a host of criteria including the size of the regulated

entity, the market share, whether the problems have been corrected, and any host of mitigating or aggravating circumstances.

Comment: We believe this Standard should be deleted. This Standard creates a situation which would undermine the authority of the Commissioner or Administrative Law Judge to make an independent determination as to penalties within the confines of established law as set by the Legislature. Further, it creates a mechanism whereby some unscrupulous regulated entities may decide to violate or ignore certain statutes or regulations by performing a "cost/benefit analysis" once a Department has telegraphed it's regulatory scheme. Finally, this Standard would have no effect on uniformity as each jurisdiction will inevitably develop a different variation of a "penalty matrix".

Category 5, Standard 4 A:

To further enhance security, Departments of Insurance shall provide or require contractors to utilize dedicated computers with approved virus software and approved encryption. When possible, e-mail and needed URL shall be routed through the Department of Insurance and password protected

Comment: The word "virus" should be changed to "anti-virus".

General comment: I believe that simultaneous with the development of accreditation standards there should also be a set of guidelines or procedures for the NAIC accreditation teams that will be reviewing states' compliance with the accreditation standards. States will need to be aware of the actual "review period" or "look back period" to be utilized by the accreditation team in reviewing a state's records. For example, if a state determines that it has become compliant with all accreditation standards in the year 2010 and the accreditation review period is set for three prior years, that state would not pass an accreditation review until the year 2013.

Ron Musser
Asst. Commissioner
Office of Financial Solvency
Louisiana Department of Insurance