

**MEMO**

**TO:** Petra Wallace, NAIC  
**FROM:** Leslie Krier, Washington State OIC  
**Date:** 10/24/08

**Re:** Comments on Proposed Accreditation Program for Market Regulation

**Petra:**

**Please find Washington's comments below. We have divided them into two segments. The first are our comments on the general set up of the program. The second table covers our comments on the individual standards.**

**If you have questions after reviewing this material, please don't hesitate to call me.**

**GENERAL COMMENTS**

<b>General</b>	<b>Comment</b>
<p>Page 2, HOW THE MARKET REULATION ACCREDITATION PROGRAM WORKS, Paragraph #1:</p>	<p>The last sentence needs to read: “.....will not impact the status of a jurisdiction’s accreditation or non-accreditation under the Financial Regulation Standards and Accreditation Program <b>or any other Accreditation program that may be adopted by the NAIC.</b>”                      We know that there is at least one additional Accreditation program being discussed and it is probably inevitable that others will evolve. This eliminates the need to go back and change our program based on future activities.</p>
<p>Addition</p>	<p>There is not a provision in this document to discuss how we add, delete or change the competencies used to measure compliance. Competencies are added via the Market Regulation Handbook but not all competencies are used for accreditation purposes. If a competency is changed or deleted, that needs to carry over to the accreditation process. If a section is added, then those competencies need to be evaluated for inclusion in the accreditation process. Decisions about how to integrate the competencies into accreditation need to be made or the program will not survive as it won’t be able to keep up with changes in processes.</p>

STANDARD SPECIFIC COMMENTS

Standard	Comment
I.1.A	<p>Washington’s new Market Oversight Law has specific requirements for complaint verification that will keep us from achieving this standard as written. Our proposed language change is as follows:</p> <p><b>The DOI shall submit to CDS all loadable, closed consumer complaints within 30 days of closure or at the next available upload date upon completion of state specific processing requirements as set forth in statutes or rules of a particular state.</b></p>
I.1.B	<p>In order for a non-SBS state to meet this requirement, changes to the SBS web-based program will need to be completed. Currently the manual process that is required will never allow us to meet the 5 business day requirement. I don’t think that WA is the only state in this situation. Therefore, we would propose the following change to this standard:</p> <p><b>All CDS data transactions will be submitted to the NAIC with an error rate of 2% or less. In the event that updates and/or corrections need to be made, they will be done within 5 business days for SBS based states or at the next upload date for non-SBS states.</b></p>
I.2.E	<p>I am not aware of a formal reconciliation process. Currently, the NAIC notifies us when an exam has been open more than 12 months. If this is the reconciliation process, then nothing else needs to be done. Based on this, WA would propose the following language:</p> <p><b>The NAIC will notify the Department of Insurance staff when an examination is not closed within 12 months of the open date. It will be the responsibility of the DOI to update the ETS information.</b></p>
I.3.B	<p>Since there are some Lines of Business not supported by MARS for Level 1 and Level 2 is not supported at all, this needs to be added to this standard. Our proposed language is:</p> <p><b>The Department of Insurance shall ensure that for every regulated entity on which a continuum action is taken, the DOI has completed a Level 1 Analysis and a Level 2 Analysis prior to commencing the continuum activity. The Level 1 analysis must be documented in the Market Analysis Review System (MARS) for those lines of business supported by MARS, and in DOI work papers for all other lines of business. All Level 2 Analysis is to be documented in DOI work papers. Exception .....</b></p>
I.3.C	<p>Not all lines of business are supported by NAIC systems for Level 1 analysis, and Level 2 analysis is not supported at all. This standard needs to be rewritten to reflect this:</p> <p><b>The Department of Insurance shall ensure that Level 1 analysis for</b></p>

	<b>lines of business supported by the Market Analysis Review System (MARS) are documented in the system. For other lines of business, the DOI work papers shall contain the required documentation to support the DOI action.</b>
I.3.D	Currently there is not a place to document Level 2 analysis. Reference to Level 2 analysis needs to be removed from this standard. In addition, for those lines of business not supported in MARS, the required supporting documentation needs to be maintained at the DOI.
I.4.D	I am not aware of a reconciliation process for MITS.
I.5.C	Because energies have been spent on updating CDS, disposition reasons have not been updated in RIRS. Therefore, it would be helpful if the <b>2% limit was raised to 5% until changes to RIRS can be made.</b>
I.5.D and E	<b>Staff in WA are not aware of a reconciliation process for RIRS.</b> If such a process exists, we would like to have someone work with us. If not, please remove this standard.
I.6.A.	There may be situations where there are no SAD entries for the quarter. There is no way to pass this standard in those cases. Therefore, we propose the following change:  <b>Each quarter, the DOI shall submit a minimum of one SAD data transaction to the NAIC. In the event that there is nothing to report to SAD for a particular quarter, the DOI shall notify the NAIC in the prescribed manner.</b>
I.6.C and D	<b>Staff in WA are not aware of a reconciliation process for SAD.</b> If such a process exists, we would like to have someone work with us. If not, please remove this standard.
III.8.A	Proposed language: <b>The procedure will include a section on confidentiality requirements for alternate work locations such as at the company, at contract examiner facilities or at an examiner's home.</b>
III.11.A	To make this a bit more flexible which would allow state requirements, we propose the following changes: The DOI shall utilize the standardized report format found in the Writing the Examination Report chapter of the <i>Market Regulation Handbook</i> or a <b>substantially similar format approved by the Commissioner.</b>
III.12.A	To allow for state specific time frames, our suggested edits for this statement are: <b>The DOI shall deliver a draft report to the regulated entity within 60 days of completion of the examination or as required by state statute or regulation.</b>
III.12.B	To allow for state specific time frames, our suggested edits for this statement are: <b>The DOI shall require the regulated entity to respond to the examination report within the time specified in state statute or rule.</b>

	<b>If there are no state requirements, the entity must respond within 30 days of receiving the report.</b>
III.12.C	To allow for state specific time frames, our suggested edits for this statement are: <b>Unless the regulated entity and the regulator agree otherwise, the DOI will resolve issues and prepare a final report within the time specified in state statute or rule. If there are no state requirements, the final report will be issued 30 days from the date the company comments are received.</b>
III.12.D	To allow for state specific time frames, our suggested edits for this statement are: <b>The DOI will allow the regulated entity a period of time to accept the final report or request a hearing. The period of time will be that allowed by state statute or rule. In the absence of such a requirement, states will allow 30 days for a hearing to be requested.</b>
III.15 (Actual Standard)	Washington would like this standard expressed in more global terms such as: <b>The DOI shall be able to demonstrate that an Enforcement Strategy has been adopted, and that the strategy is followed by the DOI in all enforcement matters, including market conduct activities.</b>
III.15.A	This language seems to limit the scope of enforcement activity when used as a standard. We propose the following changes: <b>The DOI shall consider all findings and recommendations when an enforcement action is contemplated, and use these factors to determine what enforcement action is appropriate in a particular case.</b>
V.1.	Washington has a union contract that covers the use of contract examiners. Therefore, we would like to amend this standard to read: <b>The DOI shall have established procedures to select contractors in accordance with applicable state laws, rules and other controlling documents such as union contracts.</b>