**State of Wisconsin** / OFFICE OF THE COMMISSIONER OF INSURANCE

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***Sean Dilweg,*** *Commissioner*

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Petra Wallace
pwallace@naic.org

Re: Comments on the Market regulation accreditation proposal

Dear Ms. Wallace:

Wisconsin supports the creation of an accreditation program for market regulation. However, as with any such undertaking, the 'devil is in the details'. As such, it is imperative that we take the time to necessary to ensure that the accreditation program is well crafted and will achieve the desired outcome.

The August 25, 2008, draft Market Accreditation Program serves an excellent starting point for states to begin discussing, debating and agreeing upon the many aspects that will ultimately comprise such a program. Wisconsin offers the following comments, suggestions, and questions to help begin the dialogue and build on the initial framework offered in this version of the proposal.

Many things have changed since the 2006 NAIC survey was asking state departments of insurance to self-certify whether they comply with the core competencies adopted by the Market Regulation and Consumer Affairs (D) Committee at the 2005 NAIC Winter National Meeting was conducted. The policies and procedures in many states over the last year or so have changed as the starting of market regulation has shifted to the use of comprehensive market analysis to target regulatory resources. In addition, new core competency standards have been added since the initial survey. In determining the method and timeline for implementation of an accreditation program, additional information should be collected from the states so that a current assessment of the states ability to meet accreditation standards based on the core competencies can be made.

The proposed program indicates that it establishes requirements under which states may seek accreditation and provides guidelines for states on how to maintain their accredited status. It appears, however, that the proposal provides only general information regarding who shall make a determination on whether a state meets the accreditation standards, when the accreditation reviews will begin, how often they will be conducted and a requirement for the completion of an annual self-evaluation. The proposal does not appear to provide any specific information regarding the standards to be used in determining a states accreditation status.

For example, will states be required to meet all of the standards in all of the essential areas of market regulation to become accredited or retain its accreditation or just a certain percentage of the standards? Will states be held to a higher standard during subsequent accreditation reviews? Will there be some sort of scoring mechanism implemented to measure compliance in a more uniform way?

In addition, the proposal makes only a vague reference to the Market Regulation Standards and Accreditation (D) Committee considering any revocation or suspension of accreditation on a case-by-case basis. There does not appear to be any provisions in the program for states to appeal or challenge an initial adverse accreditation decision. It would seem prudent to establish an appeal process that state could avail them of should an adverse decision of any kind be made regarding a states accreditation status. Including a clearly defined appeal process as a part of the accreditation program, would provide states with information on the basic process of how to appeal an adverse decision. Creating and documenting the process in advance, including establishing timelines to complete the review of an appeal would create a known set of expectations for all parties.

The requirement for re-accreditation every three years seems unduly burdensome for the states, the NAIC Review Team and Market Regulation Standards and Accreditation (D) Committee. A five year cycle, similar to that used in the financial accreditation program would appear to be a more appropriate cycle from a workload standpoint. To help manage the initial workload, the program should provide states with a certain period of time to assess their compliance with the final standards. After the assessment period, requests for initial accreditation could a could be prioritized by the Market Regulation Standards and Accreditation (D) Committee with a set maximum number of states to be accredited each year. Setting a maximum will help ensure that the work load of the Review Team remains consistent from year to year. In addition, phasing in the accreditation program in some form, as suggested by Commissioner Kreidler of Washington State, would also help manage the workload.

As to the individual standards, Wisconsin has many questions on the intent of individual standards and how the standards will be applied. In addition, the current draft program includes standards and performance measurements that have not been vetted with the states to determine if they are appropriate and/or attainable. It also includes standards that are markedly different from those set forth in the adopted Core Competencies. We made some comments on the draft document for your consideration, but we would recommend that one or more subcommittees be appointed to evaluate the adopted Core Competencies, each proposed accreditation category and the individual standards included in the category to determine its appropriateness, make specific recommendations on any necessary changes to the standards, and to create guidelines where appropriate to be used by the Review Team in determining compliance with the standard.

Finally, it appears that the program does not provide any mechanism for monitoring the standards themselves. We need way to ensure that the standards are kept up to date, grow, and evolve as the processes used to monitor market conduct evolve.

Perhaps it would be appropriate for the D Committee to invite members of the Financial Regulation Standards and Accreditation (F) Committee to provide an overview of the Financial Regulation Standards and Accreditation Program at the D Committee's meeting in December. While the framework as a whole used for the financial program may not be suitable, we should avoid reinventing the wheel. Where ever appropriate, it would be to our benefit to rely on the hard work done by our financial counterparts in constructing a Market Regulation Accreditation Program.

Sincerely,

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