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November 18, 2008

Bruce Ramge  
Deputy Director  
Nebraska Department of Insurance  
941 "O" Street, Suite 400  
Lincoln, NE 68508

Re: Proposal to Introduce Corporate Governance Elements to Market Regulation

Dear Bruce

Thank you for our discussion of last week regarding the inclusion of Corporate Governance methodologies in the Market Conduct Examination process. As we discussed, I believe the NAIC should consider adoption of Corporate Governance methodologies as part of the Market Conduct Examination portion of the *NAIC Market Regulation Handbook*.

I have attached a concept paper that I authored entitled, "Thoughts on Market Regulation – A Corporate Governance Approach to Market Conduct Examination." I believe the article provides a significant amount of detail for consideration of such a proposal.

As you may know, I was involved with early Market Regulation efforts starting in the early 1970's when the examination process was vague at best. I chaired the Market Conduct Handbook and Monitoring Working Group from 1994 to 1997 when the notion of Standards was originally introduced. I am very familiar with the Market Conduct Examination process, having led or supervised about 230 examinations to date including at least 80 of which included the concepts discussed in the paper. I was also a co-author and instructor for the initial NAIC program, "Regulating the Marketplace." This proposal borrows liberally from the chapter that I prepared for the IRES MC+ program and which was included in the MCM Textbook. I have substantially expanded it. The most notable revision added several pages dealing with actual application of the methodology.

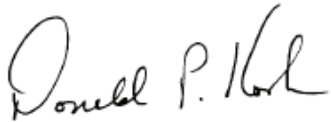
When the development of standards began, I knew the standards and process would have to evolve to keep pace with its goals. I believe the process described in my paper is viewed as the next logical step in that evolution. It has some rather distinct advantages not the least being the ability to forecast where compliance issues will arise and the

ability to identify causation for violations observed when sampling. It is also more helpful and easier for companies to comprehend that have been living with compliance under the requirements of Sarbanes-Oxley.

The Corporate Governance methodology and the requirement of current manual are not at odds. Each of the process reviews I have identified does have some connection to existing testing criteria in the *Handbook*.

I am would be happy to work with the Committee and staff to fashion an overview presentation and/or draft changes to the manual for your consideration

Sincerely,



Donald P. Koch, CIE, MCM  
Principal

Cc: Anne Marie Narcini, NJDBI  
Petra Wallace, NAIC

Att: Concept paper. "Thoughts on Market Regulation – A Corporate Governance Approach to Market conduct Examination"