April 16, 2015

Market Regulation Accreditation (D) Working Group
National Association of Insurance Commissioners
c/o Randy Helder
Assistant Director, Market Regulation
1100 Walnut St., Ste. 1500
Kansas City, MO 64106

Re: NAIC Market Regulation Accreditation Program Proposal

Dear Randy,

Thank you for the opportunity to comment on the March 28, 2015, draft of the NAIC market regulation accreditation program proposal. The following are ideas and questions for the working group’s consideration.

General

- Define market regulation and the goals of market regulation. Market regulation is a broad term that can have different meanings to different constituencies. Does it focus on everything that financial regulation does not? It may be helpful to document market activities that market regulation does and does not include. Additionally, a similar question can be posed for regulator activities. Does market regulation include the activities that are tracked in the Market Information Systems, or are there other activities that should be included?

- The Market Regulation Handbook core competency standards are a practical framework for the program. Fundamental questions that should be considered for each standard are what is the baseline for the standard and how will compliance with the standard be measured? After determining the priority of the components of the program, develop and implement the standards in phases with deliverables, target dates, and measures for each phase. Consider that the development of some activities may need to occur simultaneously and dependencies should be noted for future reference.

- There has been discussion on how the states would determine which state is responsible for monitoring companies and regulatory responses. The concept of domestic deference has been suggested. Other approaches are to assign the lead and managing states by policy count, premium volume, or market share for a group of or individual companies, or states that have expertise with the issue or line of business. Additionally, companies that are domiciled and only market in the domicile state could be the responsibility of the domicile state. Companies that operate in multiple states could be the responsibility of lead and managing states as noted above.

- Challenges with the lack of uniformity of state laws and regulations have been cited. Create a matrix of state variations to the applicable NAIC models. This would benefit regulators by providing a better understanding of how states have adopted the models and make multi-state collaborative efforts more efficient. The state variations could be updated annually. The model law adoption charts do not provide this level of detail. While the compendiums provide state citations and requirements, they do not specify how the state requirements differ from the models.
• Collect detailed data on the organizational structure and resources that each state has dedicated to market regulation activities. Use the information as a tool for states to discuss their approach, why it is effective, and how the approach may benefit the accreditation program. The information could also be used as a baseline to compare the current status of state resources to the desired status.

• Conduct an analysis of the regulatory responses that are currently duplicated and the degree to which they are duplicated. This could serve as a baseline to measure improvement post implementation of the new program.

**Market Analysis**

Many of the ideas on market analysis seek to support the MAPWG and MISTF pending action items from the 2014 market regulation summit, accreditation program objectives 1 and 2, guiding principle 2, and goals 2, 3, and 5.

• What is market analysis, what is the goal of market analysis, and how often should market analysis be conducted?

• What are the minimum educational and experience requirements for market analysts? The Market Regulation Handbook resources competency, staff and training standard two has an extensive list of credentials that are recommended for market analysis staff. The accreditation program should set forth specific requirements for the credentials necessary for market analysts and when the credentials must be achieved (i.e., first year of employment, continuing education).

• Proactive, comprehensive, consistent, and efficient market analysis should be a primary component of the program. Much of the analysis process could be supported by automated algorithms that identify outliers based on certain criteria. As a starting point, the criteria could be the current criteria in the Market Regulation Handbook, including the market analysis prioritization tool (MAPT) scores and market conduct annual statement (MCAS) ratios. Companies could be rated similar to the rating system for financial analysis or the market analysis review system (MARS) recommendations could be used. Consideration should also be given to determining the requirements for market analysis as the first step in development of the accreditation program.

• Development of requirements for continuum actions, including market conduct exams, could succeed the implementation of the market analysis component. Accommodations should be provided for issues identified outside of the analysis process; however, regulators may wish to consider if analysis should be conducted in these situations to ensure that other activities that could be of concern are identified.

• Review the market regulation reports that are currently available in I-Site to determine if they still support the goals of market regulation. There are over 30 market-related reports available in I-Site.

• Combine the MARS level 1 and 2 reviews into one review and automate some of the level 1 activities.

• Collect the MCAS data more frequently, such as quarterly, so regulators have timely information on claims payment, in force policies, etc. Provide the industry voluntary or mandatory training on the submission process and guidance on the data elements.
Market Information Systems (MIS)

- All states should participate in the MIS. The MIS should be periodically analyzed (at least annually) to evaluate state participation and the quality, timeliness, and accuracy of the data. States that do not meet the minimum standards for quality, timeliness, and accuracy could be provided a 60 to 90 days to correct the information.

- Use the MIS to measure state market activity and collaboration by periodically reviewing the number of non-collaborative, number of collaborative actions, companies impacted, and types of actions.

- Require initial and ongoing training for those responsible for updating the MIS.

- Develop a web dashboard so regulators can have easy access to various market-related data for a company, group of companies, and line of business. Features could include complaints, exams, premium, regulatory actions, lines of business, appointed producers, MCAS, etc. data for the researching state as compared to other states.

- Create a data inventory of the market data available in I-Site. The inventory could provide details on the data elements such as the name, definition, changes to the definition, where the element is used, frequency that the element is updated, whether or not the element is confidential, the method for collecting the element, and date the element was first collected, and the date the element ceased to be collected. While the MCAS instructions provide the name and definition of each data element, the additional information noted would provide greater understanding of the data.

Thank you for the opportunity to provide comments on the market regulation accreditation standards proposal. Please contact me at (512) 676-6362 or beth.lovaas@tdi.texas.gov with any questions.

Sincerely,

Beth Lovaas
Regulatory Analysis Office