



August 4, 2009

Sent via e-mail

To: Craig Leonard, NAIC Assistant Director of Market Regulation

cc: Mary Jo Hudson, Director of the Ohio Department of Insurance

Subject: Comments on the current Accreditation Proposal dated July 20, 2009

Dear Craig,

Thank you for giving us this opportunity to comment on the current Market Regulation Accreditation Proposal. The Ohio Department of Insurance fully supports the NAIC's movement towards an accreditation program for each state's Market Regulation process and has been following and participating in the D Committee's progress on this important endeavor. We would like to provide the following comments on the latest draft of the proposal.

We do agree that basing the market regulation accreditation program on a standard similar to that used for financial accreditation of a fixed number of examinations of domestic insurers every so many years may not be appropriate. However, great value can be found in routinely reviewing the compliance systems of our domestic insurers. Risk assessment of a company's compliance program is also a valuable part of our market analysis program; as such analysis can show us where a company is at risk of becoming out of compliance before it actually affects our consumers. Although we realize that not all market regulation programs use this approach yet, we would like to see it incorporated into any accreditation program developed as an option for market analysis.

Although a fixed number of comprehensive domestic examinations may not be appropriate, there are other parts of the financial accreditation that we should model for the structure of a market regulation accreditation program. The Missouri Department of Insurance presented to the Special Accreditation Standards (D) Working Group earlier this year an accreditation proposal that is modeled and structured like the financial accreditation program. We support the Missouri proposal, rather than the proposal that was circulated, as the Missouri proposal accurately includes all of the elements of an accreditation program that the Working Group has been discussing. We submit the attached additional limited comments to the Missouri proposal that would incorporate risk assessment elements into the program.

The latest proposal distributed by the NAIC does contain useful elements that should be included in Missouri's market regulation accreditation proposal. These elements would be some of the measurements used during the actual accreditation review performed on each state once the program goes into effect. There are a few elements listed in the sample that may be problematic but only from the point that setting up procedures to address unexpected issues may be difficult.

As always, the staff here at the Ohio Market Conduct Division looks forward to working with the D Committee, the Special Accreditation Standards (D) Working Group and the NAIC staff to continue the development and refinement of the accreditation program. Again, thank you for allowing us to comment on this proposal.

Sincerely,

A handwritten signature in cursive script that reads "Lynette A. Baker".

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Ohio additions to Missouri's proposed Market Regulation Accreditation Proposal:

- 1) Part B: Regulatory Practices and Procedures - We would like to see the following inclusions:
 - a. Confidentiality protection on when a company self reports a problem to a DOI
 - b. Confidentiality protection of data call information, such as the Market Conduct Annual Statement
 - c. Confidentiality of data exchanged with the NAIC, which is listed under the Information Sharing section.
- 2) Sufficient Qualified Staff and Resources – We would recommend that the standard include that the Department have the resources to review compliance systems of their domestics on a periodic basis.
- 3) Priority-Based Analysis – The Departments market analysis procedures should also be priority-based to adequately address company problems with compliance systems.
- 4) Appropriate Depth of Review – The quality of the company's compliance operations should also be considered when determining the appropriate depth of the market analysis review.