



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Sean Dilweg, Commissioner

Wisconsin.gov

August 3, 2009

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Commissioner Ralph Tyler
Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore MD 21202

Re: Accreditation Standards (D) Working Group
Market Regulation Accreditation Proposal Draft Dated July 20, 2009

Dear Commissioner Tyler,

Thank you for the opportunity to provide comments regarding the July 20, 2009, draft Market Regulation Accreditation Proposal. We offer the following comments regarding the general concept of this plan:

In general, we agree with the three principal goals stated in the proposal. However, we would suggest that for the 2nd goal it would be more appropriate to seek to raise the level of consumer protection rather than "the level of insurance department market regulation activities". One of the primary objectives of market regulation is to provide consumer protection. Raising the level of that protection across states seems to be a more suitable goal than raising the level of activity, as increased activity does not necessarily lead to better, more effective and efficient consumer protection.

We would also suggest that the 3rd goal be revised to read "...the standard must be sufficiently flexible to accommodate the ~~substantial legitimate~~ variations which exist between and among states and their respective insurance markets." The inclusion of the phrase "substantial legitimate" will likely lead to debate over what would be considered a substantial and/or legitimate variation. Such a debate could impede the Working Groups progress on developing a market regulation accreditation proposal.

The proposal indicates that a state would be required to develop and adopt a specific written market regulation plan, which according to the sample plan would require approval. We are not opposed to states preparing written plans. In fact, we believe that such a plan would provide a state with a road map for achieving the standards. However, we feel that these plans could be filed with the NAIC but should not be subject to approval as each state should have the ability to decide the elements of its plan needed to address the dynamics of its market and regulatory environment.

Approved written plans are not a required component of the Financial Accreditation process. States are not measured against a written plan on how to achieve the standards. They are responsible for meeting the established minimum standards. In meeting the standards, a state is free to create the processes it deems appropriate to achieve the standards. It is through the accreditation review process that states demonstrate that they meet the standards. In some cases, it is clear that a standard has been met and other times a state must demonstrate that an equivalent statute, regulation, regulatory structure, or process, in fact, meets the standard.

We are also concerned with the expectation that the accreditation standards would be adopted by states as either statutes or regulations. Without knowing what the standards will be it is difficult to determine if the codification of the standards into state statutes or regulations would be appropriate. We agree that it would be appropriate to codify standards addressing minimum authority necessary to regulate the market conduct practices of insurers doing business in a state. We also agree that it would be appropriate to

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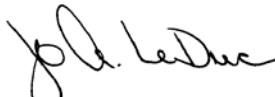
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ensure that minimum substantive laws related to consumer protection also be in place. However, we do not believe that it would be appropriate to codify processes related standards into statutes or regulations. Market regulation is a dynamic environment. Codifying process related standards may unnecessarily restrict a states ability to alter its processes in order to be able to adequately regulate such an ever changing environment.

Finally, we strongly concur that the concept of routine market conduct examinations of domestic insurers and domestic deference as used in the financial model are not appropriate. However, it may still be appropriate to use the structure of the financial accreditation model as a guide in proceeding with a market accreditation program, as demonstrated in the potential draft offered by Missouri in its June 10, 2009, comments following the May 13, 2009, teleconference of the Working Group.

Again, thank you for the opportunity to provide comments on the proposal. If you have any questions or require additional information, please feel free to contact me at (608) 267-9708 or jo.leduc@wisconsin.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Jo A. LeDuc". The signature is written in a cursive style with a large initial "J".

Jo A. LeDuc, CIE, MCM, CPCU
Deputy Director
Bureau of Market Regulation

JAL;hs

cc: Craig Leonard, NAIC