

# MEMORANDUM

**TO:** Eric Nordman, NAIC  
**FROM:** Lee Barclay, Washington  
**DATE:** April 17, 2008  
**SUBJECT:** Personal Lines Regulatory Framework, 3/27/2008 draft

After reviewing the new material in the March 27, 2008 draft of the Personal Lines Regulatory Framework white paper, I believe the working group needs to have a serious discussion of whether this is the direction we want to take. As we have not yet had that discussion, I am reluctant at this point to try to do any detailed editing or to propose revised wording for any of the new material. Instead, I offer the following general comments:

1. The new material makes the paper much less accessible to readers who do not have a strong background in economics. The new sections use many terms from economic theory without defining them—and many of these terms are not commonly understood by regulators, insurance industry representatives, or consumers. Who is the intended audience for this white paper, and how easily should that audience be able to read the paper?
2. The new material is written in a cumbersome style. Instead of offering its own clean argument, in many places it seems to plod through a sequence of quotations from supposedly authoritative writers, many of whom are unknown to non-economists.
3. In some cases it is not clear whether the last sentence in a paragraph is stating the working group's own conclusion or is merely summarizing the argument that is made by the various authorities cited in the paragraph. Examples are at lines 292-294 and 395-398.
4. Given the frequency of apparent typos in the new material, I am concerned about our use of so many quotations from so many authorities unless the working group can verify that the quotations have been copied correctly.
5. What is being proposed concerning the two tables, "Comparison of Common Products" and "Types of Rating Laws"? Are these being deleted or moved to become appendices? The only appendix labeled as such is Appendix A, which is about the aggregate demand function.
6. Although former NAIC economist Davin Cermak, who drafted the new material, is willing to sit in on a working group conference call to discuss the new material, I am not convinced that this will go very far toward solving the problems the working group may have. What other resources are available to meet this potential need?

7. Although the entire draft white paper has line numbers, for discussion purposes it would be helpful to have the entire paper's pages numbered sequentially. In this latest draft, pages 1 through 9 are labeled sequentially. But these are followed by many pages numbered 1, then a couple of pages numbered 2.
8. I realize that we were asked to comment only on the new material, but I don't understand why editorial changes were made to parts of the white paper that are not new. These changes generally make the punctuation or grammar incorrect. Examples are at lines 48, 198, and 454.

I appreciate having the opportunity to comment at this time.