



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

July 21, 2025

Bryan Stevens, Chair
Market Regulation Certification (D) Working Group
c/o Randy Helder, Assistant Director of Market Regulation
NAIC
1100 Walnut Street, Suite 1500
Kansas City, Missouri

Re: Proposed Revision to Checklist Question 3.h.

Dear Mr. Stevens and Members of the Working Group:

California generally supports the concept of having a market analysis requirement as part of the broader certification standard #3 for having staffing sufficient to carry out the jurisdiction's market regulation functions and processes. We appreciate that the working group is attempting to develop a requirement/measurement for meeting the standard that will take into account the needs of variously-sized jurisdictions and markets, and produce information that is useful to all users. However, the structure of the proposed revision to #3.h. creates an overly burdensome obligation for jurisdictions that have larger in-house or contracted staffs (more than a handful of FTEs) in their market regulation sections, for a comparatively small added value for other jurisdictions in terms of the analysis that will result from that obligation.

In California, we have 32 staff who perform market analysis and market conduct examination work – our department's "market regulation section". Only one of these 32 positions is dedicated to market analysis, so for our department this proposal would be particularly onerous. Under the proposed formula, that individual would be responsible for completing 192 reviews each year. If supervisory and management personnel are included as FTEs in the formula, that count increases to 228. In a typical year, our department commences approximately 60 to 65 exams. Preparation and planning for each of these includes a pre-exam analysis that includes both Level 1 and Level 2 components. While those 60 – 65 would seem to count toward the requirement since they are opened in MATS, we would still have to perform an additional 130+ MARS Level 1 reviews each year to meet the requirement. This represents at least 30% of all companies licensed in our state that write a line of business available for review in MARS. Level 1 reviews do not, in our view, provide significantly useful analysis on their own to justify the amount of time that would be needed for a single jurisdiction to perform this many.

If the working group proceeds with the 6 per FTE formula, we ask that a reasonable cap be added (i.e., If the answer to proposed 3.h. is “no”, did the jurisdiction upload at least XX? We’re not sure what the most appropriate cap would be, but believe perhaps 30 or 40 would be reasonable, and attainable by most/all jurisdictions with moderate to larger sized programs).

Also, we note that the original 3.h. was about whether jurisdictions performed any targeted examinations or other continuums during the period (and is positioned under the section of the Checklist concerning Sufficient Staff and Resources for Examinations and Continuums). With the proposed revision there is now no question that asks about exam and continuum work completed. If a jurisdiction is performing targeted exams or other continuums, we feel they should “get credit” under the certification program for that as it also demonstrates staffing sufficient to perform the jurisdictions market regulation activities. Maybe a better approach would be to leave 3.h. as is, and add a new question immediately under the tables provided in 3.c. of the checklist (which asks the jurisdiction to fill in how many market analyses they completed in the current and two prior CY's), or simply incorporate language introducing these tables that jurisdictions are encouraged to do 6 per FTE up to at least XX total).

Finally, we note that if the WG is wanting to make completion of a certain number of MARS reviews mandatory, then it should take a look at the Measurement section of Standard 3, which currently only requires a “yes” for items 3.a., 3.d. and/or 3.e., and 3.n. in order to pass.

Thank you for providing the opportunity to comment on the proposed revision to the checklist.

Sincerely,

A handwritten signature in black ink, appearing to read "Pamela J. O'Connell".

Pamela J. O'Connell, CPCU
Chief, Market Conduct Division
California Department of Insurance