MARS Merge Level 1 and Level 2 Recommendation
Market Information Systems Research & Development (D) Working Group

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MARS Merge Level 1 and Level 2 Recommendation from MISR&D WG

Executive Summary

A request was forwarded to the Market Information Systems (D) Task Force to evaluate Merging Level 1 and Level 2 Market Analysis Review System (MARS) Reviews. NAIC staff identified the following requirements that support business process improvements.

1. Merge MARS Level 1 and Level 2 Reviews.
2. Allow questions and sections to be optionally entered at the discretion of the reviewer.

MARS is intended to:

1. assist state market analysts in completing a thorough review of companies that are in question based on baseline analysis, complaint counts, etc.
2. provide states a standard format for documenting company findings, and
3. allow states the opportunity to find out if other states have completed reviews of specific companies and the outcomes of other states reviews

In preparing this analysis eleven states were interviewed about their use of the Level 1 and Level 2 reviews to determine how to best meet the majority of regulator's needs. It should be noted in the detailed analysis that regulators were not in agreement in how to meet the requirements. Some regulators believe that the existing work flow allows a systematic process and standardization of market regulation analysis. These states believe the Level 1, which requires that all sections be completed, provides a structure that guides them through the process of looking at all aspects of a company's market presence. This process is supported and documented in the Market Regulation Handbook (Chapter 4 and Appendixes B and C).

Other regulators believe that the process could be improved by merging the Level 1 and Level 2 reviews. Those regulators feel that the process of doing a baseline analysis, then a Level 1 and a Level 2 is redundant. They feel that if they are in the middle of review and an area indicates that they need to do a deeper dive, then being able to do it in one review is more efficient.

Several of the regulators have expressed concern that by allowing questions to be optional eliminates the standardization across the review process that has been requested by the General Accounting Office (GAO). If changes are made to the current process there may also be need to revisit the minimum number of MARS reviews adopted by the MAPWG and manner in which the reviews are counted. Conversations with 11 states discovered that a number of states do not follow the current defined process.

In order to address concerns, NAIC staff initially presented six options to the Market Information Systems Research and Development (D) Working Group for consideration. Of these, the recommendation of the working group is to leave the Level 1 review intact and add a new review level. The new review level will replace the current Level 2 review and will combine the Level 1 and Level 2 review making sections optional at the discretion of the reviewer.

Project Recommendations

In order to address concerns, NAIC staff initially presented six options to the working group.

1. Option 1 – Do nothing
2. Option 2 – Refine the Level 1 review to better meet states needs and not change Level 2.
3. Option 3 – Add a quick complete feature to the Level 1 that allows the user to indicate that a Level 2 will be done and makes Level 1 questions optional
4. Option 4 - Merge Level 1 and Level 2 reviews and require all states use the combined version
5. Options 5 – Leave the current Level 1 and Level 2 review as is and create a Merged Level 1 and Level 2. Allow the states to continue to use Level 1 and Level 2 or use the merged review.
6. Option 6 – Refine the current Level 1 review (to allow sections to be optional), leave the current Level 2 review as is and create a Merged Level 1 and Level 2 allow the states to continue to use Level 1 and Level 2 or use the merged review.

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After some discussion, the working group recommended a modification of option 5 which is to leave the current Level 1 review intact and create a new review level to replace the current Level 2 review. This new level will combine the Level 1 and Level 2 reviews making sections optional at the discretion of the reviewer. If a Level 1 review is submitted by a reviewer, the responses to the questions will be imported into the new review.

From an operational perspective, this option allows the jurisdictions that prefer to submit a full Level 1 the ability to continue to do so. It will also offer more flexibility for the jurisdictions that believe that some of the Level 1 questions are covered in their baseline reviews are, therefore, not necessary to complete. It will allow others to complete both Levels at the same time.

The following table explains the pros and cons for this approach:

Pros:	Cons:
Does not require a change for states that prefer separate Level 1 review.	A full merger of the Level 1 and Level 2 reviews will result in major modifications to the GUI and all reporting by level.
Integrates reviews into a single coherent process rather than in tiered segments.	When looking at the report user will not know the level of review done for the merged report.
Efficiencies are gained by affording analysists the flexibility to tailor analysis to specific problems / issues and omit extraneous, irrelevant or less useful efforts.	The decision on how to support the historical reports may add additional complications and decisions on the GUI and increase technical costs.
Eliminates redundancies associated with reviewing the same information multiple times across different levels of analysis.	Will need to keep questions in synch between Level 1 and the new Level.
Minor changes to the Market Regulation Handbook to replace the Level 2 section with documentation for the merged review..	
Allows a 'facelift' for the application and the MARS Admin Tool to bring in line with new technology.	
The 'facelift' for the MARS Admin Tool could allow for improvements to the data design and data migration process.	