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CALIFORNIA INSURANCE COMMISSIONER

November 12, 2020

Mr. John Haworth, 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: Market Regulation Certification Program (“the Program”) – additional clean-up items

Dear Mr. Haworth and Members of the Working Group:

As you continue your work on the Program, and begin the task of reviewing the written Guidelines portion for each Requirement in the document in an effort to align it with the Red/Yellow/Green scoring mechanism being developed, I have a number of clean-up items I would like to share with the group for consideration.

Requirement 1

Question 1.b. on the Checklist asks, “Is the department’s authority broad enough to cover these activities?”. In this question, it is not clear what activities are being asked about. Is it the collection and analysis of information (referenced in 1.a.) or is it the activities listed in 1.c. (market analysis, exams, continuum actions, collaboration with other states)? Or is it some other activities that need to be identified? Question 1.b. is currently designated Yellow, but since the answer could help a state achieve a passing score overall, it would be helpful to know what activities we need to have broad enough authority to undertake.

Requirement 3

Question 3.k. on the Checklist asks if the department performed any targeted exams or continuum actions during the last two years. Questions 3.l and 3.m then ask for follow up information depending upon whether the answer to that question is “yes” or “no”. However, those two follow up questions incorrectly refer back to question 3.l instead of 3.k.

I would also ask that you reconsider the comments I made in December 2019 about questions 3.c., 3.g. and 3.h in the Checklist. Those comments are displayed on the most recent Program document. Questions 3.c. and 3.h. ask for detail that is not relevant to any of the metrics for Requirement 3. 3.g. asks for information that could be

relevant (number of staff compared to size of market) but doesn't quite ask for enough information to make that comparison.

Requirement 4

The Red/Yellow/Green visual identifies 4.c as the only red item in this section. However, it quotes an old version of 4.c. ("Does the department determine the composition of members of the examination exam team?"). This wording used to be 4.c. on the checklist, but with the 10/14/19 revisions, a new 4.b. was added, making the question about whether the department has a staff development program that encourages education and training the current 4.c. The wording regarding determining composition of the exam team was moved to 4.d. and then deleted to be replaced by "Does the EIC possess or making progress toward completion of noted designations?"

Please take a second look at 4 so the Red item for this requirement can be clearly identified.

Requirement 7

The Guidelines paragraphs for Requirement 7, with the most recent 10-14-19 revision, now focus on use of MCAS data (which can be demonstrated through a variety of analysis tasks) instead of centralized collecting of the MCAS data. Should the language of the Requirement 7 be revised to reflect this? The Requirement currently reads, "The department participates in the centralized collection of the Market Conduct Annual Statement (MCAS)."

Thank you for allowing us the continued to make comments and provide input on this Program as it develops. If you have any questions on any of these suggestions, please feel free to contact me.

Sincerely,



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