





3. Routine reporting of detailed market outcome data allows regulators to leave alone those companies producing good consumer outcomes. A data-driven foundation for market regulation means that problems are identified by actual empirical evidence. In contrast, the process-review approach to market regulation is based on the premise that good policies and procedures produce good market outcomes. That premise was the basis for the rejected proposal by the Insurance Market Standards Association proposal that insurers complying with the IMSA standards be given credit by regulators. The fact is that no empirical evidence has been put forth to substantiate the claim that good corporate governance – defined by whom? – is associated with uniformly good consumer market outcomes.
4. Routine reporting and analysis of detailed market outcome – quarterly – allows regulators to better monitor markets by identifying market-wide issues not discernable through a process review of an individual insurer and by more timely analysis of consumer outcomes than any type of company-specific target or process examination

We appreciate and applaud the work of those presenting the process-review tools and techniques. There is a role for these tools if market outcome data analysis indicates particular problems for a particular company. But, it is a misnomer to describe this approach as risk-based since there is no analysis of risk factors, but, rather, a presumption that risk is associated with certain corporate governance issues.

While it is vitally important to improve existing regulatory tools to better address today's market regulation challenges, we suggest that the working group consider and articulate what market regulation should be five and ten years from today. In our view, regulators are already far behind insurers in data collection and data analytics and that any meaningful future for market regulation will involve more and better regulatory data collection and analysis. A step in that direction would be to replace the current Market Conduct Annual Statements with the quarterly reporting of the Standardized Data Requests data for the respective lines of business. This action would put the NAIC and states on a solid road to more effective and more efficient market regulation.

Finally, creating transaction-detail Market Conduct Quarterly Statement data collection and analysis builds on and improves the current tools and capabilities of state insurance regulators. All existing tools – other than the current MCAS – remain in the regulatory toolbox - including process-review methodologies – but utilized in a more focused and informed manner.