

## Chapter 1—Introduction

### A. Resources Available to Market Regulation Professionals

The evolving market regulation process necessitates the need for identification of key players, as well as the need for increased communication. There are many new players that have been identified and many tools have been created to help facilitate this communication.

#### **Collaborative Action Designee (CAD)**

The Collaborative Action Designee (CAD) is the one contact identified by the director/commissioner of each state/territory to have full responsibility for all communications related to market regulation collaborative efforts. This includes participating, or assigning a designee to participate, in Market Actions (D) Working Group meetings or conference calls. While the Market Analysis Chief (MAC) oversees the internal state process of identifying entities with potential market regulatory issues, the CAD oversees the process of communicating about those entities and collaborating with other CADs, potentially through the Market Actions (D) Working Group. The CAD and MAC are responsible for exchanging information with other state insurance departments via the NAIC Market Regulation and Market Analysis bulletin boards.

#### **Consumer Assistance Bulletin Board**

The NAIC Consumer Assistance Bulletin Board is a regulator-only bulletin board designed for state consumer services regulators to communicate global issues, concerns, questions and information about consumer services issues. The bulletin board is available on iSite+ and on StateNet.

#### **Core Competencies**

Core competencies were developed by regulators to meet expectations from consumers, the insurance industry and all interested parties for effective state-based regulatory oversight of the insurance marketplace. Core competency standards are uniform standards that measure an individual state insurance department's overall ability to effectively and efficiently regulate the insurance marketplace. The four broad categories of core competency are set forth below. The currently adopted core competency standards are contained within Chapter 5 of this handbook.

- Resources—Standards regarding a state's regulatory authority, staff and training, and standards relating to a state's utilization of contract examiners;
- Market Analysis—Standards regarding market analysis, data collection, the role and responsibilities of a state insurance department Market Analysis Chief (MAC) and required skills and knowledge of a market analyst;
- Continuum—Standards regarding the use of continuum options, market conduct examinations, investigations and consumer complaints; and
- Interstate Collaboration—Standards regarding the NAIC Collaborative Actions Guide document and the role and responsibilities of a state insurance department Collaborative Action Designee (CAD).

#### **Market Action Tracking System (MATS)**

The Market Action Tracking System (MATS) allows market conduct examiners and analysts to communicate schedules and results of examinations and other market actions. MATS allows for the calling of market conduct examinations and non-examination inquiries and market actions, in addition to providing easy access to complete information about the entities involved in the action. Market actions captured in MATS are: comprehensive examinations, targeted examinations, focused inquiries (typically inquiries made of multiple market participants) and other non-examination regulatory interventions.

### **Market Actions (D) Working Group**

The NAIC Market Actions (D) Working Group is the national forum to identify and address issues of multistate concern and for states to coordinate multistate regulatory actions, including market conduct examinations. States can explore, for example, whether they are targeting the same companies, nationally or regionally. The more states that follow this handbook, the better the Market Actions (D) Working Group will be able to function, and the more effective the Working Group's market oversight will become.

The Market Actions (D) Working Group consists of a minimum of 16 members and their alternates, and provides policy oversight and direction to the Collaborative Action Designees (CADs), facilitates interstate communication, recommends appropriate corrective actions, coordinates collaborative state regulatory actions and facilitates the use of a broader continuum of market actions. The Working Group focuses its efforts on those nationally significant insurers that exhibit characteristics indicating current or potential market regulatory issues that impact multiple jurisdictions.

### **Market Analysis Bulletin Board**

The NAIC Market Analysis Bulletin Board is a regulator-only bulletin board designed for state market analysts to communicate issues, questions, concerns and information about the market analysis process. The bulletin board is available on iSite+ and on StateNet.

### **Market Analysis Chief (MAC)**

The Market Analysis Chief (MAC) is the principal liaison with the NAIC Market Regulation Department and the Market Analysis Procedures (D) Working Group and is responsible for communication with other work units within the department. The CAD and MAC are responsible for communicating with other state insurance departments via the NAIC Market Regulation and Market Analysis bulletin boards.

### **Market Analysis Prioritization Tool (MAPT)**

The Market Analysis Prioritization Tool (MAPT), released in 2006, expanded upon the Market Analysis Company Listings<sup>1</sup> by creating a scoring system so companies can more easily be prioritized. MAPT is designed to provide regulators with a web-based tool that serves as a starting point in the analysis process by prioritizing companies for further analysis. This prioritization of companies allows states to better focus their resources and to develop more efficient regulatory policies and practices. MAPT utilizes key market and financial components, from state and national sources, to generate weighted ratios on which the prioritization is based. Key market regulation components vary by line of business. They include, but are not limited to: losses, expenses and premiums; enrollments, market components, regulatory actions, complaints, examinations and demographics.

### **Market Analysis Review System (MARS)**

The Market Analysis Review System (MARS) is available to specific state regulator users for the purpose of tracking, recording and reviewing Level 1 Analysis and Level 2 Analysis completed by other state regulators.

### **Market Conduct Annual Statement (MCAS)**

The Market Conduct Annual Statement (MCAS) was developed with the input of state regulators and representatives from the insurance industry. It provides an analysis tool for certain key market data elements that help regulators allocate market analysis resources where they can be most effective. States participating in MCAS intend to review their markets and share the results of their respective analyses and work to coordinate any needed responses or examinations.

### **Market Information Systems (MIS)**

The Market Information Systems (MIS) are regulator-only databases containing information related to the iSite+ market applications, which include the Complaints Database System (CDS), Market Action Tracking System (MATS) and the Regulatory Information Retrieval System (RIRS).

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<sup>1</sup> As of December 2009, the Market Analysis Company Listings report is no longer available. The data elements and functionality contained within the Market Analysis Company Listings report were incorporated into the Market Analysis Prioritization Tool, as described in Section D of Chapter 7.

### **Market Regulation Bulletin Board**

The Market Regulation Bulletin Board is a regulator-only bulletin board designed for state market conduct regulators to communicate global issues, concerns and information about entities engaged in the business of insurance or the specific rules/laws that help govern the industry. The bulletin board is available on iSite+ and on StateNet.

### **NAIC Staff/Research Resources**

The NAIC offers financial, actuarial, legal, computer, research, market conduct and economic expertise. The NAIC Market Regulation Department supports state insurance regulators in fulfilling the state insurance departments' responsibility of protecting the interests of insurance consumers by helping coordinate state market regulatory functions, such as consumer complaints, market analysis, producer licensing and regulatory interventions.

The NAIC Market Regulation Department offers education and training to regulators and non-regulators in various formats: as instructor-led sessions, webinars, online training and web-based "on-demand" training. Some of the areas/topics in which the Market Regulation Department has provided training include: Baseline Analysis, Market Analysis Techniques, Producer Licensing, Consumer Assistance Training, Market Conduct Examinations and Market Conduct Annual Statement data collection and analysis. Other NAIC education and training topics will continue to be added in the future.

The NAIC Financial Regulatory Services Department provides technical expertise in areas of financial regulation, solvency regulation, financial reporting, as well as other financial-related expertise.

The NAIC Research Library supports state insurance department regulators and NAIC staff by providing a free inquiry and reference service and maintaining an extensive archive of NAIC publications. Research librarians answer information requests on a variety of issues and strive to provide responses to regulators within 24 hours.

The NAIC Help Desk provides technical support and customer service for NAIC applications, products and services to enhance productivity within the insurance regulatory community. Regulators may access NAIC Help Desk services at 816-783-8500 or via email at [help@naic.org](mailto:help@naic.org).

## **B. Resources Within State Insurance Departments**

Many of these resources, such as a state insurance department consumer complaint resolution unit, are discussed in detail in the body of this handbook. Other key resources include:

### **Market Conduct and Financial Examinations**

Market conduct examinations focus on such areas as operations/management, complaint handling, marketing and sales, producer licensing, policyholder service, underwriting and rating, and claims. The financial condition examination system focuses on financial and corporate matters. Market conduct compliance issues can have a significant effect on legal and compliance risks, which in turn can create material solvency issues. Coordination with the financial examination function is an important area for market conduct examiners to understand. Guidance on financial condition examinations is provided in the *Financial Condition Examiner's Handbook* and is available through the Insurance Products and Services Division of the NAIC.

### **Financial Analysis**

Financial reporting and analysis information is shared with the NAIC, which assembles a wide range of data compilations on a multistate basis. An insurance department's financial analysis and examination staff can provide valuable assistance in interpreting this information. [Additionally, market regulators are encouraged to coordinate with a company's domestic financial regulator to obtain information related to the company's group capital calculations, liquidity stress test results, corporate governance, and Own Risk and Solvency Assessment \(ORSA\).](#)

### **Rates and Forms Information**

Tools such as the System for Electronic Rate and Form Filing (SERFF) and the insurance department posting of state filing review requirements provide a wide range of new data in formats that are more readily comparable across state and regional lines. As of April 2021, 53 jurisdictions including the District of Columbia, Puerto Rico, Guam and the Virgin Islands – plus more than 6,500 insurance companies, third-party filers, rating organizations and other companies—are using SERFF to efficiently and effectively speed insurance products to the market. The SERFF system provides an indicator of marketplace trends, such as overall increases in premiums or changes in coverages by the submission of filing of amendatory endorsements and exclusions.

### **Organized Intra-Department Communication**

State insurance departments are organized differently, but all perform a range of market regulation functions, from consumer assistance to producer licensing, from rate and form review to market conduct exams, and from investigations to enforcement. All of these functions, as well as financial regulation functions, generate useful information about market problems. An effective market analysis program must include clear procedures for regularly sharing data and other information among the various divisions of an insurance department. Recommended methods of sharing internal information include holding a monthly update meeting or emailing issues that may be of concern or interest to other sections.

### **C. myNAIC**

MyNAIC was created by the NAIC in June 2016 as web page from which publicly available NAIC tools can be accessed, and also as a web page which allows regulators to have a single page from which to access regulator-only NAIC/NIPR/IIPRC tools. Regulators may access myNAIC by clicking on the myNAIC link on [www.naic.org](http://www.naic.org); regulators may then login to the regulator-only portion of myNAIC by clicking on “Login” in the upper right corner of the myNAIC public applications web page. The applications on the myNAIC regulator-only web page are based upon the roles associated with a regulator’s iSite+ password and user ID.

### **D. Center for Insurance Policy Research (CIPR)**

The Center for Insurance Policy and Research (CIPR) provides research and education to drive discussion and advance thought leadership as well as action on current and emerging insurance issues amongst state insurance regulators, the insurance industry, academics and other policymakers. This is achieved through a series of integrated research activities including: 1) hosting big picture insurance market issue programs (e.g., the State of Long-Term Care Insurance) as well as more focused research policy sessions (TRIA policy workshop) at NAIC National Meetings; 2) publishing CIPR-developed research on NAIC key initiatives as well as facilitating the wide distribution of rigorous, high-quality research from the academic community regarding insurance regulatory issues through the *Journal of Insurance Regulation*; 3) application of research findings to regulatory operations via various training curriculums; and 4) the maintenance of numerous issue briefs on the CIPR website that explain complex insurance issues and link to relevant state insurance supervisory activity, with these topics linked to the extensive NAIC library collection.

The CIPR website contains research content touching all aspects of insurance regulation. The Topics & Key Initiatives section of the website contains issue briefs for dozens of key insurance regulatory issues. The Events & Education section lists information on CIPR events, both in-person and online. The *Journal of Insurance Regulation* provides open access to this NAIC peer-reviewed journal, featuring evidence-based research from academics and other experts. The NAIC Library section contains the NAIC archives, including the complete collection of the NAIC Proceedings, as well as thousands of other insurance-related resources, and the CIPR Newsroom section provides access to a complete listing of CIPR research content.

## E. The Interstate Insurance Product Regulation Commission (IIPRC)

The Interstate Insurance Product Regulation Compact (Compact) is an agreement, which is enacted by law, amongst member states (“compacting states”) to participate in a multistate regulatory system for the filing, review and approval of asset-based insurance products, including individual and group life, annuities, long-term care and disability income insurance. The Compact established a multistate public entity, the Interstate Insurance Product Regulation Commission (IIPRC). The IIPRC is a member-driven organization that serves as a central point of filing, review and approval for asset-based insurance products under detailed and comprehensive uniform standards.

The IIPRC website is [www.insurancecompact.org](http://www.insurancecompact.org) and includes the Compact legislation, as well as the IIPRC bylaws, annual reports, budgets, uniform standards, operating procedures and other relevant tools, tutorials and information. In June 2007, the IIPRC became operational and received its first product filings. As of June 2021, more than 360 companies have filed one or more product filings with the IIPRC for approval since June 2007. The uniform standards require that all forms submitted for approval to the IIPRC have a form identification number in the lower left-hand corner where the form number must include a prefix of “ICCxx” (where “xx” represents the appropriate year the form was submitted for filing). Within the NAIC System for Electronic Rate and Form Filing (SERFF), compacting states have read-only access to product filings submitted to the IIPRC for approval and use in their respective state (each compacting state administers the roles and access to the IIPRC information stored within SERFF). Regulators may want to refer to the IIPRC map on the IIPRC website, which shows the compacting states in yellow.

The uniform standards are the applicable content requirements for Compact-approved products rather than state-specific content requirements and laws. When working with an IIPRC-approved product, market regulators should be familiar with the uniform standards as they are the applicable requirements of the provisions and content of the IIPRC-approved forms.

Compacting states work together to develop strong and detailed uniform standards for the content of asset-based products that protect consumers equally across the compacting states. Companies use these uniform standards to submit a set of standard forms in a product filing to the IIPRC. The IIPRC reviews these product filings, working with the filer toward compliance and approval in an average review time of much less than the required 60-day turnaround time.

The IIPRC’s uniform standards development and rulemaking process has continually demonstrated state insurance regulators work collaboratively with their fellow regulators among the compacting states to address concerns about the uniform standards, which generally results in further strengthening the standards. On its rulemaking docket located on the IIPRC website, the IIPRC publishes draft uniform standards in the rulemaking process that are being considered by the compacting states. When uniform standards are adopted, the IIPRC publishes these uniform standards, along with all relevant rulemaking material, on its rulemaking record on the IIPRC website.

The IIPRC includes one member from each of the compacting states, which is generally the state’s chief insurance regulator. The IIPRC operates in an open and transparent manner, holding public hearings and soliciting public comments as a fundamental part of its decision-making process. The IIPRC, its management committee and its other committees regularly request input from a legislative committee, an industry advisory committee, a consumer advisory committee and interested parties.

As of June 2021, the IIPRC has adopted over 100 uniform standards covering a wide range of products and benefit features for the four individual asset-based insurance product lines authorized by the Compact as well as for group life, annuities and disability income insurance products, specifically for employer/employee groups. As authorized by the Compact, the IIPRC reviews rate filings for individual long-term care and disability income insurance products, as well as advertising associated with IIPRC-approved individual long-term care insurance products.

## F. Other Regulatory Sources

### Federal Regulators and Databases

Expanded information sharing with federal regulators assists both state and federal regulators in conducting more efficient and effective oversight. States can enhance information sharing by reporting information to federal databases, such as the National Practitioner Data Bank (NPDB), which contains information on medical malpractice payments and certain adverse actions related to health care practitioners, entities, providers and suppliers. To eliminate NPDB data reporting/querying overlap with the Healthcare Integrity and Protection Data Bank (HIPDB), the U.S. Congress passed Section 6403 of the *Affordable Care Act of 2010* (ACA), Public Law 111-148. As a result of the legislation, effective May 6, 2013, NPDB operations were consolidated with those of the former HIPDB. Information previously collected and disclosed by the HIPDB is collected and disclosed by the NPDB. Regulators may also pursue access to other federal databases (for example, the FBI database for producer licensing purposes). Each state should have ongoing arrangements with the various federal financial services regulators to share consumer complaint information arising out of cross-sector market activities.

The U.S. Securities and Exchange Commission (SEC) oversees the key participants in the securities world, including securities exchanges, securities brokers and dealers, investment advisors and mutual funds. The SEC is concerned primarily with promoting the disclosure of important market-related information, maintaining fair dealing and protecting consumers against fraud. The SEC website [www.sec.gov](http://www.sec.gov) provides information on publicly held companies, as well as on entities licensed to sell securities products. The SEC's Electronic Data Gathering, Analysis and Retrieval (EDGAR) database provides free public access to disclosure documents that public companies are required to file with the SEC, allowing the user to research a company's financial information and operations by reviewing registration statements, prospectuses and periodic reports.

### Other States

Many states require that insurance companies provide specific filings or reports in response to previously identified issues. An inventory of such filings may produce valuable information. It is helpful to state insurance regulators to have ongoing email and phone communications about companies and issues of common concern with state insurance regulators in other insurance departments. Regulators in neighboring states with specialized expertise on particular issues are especially helpful.

### Regulatory Meetings

NAIC meetings and training seminars provide valuable opportunities to share information. The same is true for other forums, such as meetings of the National Conference of Insurance Legislators (NCOIL), the Insurance Regulatory Examiners Society (IRES), the Society of Financial Examiners (SOFE) and insurance trade association meetings.

### Other Regulatory Agencies within a State Insurance Department

Regulators who oversee market conduct of insurance companies have areas of common concern with various other state agencies, including the agencies that regulate health care, workers' compensation and consumer protection. These agencies can be valuable sources of information and assistance.

## G. Industry Sources

### Financial Rating Agencies

There are five major financial rating agencies that review insurance companies. Each has its own unique methodology for assigning ratings. More information can be found for each rating agency at the links provided below.

**A.M. Best Company:** The A.M. Best Company has been rating insurance companies since 1900. The objective of A.M. Best's rating system is to evaluate the factors affecting the overall performance of an insurance company and to provide its opinion as to the company's relative financial strength and ability to meet its contractual obligations. Ratings are available at [www.ambest.com](http://www.ambest.com).

**Fitch Ratings:** Fitch Ratings was founded as the Fitch Publishing Company in 1913. Fitch’s rating evaluations are qualitative and quantitative and provide two basic types of ratings—insurer financial strength ratings and issuer and fixed income security ratings. Fitch Ratings are available at [www.fitchratings.com](http://www.fitchratings.com).

**Moody’s Investors Service:** Moody’s Investors Service was founded in 1900. Moody’s insurance financial strength ratings reflect its opinion as to an insurer’s ability to meet senior policyholder claims and obligations. Ratings are available at [www.moodys.com](http://www.moodys.com).

**Standard & Poor’s:** Standard & Poor’s (S&P) has been rating bonds since 1923 and insurance companies’ claims-paying ability since 1983. Standard & Poor’s claims-paying ability rating is an assessment of an operating insurance company’s financial capacity to meet its policyholder obligations in accordance with its terms. Ratings are available at [www.standardandpoors.com](http://www.standardandpoors.com).

**Weiss Ratings, LLC** (formerly TheStreet.com): In 2006, Weiss Group sold Weiss Ratings to TheStreet.com. In 2010, TheStreet.com sold the insurance and bank ratings back to the Weiss Group. Weiss’ financial strength rating indicates its opinion regarding an insurer’s ability to meet its commitments to its policyholders under current economic conditions. Ratings are available at [www.weissratings.com](http://www.weissratings.com).

## H. Public Information Sources

### Center for Economic Justice (CEJ) Data Guide

In 1999, the Center for Economic Justice, a consumer advocacy group based in Austin, Texas, published *A Consumer Advocate’s Guide to Getting, Understanding and Using Insurance Data*. As explained in the introduction to the guide: “This handbook provides an introduction to the topic of auto and homeowners insurance data and ratemaking. This handbook attempts to serve as a tool kit for consumer advocates working on insurance issues by discussing the sources, uses and misuses of insurance data.”

### Legal Actions

Monitoring of litigation may alert regulators to issues that the regulatory system has not yet addressed. There are many class action websites available on the Internet, such as Westlaw and Lexis/Nexis.

### Consumer and Community Groups

Regular communication with consumer and community groups can help regulators identify and address issues of consumer concern. Educating consumers on insurance matters and where to report concerns can increase complaints among groups, identifying possible trends.

### Trade Press/Research Papers

Trade publications and academic research papers inform regulators about emerging issues and other regulatory concerns.

### Consumer Advocacy Organizations

Consumer advocacy organizations represent consumer interests and address issues that impact the well-being of consumers. Some consumer advocacy organizations focus their efforts specifically on insurance-related issues and financial security of consumers. Consumer advocacy organizations typically conduct research, develop public education programs, and provide studies and reports to consumers.

## **I. Company Self-Audits**

Self-audits, when made available to regulators, can provide information about how particular market problems have been addressed by insurers on a voluntary basis. The growing use of self-audits and voluntary accreditation programs, such as the National Council on Quality Assurance (NCQA) and the Utilization Review Accreditation Commission (URAC) has the potential of providing regulators important information about companies. Many of these organizations require companies to actively monitor their compliance practices and take appropriate corrective actions when necessary. This information can provide useful insights regarding a company's commitment to establishing and maintaining a culture of compliance designed to continually improve their market conduct and compliance practices.

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