

## Voluntary Market Regulation Certification Program Proposal for Implementation

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### Current Charge of the Working Group

The Market Regulation Certification (D) Working Group will develop a formal market regulation certification proposal for consideration by the National Association of Insurance Commissioners (NAIC) membership that provides recommendations for the following:

- 1) Certification standards.
- 2) A process for the state implementation of the standards.
- 3) A process to measure the states' compliance with the standards.
- 4) A process for future revisions to the standards.

As per the charges adopted for the Market Regulation Certification (D) Working Group, the following is a draft proposal for charges 2 through and charge 4.

### Implementation Proposal

The ~~Full Voluntary Market Regulation Certification~~ Program will be overseen and administered by a working group (Market Regulation Standards and Certification (D) Working Group) established by the Market Regulation and Consumer Affairs (D) Committee. Members of the Working Group shall be appointed annually pursuant to the NAIC Bylaws.

### ~~Three Year Self-Certification Program~~

- Upon adoption/approval of the ~~First Tier Certification Standards~~ Voluntary Market Regulation Certification Program, the Market Regulation Certification Program Self-Assessment Guidelines and Checklist Tool and the Implementation Plan by the NAIC membership, participating jurisdictions may begin self-certification. No later than two weeks prior to the ~~first~~ 2017 Fall National Meeting following the adoption/approval of the program, ~~each participating a~~ jurisdiction may submit a self-certification report that outlines the progress achieved towards implementation of the ~~first tier market regulation certification standards~~ Voluntary Market Regulation Certification Program requirements. The self-certification will follow the formatted checklist designed and finalized by the Market Regulation ~~Standards and Certification (D) Working Group~~. ~~The self certification report will be submitted to NAIC staff and reviewed assessed by the Market Regulation and Consumer Affairs (D) Committee or a Working Group assigned to do so on its behalf. Each jurisdiction that submits a self certification report will be provisionally certified.~~

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- Prior to ~~each~~ the 2018 and 2019 Fall National Meeting following a jurisdiction's initial provisional certification, each provisionally certified jurisdiction will submit its self-certification report to the ~~NAIC staff. Market Regulation and Consumer Affairs (D) Committee, which will monitor and assess its progress towards full compliance to the First Tier Certification Standard~~ Voluntary Market Regulation Certification Program requirements. ~~The Committee will provide the jurisdiction with an acknowledgement and assessment of its self certification.~~ Jurisdictions that did ~~have not previously submitted a self certification reports,~~ in 2017 may do so prior to either the 2018 any Fall National

~~Meeting or 2019 Fall National Meeting using the process noted above in order to receive provisional certification.~~

- ~~A jurisdiction's self-certification report will be submitted to NAIC staff and assessed by the Market Regulation and Consumer Affairs (D) Committee or a Working Group assigned to do so on its behalf. Each jurisdiction that submits a self-certification report will be provisionally certified. The Market Regulation Standards and Certification (D) Working Group will monitor and assess its progress towards compliance with the *Voluntary Market Regulation Certification Program* requirements. Each jurisdiction that submits a self-certification report will be provisionally certified. The Working Group will provide the jurisdiction with an acknowledgement and its assessment of the jurisdiction's self-certification.~~
- ~~Prior to each Fall National Meeting following a jurisdiction's initial provisional certification, each provisionally certified jurisdiction will submit its self-certification report to NAIC staff.— Jurisdictions that have not previously submitted a self-certification report, may do so prior to any Fall National Meeting using the process noted above in order to receive provisional certification.~~
- ~~During the three-year self-certification period, the Market Regulation Certification (D) Working Group will regularly review feedback from jurisdictions concerning any issues or recommended changes to the First Tier Certification Standards *Voluntary Market Regulation Certification Program* requirements and the *Market Regulation Certification Program Self-Assessment Guidelines and Checklist Tool* based on the use of the guidelines and checklist for self-certification.~~
- At any time, participating jurisdictions may request peer-review, guidance, and training. To the extent necessary to accommodate such requests, NAIC staff may work with seasoned regulators with market conduct examination and/or market analysis experience to assist in meeting the needs of such requestors.
- Once a mechanism is in place for implementing the Full Certification Program (see *Full Certification Program* below) In 2020, jurisdictions will have the option to continue self-certifying or to apply for full certification. ~~(See *Full Certification Program* below.)~~ Jurisdictions that decide to continue self-certifying will use the same process described above.

### ***Full Certification Program***

- ~~The Full Certification Program will be overseen and administered by a working group (Market Regulation Standards and Certification Working Group) established by the Market Regulation and Consumer Affairs (D) Committee. Members of the Working Group shall be appointed annually pursuant to the NAIC Bylaws.~~
- The Market Regulation Standards and Certification ~~Committee Working Group~~ will determine whether jurisdictions that apply to be fully certified meet the certification standards. ~~Members of the Committee shall be appointed annually pursuant to the NAIC Bylaws.~~ An NAIC Review Team (similarly constructed as the Financial Regulation and Accreditation Standards Accreditation Review Team) will conduct the certification reviews.
- No later than two weeks prior to the 2020-first Spring National Meeting after the Market Regulation Standards and Certification Working Group has been established (or no later than two weeks prior to any subsequent Spring National Meeting), any participating jurisdiction may ~~decide to continue to self-certify or~~ apply for full certification by submitting an application request for full certification along with its self-certification report to NAIC staff. The jurisdiction's application request will be reviewed by the NAIC

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Review Team, which will provide its recommendation to the Market Regulation Standards and Certification ~~Committee~~Working Group. For jurisdictions applying for full certification, the Committee will use applicable monitoring tools to verify the self-certification information reported by the participating jurisdictions. ~~The~~ NAIC ~~staff~~Review Team may use additional forms of verification deemed necessary, such as interviews or on-site visits. Each fully certified jurisdiction will be reviewed every five years to assess the jurisdiction's ongoing compliance with the certification standards.

- The ~~applications-requests~~ for full certification will be reviewed in the order in which they are received. No more than 12 reviews will be conducted in each of the first five years (~~2020 through 2024~~) of the certification program. ~~Beginning in 2025 and i~~n each subsequent year, jurisdictions that request to have full certification must submit their ~~application-request~~ with its self-certification report to NAIC staff two weeks prior to the Spring National Meeting. The NAIC Review Team will conduct the five-year re-assessments and review all the ~~applicationsrequests~~. Recommendations for full certification and re-certifications will be provided to the Market Regulation Standards and Certification Committee prior to the Fall National Meeting of the same calendar year. The Market Regulation Standards and Certification Committee will make its decision regarding certification or re-certification by the end of the calendar year.
- ~~In the first five years (2020 through 2024) of the full certification program, a~~All jurisdictions that submit an ~~application-request~~ for full certification will be provisionally certified by the Market Regulation Standards and Certification Working Group ~~Market Regulation and Consumer Affairs (D) Committee~~ (as per the process described in the ~~Three-Year-Self-Certification Program~~ above) until their ~~application request~~ for full certification is reviewed and a decision on the ~~application-request~~ is made by the Market Regulation Standards and Certification ~~Committee~~Working Group.
- ~~In the years between each five-year re-certification review, f~~ully certified jurisdictions will submit ~~annual-a self-assessment audit~~certification report sduring the ~~third year~~ to NAIC staff at least two weeks prior to the Summer National Meeting.
- A jurisdiction may withdraw its ~~application-request~~ for full certification at any time. A jurisdiction that is fully certified can exit the full certification re-assessment cycle and choose to be either provisionally certified (per the process described in the ~~Three-Year-Self-Certification Program~~ above) or to not participate in the Voluntary Market Regulation Certification Program.
- A fully certified jurisdiction may qualify for financial incentives. (Details will be determined and approved by the Executive (EX) Committee.)

***Future Revisions***

- ~~During the three-year self-certification period, the~~The Market Regulation Standards and Certification ~~(D)~~Working Group will regularly review feedback from jurisdictions concerning any issues or recommended changes to the ~~–Voluntary Market Regulation Certification Program~~ requirements and the Market Regulation Certification Program Self-Assessment Guidelines and Checklist Tool based on the use of the guidelines and checklist for self-certification.
- Future revisions of the market regulation certification standards will be made from time to time by the Market Regulation Standards and Certification ~~(D)~~Working Group with approval of the Market Regulation and Consumer Affairs (D) Committee and NAIC membership. New standards will be added only as necessary and added no more frequently than once per year. Revised sets of standards will constitute a new “certification tier.” An effective date will be specified for each new requirement within a

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tier. Self-certified and fully certified jurisdictions that comply with a previous tier of requirements will not be measured on compliance to new tier requirements until the first ~~annual~~ self-assessment audit or the five-year re-certification review (whichever occurs first) after the effective date of the new requirement.-