



Comments of the Center for Economic Justice
to the Market Conduct Examination Standards Working Group regarding
Proposed Market Regulation Handbook Substantive Revisions Received from the Market
Information Systems Research and Development (D) Working Group 7-12-16
March 12, 2017

The Center for Economic Justice offers the following comments on the draft changes:

Proposed Change 1.1

CEJ agrees with the rationale and proposed change 1.1 to “Continuum Options - Standards regarding the use of focused inquiries, non-exam regulatory interventions, market conduct examinations, investigations and consumer complaints; and ...”

Proposed Change 1.2

We agree with the change of interventions to actions. We don’t believe the addition of “staff” is a clarification. Finally, the paragraph mentions the Market Regulation division. While we believe it is relevant and useful to mention the Market Regulation division, would it be relevant and useful to mention that NAIC resources from the Information Systems, Legal, NIPR, CIPR, Research and Actuarial and Technical Services divisions also assist state market regulators?

Proposed Change 2.2

CEJ suggests adding another bullet: "How vulnerable are the consumers?" We suggest this addition because insurance product markets vary considerably in the amount of market power consumers wield and vulnerability of consumers to unfair practices. For example, consumers in credit-related insurance markets, particularly force-placed insurance, have less market power than consumers in, say, private passenger auto markets.

Proposed Change 2.3 (and others)

The proposal is to change "the continuum" to the "the continuum or choice" of regulator responses. We suggest the word "toolbox" or "spectrum" may fit a little better than "choice."

Proposed Change 2.4

We suggest adding a sentence before the text. "The continuum of regulatory responses comprises a set of regulatory tools ranging from least intrusive to most intrusive to the insurer, licensee or market. The least intrusive end of the continuum starts with the contact category.

Question on this section: Doesn't the continuum start with evaluating existing and other public data and information before any contact with the insurer or licensee?

Proposed Change 6.2

The addition of "continuums" doesn't seem to fit. Continuum refers to a set of tools, not a specific tool.

Proposed Change 6.3

We suggest "Lead states conduct continuum actions" since both exams and non-exam activities are included in continuum actions.

Proposed Change 6.4

We suggest, "state staff should determine that continuum actions other than an examination are not adequate or appropriate"

Proposed change 7.1

We strongly disagree with the proposed changes. The existing language is relevant, accurate and clear. The proposed change is ambiguous in content and purpose.

Proposed Change 10.3

We support the inclusion of the table in 10.3 but suggest that the formatting makes the table somewhat confusing. We suggest that use of appropriate borders and selected bold text will help.