

Agenda Item 3

Consider Adoption of Voluntary Market Regulation Certification Program

Commissioner Mike Kreidler (WA)

John Haworth (WA)

Understanding the Voluntary Market Regulation Certification Program

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*Deputy Insurance Commissioner / Company Supervision
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Why?

GAO

United States General Accounting Office

Testimony

Before the Subcommittee on Oversight
and Investigations, Committee on
Financial Services, House of
Representatives

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INSURANCE REGULATION

Preliminary Views on
States' Oversight of
Insurers' Market Behavior

Statement of Richard J. Hillman
Director, Financial Markets and
Community Investment

Why?

HOW TO MODERNIZE AND IMPROVE THE SYSTEM OF INSURANCE REGULATION IN THE UNITED STATES

FEDERAL INSURANCE OFFICE, U.S. DEPARTMENT OF THE TREASURY

Completed pursuant to Title V of the Dodd-Frank Wall Street Reform and Consumer Protection Act

DECEMBER 2013



Historical Perspective

- Financial Regulation Accreditation - 1989
- Market Regulation
 - GAO / FIO
 - More federal intervention in insurance
 - Two attempts prior to 2014
 - What make this effort different?
 - No Domestic Deference Requirement
 - Stepping Stone
 - Independent of financial accreditation
- Pilot Program

The Requirements

- 11 standards over 5 broad categories
 - Statutory Authority
 - Use of *Market Regulation Handbook*
 - Staffing - resources and qualifications
 - Use of NAIC databases and MCAS
 - Collaboration

Statutory Authority

- To conduct market regulation activities
- To utilize the *Market Regulation Handbook*
- Confidentiality

Market Regulation Handbook

- Statutory Authority to utilize
- Qualifications
- Examinations

Staffing - Resources and Qualifications

- Dept. has its own staff or contractors
- Experience/Education/Licenses
 - Continuing education

NAIC Resources / MCAS

- Participate in MCAS
- Report to CDS / RIRS / MATS

Collaboration

- Participates in collaborative actions
 - Notification of examinations / actions
 - Referral process to MAWG
 - Join in all relevant MAWG actions
 - Exceptions to be documented
- Participates in Market Regulation Working Groups
- Appoints a Collaborative Action Designee (CAD)
- National analysis

Implementation Plan

- Self-Certification
 - Jurisdictions use scoring matrix and checklist to determine if they meet certification requirements
 - Peer review, guidance and training available
- Voluntary Full Certification
 - Option to self-certify or seek full certification
 - Independent panel determines certification
 - Re-certification period - five years
 - Self-assessments in the third year after earning certification
- Process for Revising the Certification Program

Scoring Matrix

- Mandatory requirements and sub-requirements
 - Coded red
- Primary (yellow)
 - Are not mandatory
 - Weighted and given point values
- Secondary (green)
 - Working towards meeting mandatory and primary requirements - scored
 - Informational and support information - not scored
- Certification Score
 - All mandatory items and 50% of total available points

Questions?