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Director Bruce Rame, Chair
NAIC Market Conduct Examination Standards (D) Working Group
c/o Petra Wallace and Lois Alexander
NAIC Market Regulation
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Re: Proposed Market Regulation Handbook Chapter on Closing Continuum Actions

Dear Director Rame and Working Group Members:

Thank you for the opportunity to provide comments on the proposed chapter on Closing Continuum Actions currently being considered for inclusion in the *NAIC Market Regulation Handbook*.

Potential Duplication of Chapters 2 and 7

Existing Chapters 2 and 7 already contain most of the information that is included in the proposed new chapter, and contain sections that discuss closing continuum actions (Ch 2) and investigations (Ch 7). We are concerned that adding the new proposed chapter would create redundancy, and would allow for inadvertent inconsistencies between the existing chapters and the proposed new chapter.

Instead of adding a new chapter, it may be more beneficial for the working group to instead seek to edit, re-organize, and enhance the existing Chapters 2 and 7 to better highlight steps for bringing matters to closure. For example, there is a section called "3. Enforcements" in Chapter 2 which says that at times, an enforcement action will be the most practical solution for addressing a non-compliance matter, and lists and describes a number of enforcement action types (informal agreement, cease and

desist order, negotiated settlements and consent orders, remediation plans, suspension of license, etc.). Chapter 2 in its current form suggests that these enforcement actions are themselves a type of “continuum action”. However, these kinds of actions all seem instead to be potential FINAL OUTCOMES of continuum actions. In other words, once the facts are gathered and the problem is fully researched via whichever regulatory intervention type has been chosen from the continuum (i.e., the correspondence, interrogatory, policy and procedure review, or exam...), the state may decide that an enforcement action is the appropriate way to close the matter if appropriate for the circumstances.

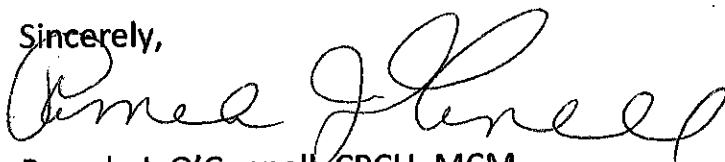
We believe that making edits and re-organizations of this type would help make the Closure aspects of these chapters more clear and more complete, thereby eliminating need for an additional chapter.

Discussion on Violation Analysis

Regardless of whether the working group ultimately decides to add a new chapter or simply to make edits to existing Chapters 2 and 7, we recommend against including the information included in proposed section “*B. The Violation Analysis Phase*”. Including a description of how individual states should consider interpreting and applying their laws goes beyond what has historically been the purpose of the Market Regulation Handbook – to provide states guidance for developing consistent and effective procedures for performing market regulation work.

Thank you, again, for the opportunity to provide our comments.

Sincerely,



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