Draft: 3/12/24

Market Analysis Procedures (D) Working Group
Virtual Meeting *(in lieu of meeting at the 2024 Spring National Meeting)*
February 26, 2024

The Market Analysis Procedures (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met Feb. 26, 2024. The following Working Group members participated: Jo LeDuc, Chair (MO); John Haworth, Vice Chair (WA); Jake Windley (AR); Tolanda Coker and Cheryl Hawley (AZ); Don McKinley (CA); Jamie Crise (CO); Steve DeAngelis (CT); Tina Ching (DC); Susan Jennette (DE); Paul Walker (FL); Erica Weyhenmeyer (IL); Shannon Lloyd (KS); Lori Cunningham (KY); Mary Lou Moran (MA); Raymond Guzman (MD); Connie Mayette (ME); Jeff Hayden (MI); Bryce Wang (MN): Troy Smith (MT); Robert McCullough (NE); Maureen Belanger (NH); Erin Porter (NJ); Larry Wertel (NY); Ben Hauck (OH); Landon Hubbart (OK); Karen Veronikis (PA); Brett Bache (RI); Rachel Moore (SC); Tracy Klausmeier (UT); Melissa Gerachis (VA); Karla Nuissl (VT); and Rebecca Rebholz and Darcy Paskey (WI). Also participating was: Bryan Stevens (WY).

1. Adopted its 2023 Fall National Meeting Minutes

Haworth made a motion, seconded by Weyhenmeyer, to adopt the Working Group's Nov. 20 minutes ((*see NAIC Proceedings – Fall 2023, Market Regulation and Consumer Affairs (D) Committee, Attachment xx*). The motion passed unanimously.

2. Discussed its 2024 Charges

LeDuc said the Working Group's first three charges relate to each other. She said the Working Group will primarily concentrate on its second charge, and much of its work will also touch on the market analysis framework and data collection charges.

LeDuc said that in 2023, the Working Group began its work on the second charge of developing a list of internal and external data sources used by market analysts. She said the list is located in the Exposure Drafts section of the Working Group's web page. After developing the list, the Working Group agreed to dive deeper into the usage of the MAPT since it provides a substantial amount of data for use in baseline analysis and incorporates a scoring mechanism. LeDuc said 25 states were interviewed, and a summary is being drafted to report on the findings.

LeDuc said the only other charge is to consider recommendations for new lines of business for the MCAS. Last year, the Working Group did not consider any new lines of business for the MCAS because more time is needed by analysts to incorporate the recently added lines of business into their analyses. She said she will be speaking with the Market Regulation and Consumer Affairs (D) Committee chair and vice-chairs to get guidance on whether the Working Group should continue to put a pause on this charge.

LeDuc said comments on the Working Group's charges should be sent to Randy Helder (NAIC) by March 15.

3. Discussed the Draft of the Pet Insurance MCAS Ratios

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Bache said the final draft of the pet insurance MCAS ratios is posted on the Working Group's web page. He expressed his thanks to the SME group, which included five state insurance regulators and 14 industry representatives. The SME group completed its work through nine calls beginning in October 2023 and finishing in mid-February 2024.

Bache said most of the ratios were useful, and the SME group decided to divide the ratios into a group of eight ratios for posting on the MCAS scorecard web page. The remainder of the ratios will be made available non-publicly in the MCAS analysis tools located in the NAIC i-Site+ analysis tools.

Bache said that during the SME group's discussions, it became apparent that a couple of terms need to be defined and clarified in the pet insurance blank. He said the blank does not define partial payment, and it is not clear whether a policy reported as returned during the right-to-review period would also be reported as a cancellation. He said a request will be made to the Market Conduct Annual Statement Blanks (D) Working Group to form an SME group to recommend revisions to the pet insurance MCAS blank to address these issues and draft a frequently asked questions (FAQ) document to provide clarifications to companies for this data year's report in 2025.

LeDuc thanked the SME group for its work and said the Working Group will consider the ratios for adoption at its next meeting. She said comments should be sent to Helder by March 22.

4. Discussed the Premium Reporting Threshold for the MCAS

LeDuc said that in 2023, the Working Group began a discussion on whether to include fraternals in MCAS. She said that when states began collecting MCAS, fraternals were exempt from reporting for several reasons, including the lack of regulatory authority over fraternals by some jurisdictions and because fraternals had their own financial annual statement form. This exemption was continued when the collection of MCAS data was centralized at the NAIC. She said now that fraternals report their financial annual statement on the life statement blank, there are no technical roadblocks to including them in MCAS.

LeDuc said that while there are some very large fraternals, most of them are small in terms of premium. In an attempt to include larger fraternals in MCAS while not including the smaller fraternals, the Working Group's discussion turned to whether the reporting threshold for MCAS should be increased from $50,000 for all lines with the exception of long-term care (LTC) and travel insurance, which have no threshold.

LeDuc said that during its last meeting, the Working Group heard arguments in favor of increasing the threshold to $100,000 and other arguments for maintaining the threshold at $50,000. She said she would like the Working Group to finish the discussion on whether the premium threshold should be increased. Once that decision is made, the Working Group can continue its discussion on requiring fraternals to report.

Jennette and Moran said their jurisdictions would like to keep the threshold at $50,000 as it provides more data to evaluate. Veronikis said Pennsylvania would like to keep the threshold at $50,000 to continue its ability to evaluate the smaller mutuals in the state. Guzman said the $50,000 allows Maryland to evaluate all new entrants into its market.

LeDuc asked if any members supported increasing the threshold and if any member wanted to make a motion to increase the threshold. There was no motion. LeDuc said the MCAS threshold will remain at $50,000.
LeDuc opened the discussion on whether to remove the MCAS filing exemption (FE) for fraternals.

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Gerachis said Virginia has quite a few fraternals with large markets and would like to move forward with requiring fraternals to report MCAS. Veronikis said Pennsylvania's legal department reviewed the issue and saw no reason for excluding fraternals from MCAS. Haworth said that even if the exemption is removed, any state that does not have authority over fraternals can approve waiver requests from fraternals in their state.

Allison Koppel (American Fraternal Alliance—AFA) said the AFA continued to oppose removing the exemption. She said that if it is removed, companies need to be provided at least six months to prepare for reporting MCAS. LeDuc said that the process of making changes to MCAS provides at least six months to prepare.

LeDuc said comments on including fraternals should be sent to Helder by March 15.

5. Discussed NAIC MIS Data

LeDuc said a summary of the state interviews regarding their techniques for using the MAPT and suggestions for improvement will be ready soon. Once ready, the Working Group can review them and discuss next steps.

LeDuc said the Lunch & Learn sessions will begin again soon, and a couple of states are willing to share their processes for baseline analysis and demonstrate tools they have developed. She asked that Lunch & Learn topic suggestions be sent to her or Helder.

Having no further business, the Market Analysis Procedures (D) Working Group adjourned.

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2024 Market Conduct Annual Statement Ratios

Pet Insurance

Public Ratios

Ratio 1. The number of claims closed without payment compared to the total number of claims closed

$$\left(\frac{[\#\text{of claims closed without payment during the period (3-77)}]}{[\#\text{of claims closed during the period (3-68)}]}\right)$$

Ratio 2. Percentage of claims paid (full or partial) beyond 60 days

$$\left(\frac{\begin{bmatrix}\text{total \# of claims closed during the period with full payment beyond 60 days } (\sum \text{ 3-83 through 3-86}) + \\ \text{total \# of claims closed during the period with partial payment beyond 60 days } (\sum \text{ 3-89 through 3-92})\end{bmatrix}}{[\text{total \# of claims during the period with full and partial payment closed over all durations } (\sum \text{ 3-81 through 3-92})\ ]}\right)$$

Ratio 3. Non-renewals to policies in force

$$\left(\frac{[\#\text{of company initiated policy/certificates non} - \text{renewals during the period (2-46+2-47)}]}{[\#\text{of policies/certificates in force during the period } (\sum \text{ (2-28 through 2-37)}]}\right)$$

Ratio 4. Cancellations during "Right to Examine and Return Policy" period

$$\left(\frac{[\#\text{ of policies/certificates returned during the period under "Right to Examine" (2-38 + 2-39)}]}{[\text{total \# of policies issued during the period (2-49 + 2-50)}\ ]}\right)$$

Ratio 5. Cancellations/terminations at the policy/certificate-holder's request

$$\left(\frac{[\#\text{of cancellation/terminations during the period at the policy/certificate-holder's request (2-40+2-41)}]}{[\text{total \#of cancellation/terminations during the period } (\sum \text{2-40 through 2-45})\ ]}\right)$$

Ratio 6. Lawsuits opened during the period to claims closed without payment

$$\left(\frac{[\#\text{ of lawsuits opened during the period (5-117)}]}{[[\#\text{of claims closed during the period without payment (3-77}]\ ]}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratio 7. Percentage of lawsuits closed with consideration for the consumer

$$\left(\frac{[\text{Number of lawsuits closed with consideration for consumer (5-120)}]}{[\text{Number of lawsuits closed during the period (5-118)}]}\right)$$

Ratio 8. The number of complaints received directly from any entity other than the DOI per 1,000 policies in-force during the period

$$\left(\frac{[\#\text{of complaints received directly from any person or entity other than the DOI (5-115)}]}{\left(\left[[\#\text{of policies/certificates in force during the period } (\sum \text{(2-28 through 2-37)}]\right] \div 1{,}000\right)}\right)$$

Non-Public Ratios

Ratio 9. The number of claims closed with partial payment compared to the total number of claims closed

$$\left(\frac{[\#\text{of claims closed with partial payment during the period (3-72)}]}{[\#\text{of claims closed during the period (3-68)}]}\right)$$

Ratio 10. The number of claims closed with full payment compared to the total number of claims closed

$$\left(\frac{[\#\text{of claims closed with full payment during the period (3-69)}]}{[\#\text{of claims closed during the period (3-68)}]}\right)$$

Ratio 11. Percentage of claims unprocessed at the end of the period

$$\left(\frac{\begin{array}{l}\text{Number of claims open at the beginning of period (3-66)} + \text{Number of claims opened during period (3-67)} \\ -\text{Number of claims closed during the period (3-68)}\end{array}}{\#\text{ of claims open at the beginning of period (3-66)} + \#\text{ of claims opened during the period (3-67)}}\right)$$

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Ratio 12. The number of claims closed without payment beyond 60 days compared to the total number of claims closed without payment

$$\left(\frac{[\text{total \#of claims closed during the period without payment beyond 60 days } (\sum \text{3-95 through 3-98})]}{[\text{total \#of claims closed during the period without payment over all durations } (\sum \text{3-93 through 3-98})\ ]}\right)$$

Ratio 13. Pre-existing condition - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to pre} - \text{existing condition exclusion } (3-100)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

Ratio 14. Ineligibility - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to ineligibility } (3-99)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

Ratio 15. Waiting period - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to waiting period } (3-101)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

Ratio 16. Maximum benefit limit - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to maximum benefit limit } (3-102)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

Ratio 17. Less than deductible - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to claim amount less than deductible } (3-103)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratio 18. Inadequate documentation - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to inadequate documentation } (3-104)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 19. Hereditary disorder exclusion - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to hereditary disorder exclusion } (3-105)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 20. Congenital anomaly or disorder exclusion - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to congenital anomaly or disorder exclusion } (3-106)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 21. Chronic condition exclusion - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to chronic condition exclusion } (3-107)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 22. Other reasons - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to other reasons } (3-108)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 23. Inadequate documentation - closed with partial payments to total claims closed with partial payment

$$\left(\frac{[\#\text{of claims closed during the period with partial payment due to inadequate documentation } (3-110)]}{[\#\text{of claims closed during the period with partial payment } (3\text{-}72)]}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratio 24. Maximum benefit limit - closed with partial payments to total claims closed with partial payment

$$\left(\frac{[\#\text{of claims closed during the period with partial payment due to maximum benefit limit } (3-109)]}{[\#\text{of claims closed during the period with partial payment } (3\text{-}72)]}\right)$$

Ratio 25. Other reasons - closed with partial payments to total claims closed with partial payment

$$\left(\frac{[\#\textbf{of claims closed during the period with partial payment due to other reasons } (\mathbf{3-111})]}{[\#\textbf{of claims closed during the period with partial payment (3-72})]}\right)$$

Ratio 26. Percentage of policies in-force during the period that provided accident-only coverage

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that included accident-only coverage } (2\text{-}28 + 2\text{-}29)]}{[\#\text{of policies/certificates in force during the period } (\sum (2\text{-}28 \text{ through } 2\text{-}37)]}\right)$$

Ratio 27. Percentage of policies in-force during the period that provided illness-only coverage

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that provided illness-only coverage } (2\text{-}30 + 2\text{-}31)]}{[\#\text{of policies/certificates in force during the period } (\sum (2\text{-}28 \text{ through } 2\text{-}37)]}\right)$$

Ratio 28. Percentage of policies in-force during the period that included accident and illness coverage

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that included accident and illness coverage } (2\text{-}32 + 2\text{-}33)]}{[\#\text{of policies/certificates in force during the period } (\sum (2\text{-}28 \text{ through } 2\text{-}37)]}\right)$$

Ratio 29. Percentage of policies in-force during the period that included wellness coverage (other than a wellness only policy)

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that included wellness coverage } (2\text{-}34 + 2\text{-}35)]}{[\#\text{of policies/certificates in force during the period } (\sum (2\text{-}28 \text{ through } 2\text{-}37)]}\right)$$

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Ratio 30. Percentage of policies in-force during the period that included wellness as an insurance benefit (and did not cover accident and/or illness)

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that included wellness as an insurance benefit (2-36 + 2-37)}]}{[\#\text{of policies/certificates in force during the period } (\sum \text{ (2-28 through 2-37)}]}\right)$$

Ratio 31. Applications denied for health status or condition to total applications received

$$\left(\frac{[\#\text{ of applications denied for health status or condition during the period (2-61)}]}{[(\#\text{ of applications received during the period (2-60)}]}\right)$$

Ratio 32. Percentage of policies/certificates issued with a pre-existing condition exclusion

$$\left(\frac{[\#\text{ of policies/certificates issued with a pre-existing condition exclusion during the period (2-64)}]}{[\text{total \# of policies issued during the period (2-49 + 2-50) }]}\right)$$

Ratio 33. Average Dollars of Commission Per Policy/Certificate

$$\left(\frac{\left[\begin{array}{c}[\text{Commissions incurred during the period (4-113)}] \\ \text{- [Unearned commissions returned to company during the period (4-114)}]\end{array}\right]}{[[\text{total \# of policies issued during the period (2-49 + 2-50) }]]}\right)$$

Ratio 34. Percentage Commissions to Written Premium

$$\left(\frac{\left[\begin{array}{c}[\text{Commissions incurred during the period (4-113)}] \\ \text{- [Unearned commissions returned to company during the period (4-114)}]\end{array}\right]}{[\text{Direct written premium during the period (2-57)}]}\right)$$

Ratio 35. Lawsuits to Policies/Certificates in force during the period

$$\left(\frac{[\#\text{ of lawsuits opened during the period (5-117)}]}{[[\#\text{of policies/certificates in force during the period } (\sum \text{ (2-28 through 2-37)}]]}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratios To Be Dropped

Ratio 23. Loss ratio

$$\left(\frac{\begin{bmatrix}\text{Dollar amount of paid claims closed with full payment during the period (3-70)}\\ +\text{Dollar amount of claims closed with partial payment during the period (3-74)}\end{bmatrix}}{\text{[Direct earned premium during the period (2-58)]}}\right)$$

Ratio 3. Percentage of claims closed with full payment beyond 60 days (combined 3&4 for all claims)

$$\left(\frac{\text{[total \#of claims closed during the period with full payment beyond 60 days } (\sum \text{ 3-83 through 3-86)]}}{\text{[total \#of claims during the period with full payment closed over all durations } (\sum \text{ 3-81 through 3-86)]}}\right)$$

Ratio 4. Percentage of claims closed with partial payment beyond 60 days (combined 3&4 for all claims)

$$\left(\frac{\text{[total \#of claims closed during the period with partial payment beyond 60 days } (\sum \text{ 3-89 through 3-92)]}}{\text{[total \#of claims closed during the period with partial payment over all durations } (\sum \text{ 3-87 through 3-92)]}}\right)$$

Ratio 13. Percentage paid on partial payments of the amount requested on partial payments

$$\left(\frac{\text{[Dollar amount of claims closed with partial payment during the period (3-74)]}}{\text{[Dollar amount requested for claims closed with partial payment during the period (3-73)]}}\right)$$