

Draft: 11/8/23

Market Analysis Procedures (D) Working Group
Virtual Meeting
October 16, 2023

The Market Analysis Procedures (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met Oct. 16, 2023. The following Working Group members participated: Jo LeDuc, Chair (MO); John Haworth, Vice Chair (WA); Steve Matlock and Jake Windley (AR); Cheryl Hawley and Tolanda Coker (AZ); Don McKinley and Pam O'Connell (CA); Tracy Garceau (CO); Steve Deangelis and Nick Gill (CT); Susan Jennette (DE); Scott Woods (FL); Erica Weyhenmeyer (IL); Shannon Lloyd (KS); Lori Cunningham (KY); Mary Lou Moran (MA); Raymond Guzman (MD); Connie Mayette (ME); Jeff Hayden (MI); Troy Smith and David Dachs (MT); Robert McCullough and Martin Swanson (NE); Maureen Belanger and Doug Rees (NH); Ralph Boeckman and Erin Porter (NJ); Larry Wertel (NY); Guy Self (OH); Landon Hubbart (OK); Karen Veronikis (PA); Brett Bache (RI); Glynda Daniels (SC); Tracy Klausmeier (UT); Melissa Gerachis (VA); Karla Nuisl (VT); Mary Kay Rodriguez and Darcy Paskey (WI); and Theresa Miller (WV). Also participating was: Tony Dorschner (SD).

1. Adopted its Sept. 18 Minutes

LeDuc said the Working Group met Sept. 18 and took the following action: 1) discussed the exemption of fraternal from Market Conduct Annual Statement (MCAS) reporting; 2) discussed upcoming interviews with market analysts about their jurisdictions' use of the Market Analysis Prioritization Tool (MAPT); and 3) formed a subject matter expert (SME) group to draft a set of standardized ratios for the pet insurance MCAS blank.

Haworth made a motion, seconded by Veronikis, to adopt the Working Group's Sept. 18 minutes (Attachment XX). The motion passed unanimously.

2. Discussed Lunch and Learn Trainings

LeDuc said the first Lunch and Learn was Sept. 25, with nearly 150 attendees. She said the session was about MAPT. She said she was encouraged by the amount of discussion and the contributions of experienced analysts and those newer to the process.

LeDuc said one of the concerns brought up was the difference between the financial MAPT and the MCAS-MAPT and how to incorporate both into a baseline analysis. To address this, she said the next Lunch and Learn will be about the MCAS-MAPT and is scheduled for Oct. 26.

She said while the Lunch and Learns will primarily be for new analysts to learn how to do market analysis and use all the analysis tools available to them, there will not be lectures. She said they are most successful if they are interactive and conversational, and she would like to have experienced analysts at the Lunch and Learns who can also contribute and share their knowledge and experience with the new analysts.

Rodriguez asked if the data specifications for MAPT could be distributed. LeDuc said she had an older version, and NAIC staff were trying to locate a more current version. She said it still needs to be decided if the proper location for the documentation and the Lunch and Learn recording is i-Site or StateNet.

3. Discussed NAIC MIS Data

LeDuc said the Working Group invited jurisdictions to submit responses to a series of questions about how they use the MAPT tool in their baseline analysis. Jurisdictions were also asked for some time to have interviews for more in-depth discussions on how MAPT is used, its effectiveness, and how it can be improved. She said 18 states responded, and interviews began the week of Oct. 9.

LeDuc said most jurisdictions conduct a baseline analysis once a year and usually wait for the MCAS data to become available. Many jurisdictions use MAPT in conjunction with MCAS-MAPT, and many suggested combining the two Market Information Systems (MIS) tools. She said typically, all the data is downloaded along with the scores and then filtered and sorted to meet the jurisdiction's needs. All agree that baseline analysis using MAPT is a labor-intensive process.

LeDuc said the discussions will continue into November, and there is still time to submit responses to the questions and set up some time for discussion. She said a written high-level summary will be made publicly available.

4. Discussed the Draft of the Pet Insurance MCAS Ratios

Bache said the SME group is composed of industry and state insurance regulators, including many involved in drafting the pet insurance MCAS blank. The group met for the first time Oct. 4 and is scheduled to meet about every two weeks until the work is complete. The group is beginning its work by reviewing all the ratios to see the initial opinions. The process will be transparent, and each new version of the ratios will continue to be posted on the Working Group web page so others can follow the progress and provide comments to the SME group.

LeDuc said that if any issues arise with the MCAS blank or definitions, they will be raised to the Working Group for discussion, while the SME group will concentrate only on developing ratios.

5. Discussed the Premium Reporting Threshold for MCAS

LeDuc said that in the Working Group discussion concerning the MCAS reporting exemption for fraternal organizations, there were concerns expressed about the burden on the typically small fraternal organization to have to file MCAS. She noted, however, that there are more than a few fraternal insurers that are significantly larger than some life insurance companies that are required to file MCAS. LeDuc said this led to consideration of a higher premium threshold for fraternal organizations, but rather than just considering revising the threshold for fraternal organizations or life companies, it is probably time to consider the MCAS premium thresholds for all lines of business. She said the Working Group is putting on hold its discussion of lifting the exemption for fraternal organizations and, first, will decide whether the MCAS premium reporting thresholds should be adjusted.

LeDuc said the current premium threshold is \$50,000 for all lines except long-term care (LTC) and travel. LTC and travel do not have a threshold. Any company writing any amount of LTC or travel insurance must report MCAS. This threshold was set in the early 2000s and has never been reviewed.

LeDuc said that the attachment in the materials summarizes the percentage of companies that would have to submit MCAS filings if the threshold was raised or reduced in each line of business. She said, as an example, for the life MCAS, with the current \$50,000 threshold, almost 99% of all life companies are reporting MCAS. Raising the threshold to \$100,000 would reduce the percentage of companies reporting to about 89%. Eliminating the threshold would capture 100% of the companies. She said the spreadsheet also shows the average number of life filings received per state in 2023 for the 2022 data year. She said the data is available for each participating jurisdiction and will be up to each state's market analysis chiefs (MACs).

Cynthia Maleski (FCSLA Life) asked if the premium threshold would be revised per company, per state, or in aggregate. Randy Helder (NAIC) said the threshold would be applied per state.

Lisa Brown (American Property Casualty Insurance Association—APCIA) asked if the cumulative percentage of the marketplace indicated on the spreadsheet was of companies or premium. LeDuc said she suspects the percentage of premium would also go down as the threshold is raised.

Haworth said the state of Washington will typically only look at companies that write at least \$2 million in premium. A company with only \$100,000 in premium and one complaint does not generate the same need for a Level 1 review as a company with a larger market share. He suggested a higher threshold may result in a more practical use of resources. LeDuc noted this was the original intent when a threshold was initially chosen for MCAS reporting. LeDuc asked if \$2 million is too high. Haworth said typically, analysts will be looking at larger writers, but there may be value to analyzing smaller companies also, though there is a resource issue to consider. Some of the companies reporting smaller premiums are reporting on closed blocks, or they are not really marketing.

Stevens said that for smaller states like Wyoming, Alaska, and Montana, a \$2 million threshold would eliminate a lot of companies. He said \$2 million is too high of a threshold. He said \$250,000 is more practical for smaller states. Dachs agreed with Stevens that a higher threshold would eliminate too many companies from reporting. He said Montana looks at data surrounding non-renewals and cancellations, which would not necessarily be driven by premium. Dorschner said South Dakota also has the same concerns as the other smaller states. Moran said Massachusetts does not go by market share but also looks at the smaller companies reporting in their jurisdiction. She said \$2 million would be too high and leave too many companies out. O'Connell said California has the same concerns as Massachusetts. She said MCAS data is important information they use when looking at large and small companies. It would be costlier to obtain the data in ways other than MCAS. Self said the threshold is not a one-size-fits-all matter. He said Ohio has different premium filters for different lines of business. He said the threshold should not be changed, and states should be able to apply whichever premium size filters they need to.

Moran noted that Massachusetts will look at the data for smaller companies if an issue arises with the company. LeDuc said that is done in Missouri also.

LeDuc asked why the LTC and travel MCAS do not have a premium threshold. Helder said the state insurance regulators wanted information on all companies with any LTC business in their states. Teresa Cooper (NAIC) said the travel blank has no threshold because state insurance regulators are unable to obtain premium information for travel insurance in the financial annual statement.

LeDuc asked the Working Group to review the threshold figures for their states, and the Working Group will continue the discussion at the next meeting.

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

Sharepoint/Member Meetings/D CMTE/2023 Fall National Meeting/MAPWG/1016/10 MAP.docx

2024 Market Conduct Annual Statement Ratios

Pet Insurance

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. **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 3. **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 4. Percentage of claims unprocessed (open?) at the end of the period

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

*Ratio 5. **Percentage paid on partial payments of the amount requested on partial payments**

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

Ratio 6. **Percentage of claims closed with full payment beyond 60 days**

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

2024 Market Conduct Annual Statement Ratios

Ratio 7. **Percentage of claims closed with partial payment beyond 60 days**

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

Ratio 8. **Percentage of claims closed without payment beyond 60 days**

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

Ratio 9. **Pre-existing condition - closed without payments to total claims closed without payment (inadequate documentation?)**

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

Ratio 10. **Inadequate documentation - closed with partial payments to total claims closed with partial payment**

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

Ratio 11. **Percentage of policies in-force during the period that provided only accident coverage**

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

Ratio 12. **Non-renewals to policies in force**

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

Ratio 13. **Percentage of policies returned under “Right to Examine and Return the Policy” provision**

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

2024 Market Conduct Annual Statement Ratios

Ratio 14. **Cancellations/terminations at the policy/certificate holders request**

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

Ratio 15. **Applications denied for health status or condition to total applications received**

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

Ratio 16. **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 17. **Loss Ratio**

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

Ratio 18. **Average Dollars of Commission Per Policy/Certificate**

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

Ratio 19. **Percentage Commissions to Written Premium**

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

Note: It is unclear to what extent commissions are paid on events other than new business (e.g., such as renewals)

2024 Market Conduct Annual Statement Ratios

Ratio 20. **Lawsuits to Policies/Certificates in force during the period**

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

Ratio 21. **Lawsuits opened during the period to claims closed without payment**

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

Ratio 22. **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 23. **The number of complaints per 1,000 policies in-force during the period**

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

MCAS PREMIUM REPORTING THRESHOLD - Number of companies reporting by premium range and LOB

		< 50K	cumulative %	50K to 100K	cumulative %	100K to 250K	cumulative %	250K to 500K	cumulative %	500K to 1M	cumulative %	1M to 2.5M	cumulative %	2.5M to 5M	cumulative %	5M to 10M	cumulative %	> 10M	cumulative %	2022 DY average submissions/state
Life	average	2	100.00%	20	98.92%	30	88.88%	24	74.10%	23	62.73%	30	51.57%	21	37.34%	20	27.25%	42	18.25%	212
	median	2	100.00%	20	99.31%	31	89.70%	24	74.33%	23	62.80%	31	52.03%	22	38.29%	21	27.84%	40	18.30%	
Annuity	average	2	100.00%	7	98.01%	11	91.88%	9	82.46%	9	76.40%	12	66.83%	10	56.18%	11	47.76%	47	38.69%	118
	median	2	100.00%	7	98.41%	11	92.19%	9	82.58%	9	76.69%	13	67.37%	9	56.72%	11	49.21%	50	40.84%	
Home	average	1	100.00%	4	99.52%	7	95.42%	7	88.23%	9	82.19%	16	72.75%	13	57.68%	14	44.69%	35	32.10%	105
	median	1	100.00%	3	100.00%	7	96.10%	7	88.25%	9	81.79%	15	73.55%	13	56.22%	13	42.82%	34	30.69%	
PPA	average	1	100.00%	4	99.46%	9	95.47%	7	87.24%	9	81.30%	15	72.56%	12	59.35%	13	48.76%	41	37.60%	109
	median	1	100.00%	4	100.00%	8	95.41%	7	87.30%	9	82.42%	15	73.33%	12	58.02%	12	47.26%	43	36.63%	
Health	average	1	100.00%	2	97.37%	2	91.46%	2	83.99%	2	81.48%	2	75.78%	1	69.57%	1	64.01%	11	58.25%	19
	median	1	100.00%	1	100.00%	2	91.49%	1	84.21%	1	82.09%	1	75.00%	1	69.29%	1	62.50%	10	57.89%	
STLD	average	1	100.00%	1	82.27%	1	78.66%	1	61.64%	2	42.86%	1	31.04%	1	21.39%	1	14.91%	2	8.70%	5
	median	1	100.00%	1	85.71%	1	83.33%	1	62.50%	2	50.00%	1	33.33%	1	22.22%	1	12.50%	1	0.00%	
DI	average	4	100.00%	7	93.02%	11	82.22%	8	65.51%	7	53.90%	8	43.34%	5	30.84%	5	22.70%	12	15.68%	67
	median	4	100.00%	7	93.89%	12	83.01%	8	66.67%	7	55.10%	8	43.80%	5	33.07%	5	25.15%	14	18.61%	
LTC	average	19	100.00%	5	70.39%	7	62.09%	5	52.03%	5	44.34%	7	36.52%	5	26.31%	4	19.65%	9	14.20%	64
	median	19	100.00%	5	71.85%	7	63.26%	5	52.45%	5	44.30%	7	36.97%	4	26.65%	4	18.88%	9	13.12%	
LPI	average	1	100.00%	1	92.71%	2	88.27%	2	76.95%	2	66.71%	2	56.43%	2	41.72%	2	27.00%	3	16.56%	12
	median	1	100.00%	1	92.31%	1	90.91%	2	80.00%	2	69.23%	2	60.00%	2	41.88%	2	27.92%	2	15.38%	
Flood	average	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	1	100.00%	0	99.60%	1	99.60%	5	97.22%	4
	median	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	1	100.00%	0	100.00%	1	100.00%	3	100.00%	
Travel	average	0	100.00%	0	100.00%	0	100.00%	0	100.00%	1	100.00%	1	99.78%	1	99.29%	1	98.51%	15	96.24%	16
	median	0	100.00%	0	100.00%	0	100.00%	0	100.00%	1	100.00%	1	100.00%	1	100.00%	1	100.00%	16	100.00%	