



Financial Security. For Life.

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John Haworth, Chair (WA)
Market Analysis Procedures (D) Working Group
c/o Randy Helder, NAIC
Via RHelder@naic.org

RE: Consider Adoption of Disability Insurance MCAS Proposed Scorecard Ratios

Dear Chairman Haworth & Members of the Working Group:

The ACLI communicates its concern that some of the proposed ratios have strange numerators and/or denominators. For example:

- Ratio 1. Percentage of claims denied

More insight is desired regarding the factors chosen for the proposed denominator of this ratio. If the intent of the ratio is to understand the total claims denied as a percentage of the total claims adjudicated during the same period, then a simpler denominator such as the following may be appropriate: *Number of claims adjudicated/processed (whether paid or denied) during the reporting period.* We agree with AHIP's comments regarding this ratio.

- Ratio 2. Percentage of claims processed with initial decision after 45 days (short term only)

More insight is desired regarding the factors chosen for the proposed denominator of this ratio. If the intent of the ratio is to understand the total claims processed with an initial decision after 45 days, as a percentage of the total claims adjudicated during the same period, then a simpler denominator such as the following may be appropriate: *Number of claims adjudicated/processed (regardless of timeliness) during the reporting period.*

- Ratio 3. Percentage of claims processed with initial decision after 90 days (long term only)

More insight is desired regarding the factors chosen for the proposed denominator of this ratio. Similar to the above, if the intent of the ratio is to understand the total claims processed with an initial decision after 90 days, as a percentage of the total claims adjudicated during the same period, then a simpler denominator such as the following may be appropriate: *Number of claims adjudicated/processed (regardless of timeliness) during the reporting period.*

- Ratio 8. Percentage of claims unprocessed at the end of the period

More insight is desired regarding the need for this ratio and what it intends to measure

since an unprocessed claim is not a concern *unless* the carrier has failed to take action timely. If a carrier is not processing claims timely, that will be evident given the data obtained as a result of Ratio 2 and Ratio 3. We agree with AHIP's comment that this ratio is confusing and that it may be redundant.

- Ratio 9. Rescissions after two years from issuance to total rescissions

More insight is desired regarding the factors chosen for the proposed denominator of this ratio. If the intent of the ratio is to understand the total rescissions after two years compared to the total at any time, a simpler denominator such as the following may be appropriate: *Number of rescissions during the period regardless of the age of the policy.* An alternative, simpler denominator also might be: *Total number of rescissions during the period.*

- It would also be appropriate to revise the numerator to state the time period, such as: Number of rescissions *during the period that occurred more than two years from policy issue.*

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Lovendusky", written over a horizontal line.

The American Council of Life Insurers
Michael Lovendusky
Vice President & Associate General Counsel