



Draft date: 7/3/24

Virtual Meeting

MARKET CONDUCT ANNUAL STATEMENT BLANKS (D) WORKING GROUP

Thursday, July 11, 2024

3:00 – 4:00 p.m. ET / 2:00 – 3:00 p.m. CT / 1:00 – 2:00 p.m. MT / 12:00 – 1:00 p.m. PT

ROLL CALL

Rebecca Rebholz, Chair	Wisconsin	Martin Swanson	Nebraska
Tolanda Coker, Vice Chair	Arizona	Hermoliva Abejar	Nevada
Teri Ann Mecca/Jake Windley	Arkansas	Patrick Zeller	New Mexico
Sheryl Parker	Florida	Guy Self	Ohio
Elizabeth Nunes/ Paula Shamburger	Georgia	Gary Jones/August Hall/ Karen Veronikis	Pennsylvania
Erica Weyhenmeyer	Illinois	Gwendolyn McGriff/	South Carolina
Charles Thomas	Kansas	Rachel Moore	
Lori Cunningham	Kentucky	Larry D. Deiter	South Dakota
Raymond Guzman	Maryland	Shelli Isiminger	Tennessee
Mary Lou Moran	Massachusetts	Shelley Wiseman	Utah
Jeff Hayden	Michigan	Melissa Gerachis/Will Felvey	Virginia
T.J. Patton/ John Fritzberg-Glover	Minnesota	John Haworth/John Kelcher	Washington
Julie Hesser/Jo LeDuc	Missouri	Letha Tate	West Virginia

NAIC Support Staff: Teresa Cooper/Hal Marsh

AGENDA

1. Consider Adoption of its June 6 Minutes—*Rebecca Rebholz (WI)* Attachment 1
2. Review the Recommendation from the Other Health/Short-Term, Limited-Duration (STLD) Subject Matter Expert (SME) Group to Remove Duplicate Data Element #51 from the Other Health Market Conduct Annual Statement (MCAS)—*Mary Kay Rodriguez (WI)* Attachment 2
3. Review the Draft Frequently Asked Questions (FAQ) and Definitions Related to Artificial Intelligence (AI) and Machine Learning (ML) Proposed by the Accelerated Underwriting (AU) SME Group—*Rebecca Rebholz (WI)* Attachments 3 & 4
4. Review the Draft Definitions for Partial Payments and Cancellations Proposed by the Pet Insurance SME Group—*John Kelcher (WA)* Attachment 5

5. Discuss a Review of MCAS Other Health Interrogatory Question #5
—*Rebecca Rebholz (WI)*
6. Discuss the Review of Existing MCAS Lines of Business—*Rebecca Rebholz (WI)*
7. Discuss Any Other Matters Brought Before the Working Group
—*Rebecca Rebholz (WI)*
8. Adjournment

Draft: 7/3/24

Market Conduct Annual Statement Blanks (D) Working Group
Virtual Meeting
June 6, 2024

The Market Conduct Annual Statement Blanks (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met June 6, 2024. The following Working Group members participated: Rebecca Rebholz, Chair, and Mary Kay Rodriguez (WI); Tolanda Coker, Vice Chair, and Maria Ailor (AZ); Rachael Lozano (FL); Paula Shamburger (GA); Erica Weyhenmeyer, (IL); Kichelle Henderson and Charles Thomas (KS); Lori Cunningham (KY); Raymond Guzman (MD); Jeff Hayden (MI); Julie Hesser (MO); Robert McCullough (NE); Guy Self (OH); Karen Veronikis (PA); Rachel Moore (SC); Tony Dorschner (SD); Shelli Isiminger (TN); Shelley Wiseman (UT); Laura Klanian (VA); and Letha Tate (WV).

1. Adopted its May 1 Minutes

During its May 1 meeting, the Working Group took the following action: 1) adopted its April 19 and April 2 minutes; 2) adopted the revised definition of external replacement of affiliated company policies; 3) formed a subject matter expert (SME) group to draft revisions to the short-term, limited-duration (STLD) Market Conduct Annual Statement (MCAS) blank arising from new federal rules; and 4) considered the deletion of duplicate data elements in the other health and STLD MCAS blanks.

Weyhenmeyer made a motion, seconded by Wiseman, to adopt the Working Group's May 1 minutes (Attachment X). The motion passed unanimously.

2. Received an Update From the SME Group on Other Health and STLD MCAS Reporting Issues

Rodriguez stated that the SME group met June 4 and discussed the STLD and other health MCAS blanks. Regarding STLD, it was discussed that the effective date of the new U.S. Department of Health and Human Services (HHS) rule is Sept. 1, 2024. Rodriguez also stated that the SME group has decided to leave the blank as is for 2024 and 2025 data because there will still be some policies in effect under the old rules in those years. She went on to say that for the other health MCAS blank, there is currently a revision request dated March 19, 2024, pertaining to duplicate data fields on the blank. It was discussed that since this is a simple change, one of the duplicates will be eliminated since it would not require any system changes for the industry. The SME group decided to meet again June 11 to discuss the duplicate data fields.

3. Received an Update From the SME Group on the MCAS Life AU Definitions and FAQs

Rebholz stated that this SME group met May 23. The SME group finalized the frequently asked questions (FAQs) for the MCAS life accelerated underwriting (AU) data elements, which are now ready for the Working Group to review and approve. The SME group also finalized a list of definitions that it recommends be added to the life MCAS data call and definitions. The draft FAQs and definitions are available on the Working Group's web page for review and will be added to the materials for the Working Group to consider at its next meeting.

Rebholz asked that any comments related to these drafts be sent to Hal Marsh (NAIC) no later than June 28.

4. Heard an Update From the SME Group on Pet Insurance MCAS Topics

Randy Helder (NAIC) stated that the SME group met May 17 and discussed partial payments for Pet Insurance claims and what constitutes a partial payment. Helder stated the group is very close to having something to present to the Working Group at its next meeting. The SME group plans to further discuss this at its June 7 meeting.

5. Heard an Update on MCAS Filings and the 2023 MCAS Premium Exhibit Used for Identifying Required MCAS Filings

Teresa Cooper (NAIC) stated that the group has made it past the April 30 deadline for all lines of business collected by MCAS, other than STLD and other health. Cooper also stated that the May 31 deadline for health and STLD. The next deadline is June 30 for other health was met.

Cooper stated that for the 2023 data year, the MCAS premium exhibit was added to the financial annual statement. On this exhibit, companies would specify which MCAS lines of business they will be filing in each state. Cooper stated that the reason for this addition was that, in the past, financial statement premiums were used to complete the MCAS required to file indicators in the MCAS submission tool, which has proven to not always be accurate. Cooper said, for example, that MCAS does not apply to antique automobiles in the private passenger auto (PPA) line of business. Companies with only antique auto coverage would have to submit waiver requests; otherwise, they will show as being required to file. Cooper stated that adding this MCAS premium exhibit allows companies to indicate whether they have to file MCAS for each jurisdiction and line of business.

Having no further business, the Market Conduct Annual Statement Blanks (D) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/D Working Groups/MCAS Blanks WG (TES)/2024 MCAS Blanks WG

NAIC MARKET CONDUCT ANNUAL STATEMENT BLANKS (D) WORKING GROUP
Changes/Additions to Approved Blanks and Data Call and Definitions
Proposal Submission Form

NAIC USE ONLY

Proposal Submission Date: 3/19/2024	
Proposed Effective Data Year for Reporting: 2024 Data Year	
Proposed <input checked="" type="checkbox"/> Substantive Change <input type="checkbox"/> Non-Substantive Change/Clarification	
Proposal Number	2024.6
Proposal Status	<u>All Submissions</u> <input checked="" type="checkbox"/> Received – Date 3/19/2024 <input checked="" type="checkbox"/> Accepted <input type="checkbox"/> Rejected by MCAS Blanks WG Chair <input checked="" type="checkbox"/> Posted to Web Page for Public Exposure/Comment – Date 4/3/2024 <input type="checkbox"/> Referred to Another NAIC Group – Date Click or tap to enter a date. – Name of Group Click or tap here to enter text. <input type="checkbox"/> Adopted <input type="checkbox"/> Modified <input type="checkbox"/> Rejected <input type="checkbox"/> Deferred by WG – Date Click or tap to enter a date. <u>Substantive Revisions</u> <input type="checkbox"/> Adopted <input type="checkbox"/> Rejected by D Committee – Date Click or tap to enter a date. <input type="checkbox"/> Adopted <input type="checkbox"/> Rejected by EX/Plenary – Date Click or tap to enter a date. <input type="checkbox"/> Other – Date Click or tap to enter a date. Specify Click or tap here to enter text.
NAIC Staff Input	Form updated with recommendation on 4/18/2024. Form updated with recommendation from SME Group on 6/11/24.

Proposal Contact Information

Name of Contact Person	Rebecca Rebholz
Name of Organization	Wisconsin Office of the Commissioner of Insurance
Email Address	rebecca.rebholz@wisconsin.gov
Phone Number	608-264-8111
Affiliation Type	<input checked="" type="checkbox"/> State Regulator <input type="checkbox"/> NAIC Staff <input type="checkbox"/> Other Regulator <input type="checkbox"/> Reporting Company <input type="checkbox"/> Industry Trade Association <input type="checkbox"/> Consumer Representative <input type="checkbox"/> Other

PROPOSAL IS FOR: Data Element Data Definitions Data Validation

APPLICABLE LINE(S) OF BUSINESS:

- | | | |
|--|--|---|
| <input type="checkbox"/> Annuity | <input type="checkbox"/> Lender Placed Auto and Home | <input type="checkbox"/> Private Flood |
| <input type="checkbox"/> Disability Income | <input type="checkbox"/> Life | <input type="checkbox"/> Private Passenger Auto |
| <input type="checkbox"/> Health | <input type="checkbox"/> Long-Term Care | <input type="checkbox"/> Travel |
| <input type="checkbox"/> Homeowners | <input checked="" type="checkbox"/> Other Health | <input type="checkbox"/> STLD |

PROVIDE A CONCISE STATEMENT OF THE PROPOSED CHANGE:

Data elements #51 and #90 both ask for the number of new policies/certificates denied during the period.

#51 – Number of new policies/certificates denied during the period.

#90 – Number of individual applications/enrollments denied during the period for any reason.

Recommendation: Keep both data elements for this reporting period. The intent of the two data elements was to produce the same data, the reporting fits well into both of the current reporting sections. Instead of removing one data element now, review the submitted 2023 data that is reported, then determine if one of the

NAIC MARKET CONDUCT ANNUAL STATEMENT BLANKS (D) WORKING GROUP
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data elements should be removed. Recommend creating a Subject Matter Expert (SME) Group to review the Policy/Certificate Administration and Marketing and Sales sections of the MCAS Other Health Blank. SMEs can review the two sections to determine if there are data elements that can be changed (wording), removed or combined. Changes would be implemented for the 2026 data reporting year if approved by the MCAS Blanks WG by 6/1/25.

SME Group Recommendation: Delete data element #51. The language used in data element #90 is more consistent with the wording across the rest of the MCAS Other Health Blank. Additionally, removing data element #51 will help eliminate the confusion of asking for the same data in two different sections on the same blank.

PROVIDE THE REASON FOR THE CHANGE:

Identify duplicate data elements and remove the duplicate.

IF ADDITIONAL DOCUMENTS CONTAIN DEFINITIONS, BLANK MOCK-UPS, ETC, PROVIDE A LISTING OF THESE DOCUMENTS BELOW. SEND THE LISTED DOCUMENTS TO NAIC STAFF ALONG WITH THE COMPLETED FORM:

Click or tap here to enter text.

Accelerated Underwriting FAQs

DRAFT Document – Edited 5/23/24

Why is the term “big data” not included in the MCAS definition of Accelerated Underwriting?

The term “big data” was used in the NAIC’s Accelerated Underwriting (AU) Educational Report but was intentionally removed from the MCAS definition of Accelerated Underwriting for vagueness because it was an undefined term which could lead to inconsistency in MCAS reporting. The intent of the MCAS reporting is to exclude any processes intended solely to speed up or automate the underwriting process.

How would the company determine if its processes are considered accelerated underwriting?

All three elements below must be present to meet the MCAS AUW reporting requirements:

- 1) AI/ML: Predictive models and machine learning algorithms are used to analyze applicant data. A model or algorithm prediction is used to limit or replace a human decision. If the data is run through a predictive model or machine learning algorithm, it is considered accelerated underwriting under the MCAS definition.
 For example, if the data is run through an algorithm that will, at points in the process, choose from multiple possible decisions, it is considered accelerated underwriting under the MCAS definition. However, even if the data you use includes such data as criminal history, consumer credit or motor vehicle report data it would not be considered accelerated underwriting for MCAS reporting purposes **if** those data are used in stand-alone rules, such as declining coverage if there is a prior conviction of insurance fraud, a recent bankruptcy or multiple speeding violations.
- 2) Data: **FCRA Compliant non-medical third-party data** and/or **Other non-medical third-party data** is used, including if it is used in conjunction with **Application data** and/or **Medical data**. If only **Application data** and/or **Medical data** is used, it does not meet the definition.
- 3) Decision: Life Insurance is underwritten by predicting an insurance outcome.

Can you provide examples of what would not be included as accelerated underwriting?

For the purposes of MCAS reporting, AUW does not include:

- Simply automating analysis of application and/or medical information. (does not meet elements #1 or #2, above)
- Using insurance claims or motor vehicle violation data in a stand-alone underwriting rule such as declining coverage for a driving under the influence conviction. (does not meet element #1, above)
- Use of medical data only in an algorithm. (does not meet element #2, above)

Accelerated Underwriting Definitions

DRAFT Document – Edited 5/23/24

Algorithm - All of the following should be considered:

- A clearly specified mathematical process for computation (NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers, AI Bulletin)
- A set of rules that, if followed, will give a prescribed result (AI Bulletin)
- A list of steps to finish a task (NAIC Glossary for Regulators of InsurTech)
- A set of instructions that can be performed with or without a computer (NAIC Glossary for Regulators of InsurTech)

For example, the collection of steps to make a peanut butter and jelly sandwich could be considered as an algorithm. (NAIC Glossary for Regulators of InsurTech)

Artificial Intelligence (AI) - refers to a branch of computer science that uses data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement, or the capability of a device to perform functions that are normally associated with human intelligence such as reasoning, learning, and self-improvement. This definition considers machine learning to be a subset of artificial intelligence. (AI Bulletin)

Big data - refers to extremely large datasets analyzed computationally to infer laws (regressions, nonlinear relationships, and causal effects) to reveal relationships and dependencies or to perform predictions of outcomes and behaviors. (Casualty Actuarial and Statistical (C) Task Force Predictive Model White Paper)

Machine Learning - Machine learning algorithms are a process or set of rules executed to solve an equation, e.g., a life insurance underwriter uses a set of rules to place an individual insured in a particular risk category. The 'learning' part of machine learning means that those programs change how they process data over time, much as humans change how they process data by learning. Machine learning often falls into two groups: supervised or unsupervised. The difference between the two is whether the program is directed to analyze patterns or is self-automated. (NAIC's Accelerated Underwriting in Life Insurance Educational Report)

Predictive Model - refers to the mining of historic data using algorithms and/or machine learning to identify patterns and predict outcomes that can be used to make or support the making of decisions. (AI Bulletin)

MCAS Pet Insurance Definitions

DRAFT Document - Edited 6/20/24

Partial Payment – A claim not paid in full for costs included within the terms of coverage of the insurance policy/certificate.

Removal from a claim of charges for costs not covered in the policy – where there is full payment for costs covered in the policy – is not considered a partial payment.

Do not report as a partial payment claims that are reduced by deductibles, copays, maximum benefit limits, or other limitations set by the insurance policy/certificate.

Cancellations – Includes all cancellations of the policies where the cancellation effective date is during the reporting year.

• These should be reported every time a policy cancels during the reporting period. (i.e., if a policy cancels for non-pay three times in a policy period and is reinstated each time; each cancellation should be counted.)

Exclude:

- Policies cancelled for 're-write' purposes where there is no lapse in coverage.
- Policies returned by the owner under the right to review or the free look provision.