Cooper, Teresa

Subject: FW: MCAS Life/Annuity Lawsuit Considerations

Hi,

I just sat in on the MCAS review of recent changes, I didn't post a question because I was afraid of going down a rabbit hole.

I have a lot of questions about the lawsuit considerations, especially for the life line of business.

How is the company supposed to report interpleaders? Interpleaders are generally turned over to the courts and if over $75,000, usually to a Federal Circuit Court. The company typically deposits the monies directly into the court, the court then makes the final determination as to how to effectuate the payment. Once the company deposits the monies, they are out of the picture. So, would an interpleader be reported as a consideration?

I believe someone stated that a consideration is for the benefit of the consumer. With a life policy the insured (consumer) is deceased, the interested party is now the beneficiary. A beneficiary may be a business, a trust, an entity, or a person(s). How would a consideration be reported if it's not related to a consumer? Are their specific types of lawsuits that are being targeted? There are lawsuits that can take many, many years to settle.

A life policy has three main elements, an owner, the insured, the beneficiary. Consumer would need to be further defined.

The term "consideration" isn't utilized to my knowledge by the industry with life insurance claims. A lot of examples and explanations may be needed. There are many more questions that could be posed depending upon the circumstances.

I just checked the LOMA glossary and they define consideration as: A requirement for the formation of a valid contract that is met when each party gives or promises something that is of value to the other party.

As a regulator I would like to gain a better understanding as to what we are attempting to gather and accomplish. As a former industry member who worked with the claims legal department handling litigation and the person who formerly reported on MCAS claims data, I believe additional clarification will be needed so that the industry will report accurately.

I felt that I needed to share my thoughts and questions on this matter with you.
Thank you for your time.
Shelli

TN Department of Commerce & Insurance

Shelli Isiminger | INSURANCE EXAMINER 3
FLMI, AIRC, ACS, MCM, CICSR, APIR, AIE
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135
Shelli.Isiminger@tn.gov |615-532-4146
tn.gov/commerce

From CEJ Comments to NAIC MCAS Blanks WG
May 18, 2020
Pages 6&7

Comments for the Center for Economic Justice

To the NAIC Market Conduct Annual Statement Blanks Working Group

Proposed Revisions to Life, Annuity, Auto and Homeowners MCAS Reporting

May 18, 2020

The Center for Economic Justice (CEJ) submits the following comments and recommendation for improvements to MCAS data collection, generally, and for the auto, homeowners, life and annuities lines of business, specifically.

Additional Data Elements – Accelerated Underwriting – Life Insurance

Life insurers started utilizing accelerated underwriting a few years ago – the use of non-medical data sources to create algorithms for underwriting and pricing. These data sources have included consumer credit data, social media, facial analytics and more. Some of the data sources used by insurers are not subject to the disclosure and consumer protection provisions of the Fair Credit Reporting Act. While accelerated underwriting holds the promise of faster decision-making and broader access, the use of black-box algorithms with little or no regulatory oversight also raises the potential for unfair and unfairly discriminatory treatment of applicants and policyholders. To enable regulators to monitor the effects of accelerated underwriting, we the following additional definition and data elements for MCAS life insurance:

Definition: Accelerated underwriting means underwriting or pricing or life insurance in whole or in part on non-medical data obtained from other than the applicant or policyholder and includes, among other things, facial analytics, social media and consumer credit information.

Interrogatories:

- Does the company use accelerated underwriting for life insurance? Y/N
- If the company uses accelerated underwriting for life insurance, for what product categories is it used?
- If the company uses accelerated underwriting for life insurance, list the data sources used and vendors supplying data or algorithms.

For data elements 1B-19 through 1B-27, replicate each data element for accelerated underwriting experience. For example, in addition to current 1B-20:

> 1B-20A: Total Number of New Policies Issued By the Company during the Period Utilizing Accelerated Underwriting.

CEJ Recommendation: Add Data Elements, Interrogatories and Definition to the Life MCAS for Accelerated Underwriting.

Comments for the Center for Economic Justice

To the NAIC Market Conduct Annual Statement Blanks Working Group

Proposed Revisions to Auto and Homeowners MCAS Reporting

May 25, 2020

The Center for Economic Justice submits the following recommendations for changes to the private passenger auto and homeowners MCAS interrogatories, coverages, data elements and definitions. The proposals are substantively identical for both lines of insurance. In keeping with the process utilized by the working group to review each line of business separately, CEJ presents our recommendations separately for private passenger auto and for homeowners.

Recommendations for Changes to Homeowners MCAS

3. Break Claims Data Elements 2-17 through 2-34 into Digital Claims Settlement and Other Than Digital Claims Settlement ***for Dwelling and Personal Property Coverages Only***.

Description and Rationale: CEJ recommends splitting claims data experience between digital claims settlement and other than digital claims settlement. Digital claims settlement, sometimes referred to as virtual claims handling, refers to loss appraisal not involving a human on-site inspection of the property, but based on digital information, including, for example, photos taken by the insured or claimant or photos taken by a plane or drone or information provided by sensors or cameras within or near the property. We propose this additional break-out of claims only the dwelling and personal property coverages.

The purposes of segregating digital-only from human-involved claims settlements are, one, to assess the outcomes for consumers from digital-only claims settlement; and, two, to ensure that significant differences between digital-only and other than digital-only claim settlements are not masked by aggregate reporting. For example, one of the advertised benefits of digital claims settlement is speed of settlement. If digital claims settlements are significantly faster than other-than-digital-only claims settlements, the aggregated claims data would mask these differences.

Definition:

Digital Claim Settlement means a claim involving a loss appraisal utilizing digital information only with no human on-site visual inspection or appraisal by the insurance company or independent adjuster of the vehicle or property. Examples of digital claim settlement include, but are not limited to, claim settlements based on photos taken by a claimant or insured or phots taken by a plane or drone or data provided by in-vehicle or in-property sensors with no in-person inspection or appraisal by the insurance company or independent adjuster.

Other Than Digital Claims Settlement means any claim other than a Digital Claim Settlement claim

Data Elements: The proposed change can be accommodated by creating two claims experience columns each for Dwelling and Personal Property coverages only for the claims activity data elements 2-17 through 2-34. The table below illustrates this approach.

ID	Description **HOMEOWNERS MCAS**	Digital Claims Settlement	Other Than Digital Claims Settlement
2-17	Number of claims open at the beginning of the period		
2-18	Number of claims opened during the period		
2-19	Number of claims closed during the period, with payment		
2-20	Number of claims closed during the period, without payment		
2-21	Number of claims open at the end of the period		
2-22	Median days to final payment		
2-23	Number of claims closed with payment within 0-30 days		
2-24	Number of claims closed with payment within 31-60 days		
2-25	Number of claims closed with payment within 61-90 days		
2-26	Number of claims closed with payment within 91-180 days		

2-27	Number of claims closed with payment within 181-365 days		
2-28	Number of claims closed with payment beyond 365 days		
2-29	Number of claims closed without payment within 0-30 days		
2-30	Number of claims closed without payment within 31-60 days		
2-31	Number of claims closed without payment within 61-90 days		
2-32	Number of claims closed without payment within 91-180 days		
2-33	Number of claims closed without payment within 181-365 days		
2-34	Number of claims closed without payment beyond 365 days		

4. Break "Number of Company-Initiated Non-Renewals During the Period" into
    a. Non-Renewals Based In Whole or In Part on Claims History;
    b. Non-Renewals Based on Catastrophe Risk Exposure
    c. Non-Renewals Based on Changes in Credit Score or Other Algorithm Utilizing Non-Insurance Personal Consumer Information
    d. All Other Company Initiated Non-Renewals

Description and Rationale: Insurers may non-renew a policy for a variety of reasons, each of which tells a different story about the insurer and/or the market. Market analysis would be significantly improved by segregating out company-initiated non-renewals for some of these different reasons. These additions are particularly relevant given new types of catastrophe risk exposure evaluations – e.g. wildfire – and the use of new algorithms based on non-insurance personal consumer information to assess customer lifetime value.

The current definitions include:

Non-Renewals – A policy for which the insurer elected not to renew the coverage for circumstances allowed under the "non-renewal" clause of the policy.

Include:

- All company-initiated non-renewals of the policies where the non-renewal effective date is during the reporting period.

Exclude:

- Policies where a renewal offer was made and the policyholder did not accept the offer.
- Instances where the policyholder requested that the policy not be renewed.

Calculation Clarification:

- The number of non-renewals should be reported on a policy basis regardless of the number of autos insured under the policy.

<u>New Definitions</u>

Company-Initiative Non-Renewals Based in Whole or In Part on Claims History during the Period means a non-renewal initiated by the company based entirely or in part on the policyholder's claims history. For example, if the company-initiated non-renewal was based in part on claims history and in part on a change in credit score, report the non-renewal here.

Company-Initiative Non-Renewals Based on Catastrophe Risk Exposure during the Period means a non-renewal initiated by the company based entirely on an assessment of the policyholder's catastrophe risk exposure.

Company-Initiative Non-Renewals Based on Changes in Credit Score or Other Algorithm Utilizing Non-Insurance Personal Consumer Information during the Period means a non-renewal initiated by the company based entirely on an algorithm or rule used by the company and based on non-insurance personal consumer information. Examples of such algorithms include a credit-based insurance score, a consumer lifetime value score or a consumer propensity for fraud score.

All Other Company-Initiative Non-Renewals during the Period means non-renewal initiated by the company for any other reason than the other three company-initiated non-renewal data elements.

Recommendations for Changes to Private Passenger Auto MCAS

3. Break Claims 2-21 through 2-38 into Digital Claims Settlement and Other Than Digital Claims Settlement for Property Damage, Collision and Comprehensive Coverages Only.

CEJ recommends splitting claims data experience between digital claims settlement and other than digital claims settlement. Digital claims settlement, sometimes referred to as virtual claims handling, refers to loss appraisal not involving a human on-site inspection of the vehicle or property, but based on digital information, including, for example, photos taken by the insured or claimant or photos taken by a plane or drone or information provided by sensors or cameras within or near the property or site of the accident. We propose this break-out only for property damage and physical damage coverages.

The purposes of segregating digital-only from human-involved claims settlements are, one, to assess the outcomes for consumers from digital-only claims settlement; and, two, to ensure that significant differences between digital-only and other than digital-only claim settlements are not masked by aggregate reporting. For example, one of the advertised benefits of digital claims settlement is speed of settlement. If digital claims settlements are significantly faster than other-than-digital-only claims settlements, the aggregated claims data would mask these differences.

Definition:

Digital Claim Settlement means a claim involving a loss appraisal utilizing digital information only with no human on-site visual inspection or appraisal by the insurance company or independent adjuster of the vehicle or property. Examples of digital claim settlement include, but are not limited to, claim settlements based on photos taken by a claimant or insured or phots taken by a plane or drone or data provided by in-vehicle or in-property sensors with no in-person inspection or appraisal by the insurance company or independent adjuster.

Other Than Digital Claims Settlement means any claim other than a Digital Claim Settlement claim

Data Elements: The proposed change can be accommodated by creating two coverage columns for Dwelling and Personal Property only for the claims activity data elements 2-21 through 2-38.

ID	Description	Digital Claims Settlement	Other Than Digital Claims Settlement
2-21	Number of claims open at the beginning of the period		
2-22	Number of claims opened during the period		
2-23	Number of claims closed during the period, with payment		
2-24	Number of claims closed during the period, without payment		

2-25	Number of claims open at the end of the period		
2-26	Median days to final payment		
2-27	Number of claims closed with payment within 0-30 days		
2-28	Number of claims closed with payment within 31-60 days		
2-29	Number of claims closed with payment within 61-90 days		
2-30	Number of claims closed with payment within 91-180 days		
2-31	Number of claims closed with payment within 181-365 days		
2-32	Number of claims closed with payment beyond 365 days		
2-33	Number of claims closed without payment within 0-30 days		
2-34	Number of claims closed without payment within 31-60 days		
2-35	Number of claims closed without payment within 61-90 days		
2-36	Number of claims closed without payment within 91-180 days		
2-37	Number of claims closed without payment within 181-365 days		
2-38	Number of claims closed without payment beyond 365 days		

4. Break “Number of Company-Initiated Non-Renewals During the Period” into
    a. Non-Renewals Based In Whole or In Part on Claims History;
    b. Non-Renewals Based on Catastrophe Risk Exposure
    c. Non-Renewals Based on Changes in Credit Score or Other Algorithm Utilizing Non-Insurance Personal Consumer Information
    d. All Other Company Initiated Non-Renewals

Description and Rationale: Insurers may non-renew a policy for a variety of reasons, each of which tells a different story about the insurer and/or the market. Market analysis would be significantly improved by segregating out company-initiated non-renewals for some of these different reasons. These additions are particularly relevant given new types of catastrophe risk exposure evaluations – e.g. flooding – and the use of new algorithms based on non-insurance personal consumer information to assess customer lifetime value.

Definitions: The current definitions include:

<u>Non-Renewals</u> – A policy for which the insurer elected not to renew the coverage for circumstances allowed under the “non-renewal” clause of the policy.

Include:
- All company-initiated non-renewals of the policies where the non-renewal effective date is during the reporting period.

Exclude:
- Policies where a renewal offer was made and the policyholder did not accept the offer.
- Instances where the policyholder requested that the policy not be renewed.

Calculation Clarification:
- The number of non-renewals should be reported on a policy basis regardless of the number of autos insured under the policy.

<u>New Definitions</u>

Company-Initiative Non-Renewals Based in Whole or In Part on Claims History during the Period means a non-renewal initiated by the company based entirely or in part on the policyholder’s claims history. For example, if the company-initiated non-renewal was based in part on claims history and in part on a change in credit score, report the non-renewal here.

Company-Initiative Non-Renewals Based in Whole or In Part on Catastrophe Risk Exposure during the Period means a non-renewal initiated by the company based entirely on an assessment of the policyholder’s catastrophe risk exposure.

Company-Initiative Non-Renewals Based on Changes in Credit Score or Other Algorithm Utilizing Non-Insurance Personal Consumer Information during the Period means a non-renewal initiated by the company based entirely on an algorithm or rule used by the company and based on non-insurance personal consumer information. Examples of such algorithms include a credit-based insurance score, a consumer lifetime value score or a consumer propensity for fraud score.

All Other Company-Initiative Non-Renewals during the Period means non-renewal initiated by the company for any other reason than the other three company-initiated non-renewal data elements.