

Date: 9/9/2020

Conference Call

MARKET CONDUCT ANNUAL STATEMENT BLANKS (D) WORKING GROUP

Wednesday, September 30, 2020

2:00 p.m. ET / 1:00 p.m. CT / 12:00 p.m. MT / 11:00 a.m. PT

ROLL CALL

Rebecca Rebholz, Chair	Wisconsin	Paul Hanson	Minnesota
October Nickel, Vice Chair	Idaho	Brent Kabler/Teresa Kroll	Missouri
Maria Ailor	Arizona	Todd Oberholtzer	Ohio
Jimmy Harris/Crystal Phelps/ Russ Galbraith	Arkansas	Katie Dzurec	Pennsylvania
Kurt Swan	Connecticut	Michael Bailes	South Carolina
Scott Woods	Florida	Lisa Borchert/Ned Gaines/ John Haworth	Washington
Lori Cunningham	Kentucky	Letha Tate	West Virginia

NAIC Support Staff: Tressa Smith/Teresa Cooper

AGENDA

1. Consider Adoption of its Aug. 26 Minutes—*Rebecca Rebholz (WI)* Attachment 1
2. Receive an Update on the Other Health Market Conduct Annual Statement (MCAS)
—*Katie Dzurek (PA)*
3. Receive an Update on the Travel MCAS—*Rebecca Rebholz (WI)*
4. Discuss Questions Regarding the Life MCAS Definition of “Lawsuits Closed During the
Period with Consideration for the Customer” —*Rebecca Rebholz (WI)* Attachment 2
5. Consider Addition of National Producer Number (NPN) Reporting—*Rebecca Rebholz (WI)*
 - Third-Party Administrators (TPAs) within the Homeowners, Private Passenger Auto,
and Life & Annuities MCAS
 - Managing General Agents (MGAs) within the Homeowners and Private Passenger
Auto MCAS
6. Discuss the Addition of “Accelerated Underwriting” Definition and Data Elements to the
Life MCAS —*Rebecca Rebholz (WI)* Attachment 3
7. Discuss the Addition of Digital Claims Settlement Reporting in the Homeowners and Private
Passenger Auto MCAS —*Rebecca Rebholz (WI)* Attachment 4
8. Discuss Any Other Matters Brought Before the Working Group—*Rebecca Rebholz (WI)*
9. Adjournment

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Draft: 9/10/20

Market Conduct Annual Statement Blanks (D) Working Group
Conference Call
August 26, 2020

The Market Conduct Annual Statement Blanks (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met via conference call Aug. 26, 2020. The following Working Group members participated: Rebecca Rebholz, Chair (WI); Crystal Phelps (AR); Kurt Swan represented by Steve DeAngelis (CT); Scott Woods (FL); Lori Cunningham (KY); Teresa Kroll (MO); Todd Oberholtzer represented by Guy Self (OH); Katie Dzurec (PA); Michael Bailes (SC); Ned Gaines and John Haworth (WA); and Letha Tate (WV). Also participating were: Pam O’Connell (CA); Laura Arp (NE); and Matt Gendron (RI).

1. Adopted its July 31 Minutes

The Working Group met July 31 and took the following action: 1) adopted its June 24 minutes; 2) discussed clarifications for recently adopted Market Conduct Annual Statement (MCAS) updates; and 3) discussed possible MCAS updates previously tabled.

Mr. Haworth made a motion, seconded by Ms. Phelps, to adopt the Working Group’s July 31 minutes (Attachment). The motion passed unanimously.

2. Discussed the Creation of the Travel Insurance MCAS Blanks and Data Call and Definitions

Ms. Rebholz noted that the travel insurance MCAS has now been fully approved by the NAIC membership, and the Working Group is tasked with creating the travel blank and data call and definitions. Those interested in being a part of the focus group that drafts the data call and definitions were advised to contact Teresa Cooper (NAIC). The Travel MCAS discussions will begin soon to ensure that the data call and definitions are ready for adoption next spring, prior to the June 1 deadline.

3. Considered a Draft Homeowner MCAS Clarification

Ms. Rebholz noted that clarification is needed for the Homeowner MCAS in relation to the reporting of policies in-force by type of policy within the underwriting section. During the national meeting, the proposed language that could be added to the data call and definitions to ensure correct reporting was discussed. This draft language was included in the meeting materials.

Birny Birnbaum (Center for Economic Justice—CEJ) suggested that the wording of the last sentence of line 3-48, which states, “If your company only writes policies that fall into the forms specified for questions 3-45, 3-46 and 3-47, this number may be 0,” be changed to say, “If your company only writes policies that fall into the forms specified for questions 3-45, 3-46 and 3-47, this number will be 0” or “this number should be 0.” Mr. Haworth noted that he agrees the end of that sentence should state “this number will be 0.”

Mr. Haworth made a motion, seconded by Ms. Kroll, to adopt the wording change in the last part of the sentence for line 3-48 from “this number may be 0” to “this number will be 0.” The motion passed unanimously.

4. Considered the Addition of NPN Reporting for TPAs within the Home, Auto, Life and Annuity MCAS and NPN Reporting for MGAs within the Home and Auto MCAS

Ms. Rebholz noted that the Working Group has already approved the suggestions to require the identification of third-party administrators (TPAs) and their functions within the Life and Annuity MCAS and require the identification of TPAs and managing general agents (MGAs) within the Home and Auto MCAS. Now the Working Group needs to determine if it is appropriate to also request that the TPA and MGA National Producer Number (NPN) be included in the reporting. Comments on this topic were received from David Leifer (American Council of Life Insurers—ACLI). He did not have anything additional to add about the issue of whether the NPN should be included.

Mr. Gaines asked what exactly is gained from gathering the NPN, and he questioned if collecting the NPN was necessary. Mr. Gendron noted that requiring the NPN could give a “double check” for the state to verify if the company is using a licensed company. Mr. Birnbaum noted that this would be useful, as companies often use trade names or “doing business as” (DBA)

names that differ from the names used on their license; and by including the NPN, even if a DBA name was used, by having the NPN, it could more easily identify the correct licensee. He noted that he knows MGAs have an NPN, and he asked if TPAs all have NPNs, as that may change the reporting required. Mr. Gaines noted that TPAs only have NPNs if acting in a producer capacity, so if a TPA is only doing billing for example, they would not necessarily have an NPN. Ms. Rebholz noted that an explanation could be added for the blank for TPAs indicating that the NPN is being requested if it exists, and the answer could be “not applicable” if it does not exist. No motion was made to make this change at this time. Ms. Rebholz noted that if anyone has additional comments on this matter to send them to Ms. Cooper.

5. Discussed Possible Placement Changes for the Lawsuit and Complaint Data Elements within the Home and Auto MCAS

Ms. Rebholz noted that no comments were received regarding the placement of lawsuit and complaints data elements within the Home and Auto MCAS.

Mr. Birnbaum noted that in prior calls, concerns were raised that because lawsuit and complaints data elements were in the claim category, some companies understood that to mean only lawsuits and complaints related to claims were being requested. He suggested finding out if that is in fact the problem and if companies are really interpreting the request for complaints and lawsuits that way. Lisa Brown (American Property Casualty Insurance Association—APCIA) noted that she had not heard of any concerns from members having any MCAS blanks questioned or returned to them by the various states because of a gross under-capturing of the complaints and lawsuit data due to where it is placed in the blanks. She noted that companies are very diligent about reading the data call and definitions document to have a good understanding of how to report these data elements. She noted that that does not mean there are not companies misinterpreting these data elements and not advising her of issues, but she was not aware of this being an issue. No motion was made to make changes here, but if it is brought up to the Working Group’s attention again, it will be readdressed.

6. Discussed the Addition of Accelerated Underwriting Definition and Data Elements to the Life MCAS

Ms. Rebholz noted that the original suggestion from the CEJ to add data elements related to accelerated underwriting was included in the meeting materials. During the national meeting, there seemed to be some interest in the addition of data elements in this area. Comments were received on this topic from the ACLI, the CEJ and October Nickel (ID).

Mr. Leifer noted that the ACLI does not think the MCAS is the right place to gather data for accelerated underwriting or data related to it, at least right now. He is not sure how accelerated underwriting fits in to what the MCAS is for, as he understands it to be a benchmark for consumer complaints and litigation. Some of the sources that are used in accelerated underwriting are sources that have been around for decades. Mr. Leifer noted that there are lots of workstreams at the NAIC on the issue of accelerated underwriting that will be announced soon, and he thinks this topic can be tabled until some of that work proceeds and some of the definitions are settled upon. He asked that this suggestion be put on hold for the time being.

Ms. Arp noted that she spoke with her actuary, and they believe these definitions and what is being collected here needs more attention based on what they are learning in other workstreams. She asked if the definitions as written are overbroad and if there is a better way to capture something unique for the market concern focused on here.

Ms. O’Connell noted that she does feel insurers’ use of accelerated underwriting practices are a growing area, and as a market regulator, she has interest in this data. She believes it would be helpful to gather information on the MCAS that highlights companies who use accelerated underwriting, what the processes are, and what the impact is in terms of policies issued under that methodology versus traditional underwriting and things of that nature. She noted that she does not know if the way the suggestion is laid out is precisely what they would want, but she thinks this is an important area and that market regulators would find value in collecting this data via the MCAS.

Mr. Birnbaum noted that this is extremely relevant data, and some life insurers started using accelerated underwriting as far back as 2008. The practice has been growing exponentially with the pandemic due to less human to human interactions. Accelerated underwriting is using algorithms and third-party non-medical data to replicate the traditional results of traditional underwriting. Mr. Birnbaum noted that this has profound implications on both sales and consumer outcomes. Being able to look at the difference in consumer outcomes between traditional underwriting practices and accelerated underwriting is meaningful to state insurance regulators to understand the cause of these differences. Mr. Birnbaum noted that monitoring accelerated underwriting is also important because a change in an algorithm can affect tens of thousands of applicants virtually instantaneously, whereas doing things on a human to human interaction basis has a much slower impact on consumers. The CEJ suggests that the concept of accelerated underwriting be adopted and the CEJ proposal be exposed for comments because

there has not been much engagement from industry to date as far as what they would suggest in the way of definitions. Industry representatives can then provide feedback, and changes can be made. Mr. Birnbaum noted that there are interrogatories, as well as data elements. Suggested questions mentioned were: 1) does the company use accelerated underwriting; 2) if so, for what product categories; and 3) what are the data sources and vendors supplying the data or the algorithms. He noted that understanding what companies are using accelerated underwriting for is important, especially if the data reveals that certain types of questionable data or data that is known to have a racial bias is being used. He noted that this is something of interest to market regulators and to the broader public policy makers at large. He addressed the concern raised by the ACLI that some of this information is a trade secret. He noted that whether it is a trade secret, it is currently confidential, and there is no public access to it; but this raises the concern that if this is subject to the Fair Credit Reporting Act (FCRA), companies have to disclose the use of the data to consumers and provide adverse action notices if an adverse action occurs. He then addressed the concern raised by the ACLI that this would be duplicative of reporting under the principal-based reserving (PBR) reporting for life insurance, but he noted that the ACLI did not identify any overlap. He noted that if current PBR were changed significantly, then it might be able to be used for market regulation. He also addressed the concern raised by the ACLI that collecting accelerated underwriting data is premature. He stated that if the Working Group decides to move forward, these new data elements would be for 2022 experience, reported in 2023; and given that companies have been using accelerated underwriting for over a decade, it does not seem premature. For these reasons, he asked that the CEJ proposal be exposed for comments with the intention to move forward with the proposal or some revised version based on the comments received.

Mr. Haworth noted that one of the things he is looking at is the vendors supplying data or algorithms. He noted that a possible question to consider is how often the algorithm is updated or changed. He believes there is merit in collecting accelerated underwriting data. He also noted that PBR falls to the domestic state, and he does not know if the other states that would be seeing how those products are marketed would be able to easily find out how the algorithms work.

Peter Kochenburger (University of Connecticut School of Law) noted that it would be useful to collect this data, not only for the states individually, but also for state insurance regulators to see and understand what is happening on a national level.

Ms. Rebholz noted that the addition of accelerated underwriting definitions and data elements to the Life MCAS will be considered further during the next Working Group meeting. Call participants were advised to be prepared to review the definitions and data elements in detail during the next call and to submit any additional comments and suggestions on this matter to Ms. Cooper.

7. Discussed the Addition of Digital Claims Settlement Reporting in the Home and Auto MCAS

Ms. Rebholz noted that no additional comments were received regarding the reporting of digital claims settlements data for the Home and Auto MCAS. The original CEJ suggestion was included in the call materials.

Mr. Birnbaum noted that there is a growth in digital only types of claims settlements where a third-party claimant or policyholder takes pictures and sends them through an application for the insurer after an accident. The insurance company then offers a settlement without inspecting the vehicle and without the use of a human assessor. This is a fairly new approach to claims settlement based on an algorithm that reviews the photos. Some issues have been identified based on these types of claims settlements, including lawsuits claiming that they do not assess structural or underlying damages, including damage associated with the safety devices that are now built into vehicles. It seems that there are likely to be significant differences in claims settlement outcomes for consumers who only utilize digital claims settlement versus the consumers who engage or ask for human appraisal of their vehicle. Based on the rapid growth of technology and the role of algorithms in that technology, the CEJ suggested that some of the data elements in Auto and Home MCAS be broken out between digital claims settlements and other than digital claims settlements. He discussed the definitions offered for these categories and explained that if at any time a human assessor was involved, it would not be reported as digital claims settlement, but it would be reported as other than digital claims settlement.

Mr. Gaines noted that he believes most of the issues surrounding this would be resolved through the claims supplement process. His understanding is that once vehicles are later inspected by the shop, if the shop finds structural damage or damage that was not visible by the pictures provided, additional payments can be made. Mr. Birnbaum noted that that would then be reported as other than digital claims settlement. He noted that he thinks it would be useful to see information related to when a customer takes the offer and never gets the vehicle inspected or repaired. He noted that if there was an interest in seeing how often a digital claims settlement results in multiple supplemental claims, different data elements would be needed. Mr. Gaines noted that this is more on the consumer than the carrier, as in these instances, it is the consumer making the decision not to repair the vehicle or follow up with a shop.

Mr. Self noted that consumers have a right to recover the full value of the damages and are not obliged to have repairs completed. He believes the digital claims settlement adjustment method is more prone to miss damages than a real inspection. Mr. Gaines agreed and again stated that the consumer can still have it inspected by a shop if they disagree with the assessment. He noted that in most states, the consumer has the duty to prove their damages. He further explained that even an in-person inspection can be low, because if the vehicle is not at a shop and torn down, the carrier cannot write an estimate based on what they do not see, which is not an indication that the carrier is doing anything wrong. He noted that knowing carriers are utilizing digital claims settlements could be the first phase of this data collection, and he asked if knowing how many digital claims settlements were contested to get a better idea of what the dynamics are would be helpful. Mr. Birnbaum noted that that would be a useful metric but knowing how that compares to non-digital claims settlements would be required, as well having a good understanding.

Ms. Brown noted that companies are maximizing digital adjusting tools, and she believes this issue needs more discussion. She noted that once a claim is contested, a human inspection of some kind would normally take place. By saying when there is a physical look at the vehicle, it would no longer fall into the digital claims settlement category and there would be no contested digital claims with the current proposed definition.

Ms. Rebholz asked that state insurance regulators think about what would be helpful for them to see in this area and how that information can be identified. The Working Group will consider the addition of digital claims settlement reporting in the Home and Auto MCAS during the next meeting. Call participants were advised to be prepared to review this suggestion in detail during the next call and submit any additional comments to Ms. Cooper.

8. Discussed Other Matters

Ms. Rebholz noted that comments were received regarding newly approved reporting for claims closed without payment because the amount claimed is below the deductible. These comments will be discussed on the next Working Group call.

Any comments and suggestions arising from topics discussed on this call should be submitted to Ms. Cooper by Sept. 25 in time for the next Working Group call, which will take place on Sept. 30.

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

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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



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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 of 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 photos 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.

New Definitions

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 photos 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:

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.

New Definitions

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.