

Draft: 7/11/24

Market Analysis Procedures (D) Working Group  
Virtual Meeting  
June 24, 2024

The Market Analysis Procedures (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met June 24, 2024. The following Working Group members participated: Jo LeDuc, Chair (MO); John Haworth, Vice Chair (WA); Teri Ann Mecca (AR); Maria Ailor and Tolanda Coker (AZ); Don McKinley (CA); Tracy Garceau (CO); Steve DeAngelis (CT); Susan Jennette (DE); Keith Nault (FL); Erica Weyhenmeyer (IL); Lori Cunningham (KY); Raymond Guzman (MD); Connie Mayette (ME); Jeff Hayden (MI); David Dachs (MT); Robert McCullough (NE); Ralph Boeckman and Erin Porter (NJ); Larry Wertel (NY); Guy Self (OH); Landon Hubbard (OK); Karen Veronikis (PA); Brett Bache (RI); Shelly Wiseman (UT); Melissa Gerachis (VA); Isabelle Turpin Keiser (VT); and Rebecca Rebholz and Darcy Paskey (WI). Also participating was Brad Gerling (MO).

1. Adopted its April 29 Minutes

The Working Group met April 29 and took the following action: 1) adopted its Spring National Meeting minutes; 2) adopted pet insurance Market Conduct Annual Statement (MCAS) ratios; 3) adopted the requirement for fraternal companies to annually report MCAS; 4) discussed NAIC Market Information System (MIS) data; 5) discussed the lunch-and-learn session scheduled for May 6; and 6) received an update on the current MCAS reporting.

Haworth made a motion, seconded by Rebholz, to adopt the Working Group's April 29 minutes (*Attachment xx*). The motion passed unanimously.

2. Discussed NAIC MIS Data

LeDuc said the summary report of the Market Analysis Prioritization Tool (MAPT) interviews, which were conducted late in 2023 with 26 jurisdictions, was distributed to all Working Group members, interested regulators, and interested parties immediately after the Working Group's April 29 meeting and again on June 13. LeDuc said she would like the Working Group to consider three questions: Are there any states that have some process not generally captured in the summary; are there any other improvements that come to mind after reading the summary; and what is the single most important improvement that we should focus on?

LeDuc said her observation was the baseline analysis process varied across jurisdictions by the scope of the analysis done and the frequency of the analysis. She noted there are good reasons for variations, and it is important to allow flexibility for jurisdictions to customize the analysis process. She said when MAPT was originally conceived, the idea was to allow analysts to work smarter, not harder. The goal of MAPT was to have a tool that could quickly identify companies that need more in-depth analysis. She said it appeared from the interviews that the built-in mechanism to prioritize companies is either not working as intended or is not understood. She said it seems that jurisdictions are spending more resources doing work that does not have to be done manually.

Guzman said he generally agrees with the findings. He said Maryland has not utilized the scoring in MAPT because the scoring is not well understood, and they find the scores do not always point to the companies that should be targeted. He said Maryland prefers to look at the underlying data. He said if the scoring could be refined or if materials could be developed to show how the scoring is calculated, it might make MAPT more useful. Keiser said the training being done in the lunch-and-learns has been very helpful. Garceau said that the report was very instructive, and she is learning quite a lot.

LeDuc said she believes there is a way to build a system that accurately prioritizes companies in a way that everyone can understand.

Haworth asked if anyone uses the rankings. He said he tends to ignore them and goes straight to the underlying data. He said a lot of time is spent just verifying the data is correct. LeDuc said that is what is happening, and the system has to be refined so analysts do not have to go through all of that effort.

Ailor said there is a disconnect between the analysis tools, and there needs to be better synthesis among them. She said Arizona also does not use rankings but does rely heavily on MAPT scores because they are familiar with how they were generated, but not everyone has that knowledge. She said if a different method is developed to prioritize companies, such as the ratios in the Market Conduct Annual Statement (MCAS), there must be uniformity. She said once a prioritization method is chosen, it should be tested on a line of business.

LeDuc said she likes the idea of testing a method on a single line of business. She said she would choose a property/casualty (P/C) line. Haworth agreed and said most people have a familiarity with the private passenger auto line, whereas the health line would be too unwieldy. He said the Working Group would need to determine the best tool to use because the NAIC is coming up with new tools. Once one is developed for the private passenger auto line, the processes can be tested on other lines. LeDuc agreed that private passenger auto was a good line to start with since everyone is an auto insurance consumer and has familiarity with the line. She suggested forming a subject matter expert (SME) group.

LeDuc said the SME group would look into what data is missing. For example, MAPT only has examination data and not any data from the Market Actions Tracking System (MATS). She said we could also expand quarterly financial data and add in Market Analysis Review System (MARS) reviews. She said the SME group could also look into adding new concepts, such as clustering companies by a common attribute like premium size or incorporating text analytics. Ailor said that Brent Kabler (MO) has developed a method for isolating only the most substantive Regulatory Information Retrieval System (RIRS) data. Gerling said he has that methodology. Haworth suggested including the System for Electronic Rates & Forms Filing (SERFF) data and licensed producers in the prioritization. He said the financial MAPT and the MCAS-MAPT are often very different, and it is unclear if the company was inaccurate in its financial reporting or its market conduct reporting. LeDuc said she would recommend merging the two MAPTs. Mayette said the financial MAPT has more current data than the MCAS-MAPT, which may make merging difficult. Dachs noted that a definition document is needed. LeDuc said that was a good point and that good documentation would be one of the goals for the SME group.

LeDuc said she sees little value in conducting interviews regarding the MCAS-MAPT. She suggested the Working Group spend its time envisioning a future for both the MAPT and MCAS-MAPT. LeDuc asked anyone who wanted to be on the SME group to develop recommendations for improving MAPT to send a note to her, Haworth, or Randy Helder (NAIC).

### 3. Discussed the Lunch-and-Learn Schedule

LeDuc thanked Rodney Good (NAIC) for his presentation on June 17 about the financial metrics that are often used in market analysis. She asked if there were any suggestions for topics for the next lunch-and-learn. Hearing none, she suggested a series on MARS reviews. Haworth suggested a series on the new NAIC tools, such as ThoughtSpot and Snowflake.

LeDuc asked that suggestions be sent to Helder.

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

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