July 7, 2021

Mr. Phil Vigliaturo, Chair,
Casualty Actuarial and Statistical (C) Task Force

Re: 2021-11BWG

Dear Chair,

We appreciate the opportunity to submit the following comments on the 2021-11BWG proposal.

As the NAIC puts it, "The public wants two things from insurance regulators:
They want solvent insurers who are financially able to make good on the promises they have made, and they want insurers to treat policyholders and claimants fairly. All regulatory functions will fall under either solvency regulation or market regulation to meet these two objectives."

We support the idea to have more timely report of current NAIC Homeowners Report and Auto Report. We also appreciate the spirit of this proposal to address regulatory concerns regarding the needed average written and average earned premium for residential property and personal auto coverages in a far more timely fashion for market regulation. That said, we do not believe the proposal appropriately addresses the root causes of problems, nor do we believe that the proposal as currently drafted would meet the market regulation needs to provide accurate statistical reports in a timely manner.

Current NAIC Homeowners Report has 5 tables with statistics for house-years by state and countrywide by policy type, policy form, amount of insurance, and average premiums by policy form/amount of insurance by homeowners owner-occupied and tenants. NAIC Auto Report has 5 tables with statistics for average premiums and expenditures for Liability, Collision and Comprehensive. The Auto Report also has many tables for voluntary/residual, limits, and others by coverage. Although current NAIC statistics reports have significant time lag, it does provide the accuracy and consistency for the needed statistics. To create a supplement to those specific annual statement lines (ASL) without clearly defined statistics and accuracy, the benefits are very limited if not also very confusing.

It is better to be late than incomplete or inaccurate. Different companies in different states may have different market segment mix in term of coverage forms, house value, etc. 2021-11BWG proposal with aggregate level exposures by state may create misleading results and conclusions. Similar situations will also exist in the personal auto coverages. More exposures information with more granulated details is available in the current NAIC Homeowners Report and Auto Report as described above, with some time lag.

As an alternative, we would suggest looking at the current NAIC statistics reports and identify the root causes of problems in time delay. If companies are using timely data to grow their business strategically, NAIC and regulators should be able to work with the industry to improve the time lag. Are the problems coming from delay reporting in specific few companies? Are the problems coming from too many required statistics in the process? Are the problems coming from inconsistent reporting databases?

We appreciate the consideration of our comments and look forward to discussing on a future call.

Best Regards,

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cc: Kris DeFrain, NAIC, Qing He, Amy Waldhauer

From: Nichole Torblaa <Nichole.Torblaa@ldi.la.gov>
Sent: Tuesday, July 6, 2021 4:02 PM
To: DeFrain, Kris <kdefrain@naic.org>
Subject: Louisiana Comments regarding 2021-11BWG and 2021-13BWG Exposure Drafts

Louisiana does not support moving either Blanks proposal 2021-11BWG or 2021-13BWG forward at this time.

Proposal 2021-11BWG

2021-11BWG proposes a new annual statement supplement to the Property and Casualty (P/C) statement to capture exposure data for Annual Statement Lines 2.5, 4, 19.1, 19.2 and 21.2 of the Exhibit of Premiums and Losses. It adds a column to the Quarterly Parts 1 and 2 to capture exposure data for these annual statement lines for the quarter. According to the author, "This AS and QS Blanks proposal would allow the calculation of average written and average earned premium for residential property and personal auto coverages in a far more timely fashion."

Louisiana believes it is premature to consider the proposed changes to financial statement exhibits and that this proposal should be studied by CASTF before changes to financial exhibits are made. If more current average premiums are needed, CASTF should create a supplemental report, to existing CASTF reports, that includes average premium on a timelier reporting schedule.

- Louisiana characterizes the data requested to be general/actuarial/rate information and not information that improves solvency regulation. The purpose and context of the AS and QS statements is the monitoring and regulation of company solvency. The proposed data does not fit within the context of solvency's financial statements for collection, even if convenient. When discussing with Louisiana financial analysts, their comment is they have never felt this type of data was needed and, if made available by this proposal, would probably not be analyzed. If needed, our financial analyst would request such data on a case-by-case basis (which has never been done in Louisiana).

- The expense to companies to build a system to report the requested information outweighs its value to state regulators.

    - The collection of this data will require companies to build a new system to capture and report exposure details.

    - The collection of this new data, unless validated/audited, will be of limited value.

    - The proposal, though resulting in more current calculation of average premiums, will have its own set of issues, e.g., reliability when comparing state data because it only reports on the aggregation across coverages and forms; it is not a separate reporting by coverage or form as with the existing CASTF reports.

    - Even though the average premiums from CASTF's "Auto Database Report" and "Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners' Insurance Report: Data for XXXX" may be "stale," the average premium rankings do not change significantly over the course of two years and the reported average premiums remain useful for comparison purposes. The proposed data collection and frequency (quarterly) would not add great value above the existing reports' primary use.

- An increase in expenses to companies will be passed along to consumers in the form of higher premiums.
- Lastly and importantly, the collection of more timely average premium data, to supplement the existing CASTF "Auto Database Report" and "Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners' Insurance Report: Data for XXXX", can easily, efficiently, and effectively be requested by CASTF as a supplemental report (either annual or quarterly). Such supplemental report can be integrated into the existing CASTF report workstream and can be reported upon either annually or quarterly. This new report would be for just average premiums (no loss data) and would not be expensive to create or disruptive to financial reporting requirements and systems.

Proposal 2021-13BWG

2021-13BWG proposes adding a new supplement to capture premium and loss data for Annual Statement Lines 17.1, 17.2 and 17.3 of the Exhibit of Premiums and Losses (State Page) – Other Liability by more granular lines of business. The purpose of this proposal is to provide regulators more granular detail of the premium and losses of the diverse lines of business reported on Annual Statement Lines 17.1, 17.2 & 17.3 of the Exhibit of Premiums and Losses (State Page).

Louisiana believes it is premature to consider the proposed changes to financial statement exhibits and that this proposal should be studied by CASTF before changes to financial exhibits are made. If more detailed liability data is needed, CASTF could create a supplemental report that includes average premium on a timelier reporting schedule.

- Louisiana characterizes the data requested to be general/actuarial/rate information and not information that improves solvency regulation. The purpose and context of the AS and QS statements is the monitoring and regulation of company solvency. The proposed data does not fit within the context of solvency's financial statements for collection, even if convenient. When discussing with Louisiana financial analysts, their comment is they have never felt this type of refined data was needed and, if made available by this proposal, would probably not be analyzed. If needed, our financial analyst would request such data on a case-by-case basis (which has never been done in Louisiana).
- The expense to companies to build a system to report the requested information outweighs its value to state regulators.
    - The collection of this data will require companies to build a new system to capture and report the refined premium, exposure, loss, and expense details.
    - The collection of this new data, unless validated/audited, will be of limited value.
    - Louisiana would not be interested in having this data available. The collection of more detailed other liability data can easily be requested by individual states on a case-by-

case basis. Such a state request would not be as expensive to create or disruptive to financial reporting requirements impacting the entire commercial industry.

- An increase in expenses to companies will be passed along to consumers in the form of higher premiums.

Regards,
Nichole Torblaa

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TO: Phil Vigliaturo, Chair; Rich Piazza, Vice Chair Casualty Actuarial and Statistical (C) Task Force

FROM: Arthur Schwartz

DATE: June 13, 2021

RE: Two Proposals

Proposal One: 2021-11BWG – New Supplement to Detail Direct Exposures Written and Earned 2021

Proposal Two: 13BWG – Exhibit of Other Liabilities by Lines of Business

Proposal One

Brief summary of proposal

"In proposal 2021-11BWG, the sponsor requests the addition of a new Property and Casualty annual statement supplement to capture "Direct Exposures Written" and "Direct Exposures Earned," which will be reported initially only for annual statement line 2.5 (Private Flood), line 4 (Homeowners), line 19.1 (PPA No Fault), line 19.2 (PPA Liability) and line 21.1 (PPA Physical Damage). The sponsor requests a first quarter 2022 effective date."

Comments on Proposal One

The sponsors rationale for this proposal would be to capture data sufficient to calculate average premium by state for these lines on a more timely basis than two NAIC publications: the NAIC "Auto Insurance Database Report" and the NAIC "Dwelling Fire, Homeowners Owner Occupied, Tenant and Condominium and Cooperative Unit Owners Insurance Report".

The problems with the proposal: exposures for personal auto are well defined. Exposures for the homeowners line include policies with different risks including, but not limited to: homeowners policies; tenants and condo owners policies with property coverage limited to contents; mobile home policies; dwelling fire policies; creditor placed policies; FAIR plan and coastal policies in certain states; and voluntary versus residual market versus "consent to rate" policies. These policy types have differing risk characteristics. In addition, the unit of one exposure is not defined. Is it to be one property insured per one year; or a coverage limit? As an example of the issues: certain of the policies listed above contain policy limits on a building, while others contain policy limits on contents, which vary widely.

Exposures for private flood have not been defined.

<u>Conclusion</u>

The proposal needs to be far more well thought out, in terms of goals and proposed display of results.

Proposal Two

Brief summary of proposal

"In proposal 2021-13BWG, the sponsor requests the addition of a new supplement to capture premium and loss data on a more granular level for annual statement line 17.1, line 17.2 and line 17.3 of the Exhibit of Premiums and Losses (State Page) – Other Liability. The purpose of this proposal is to provide state insurance regulators greater detail of the premium and losses of these diverse lines of business. The sponsor requests an annual 2022 effective date."

Comments on Proposal Two

The proposal needs more specific goals to be useful. One goal not mentioned by the sponsor would be to capture data which would be of use to industry on new or emerging liability risks. This greatly benefits the public interest, as it spurs new insurers to enter the marketplace for certain specialized liability risks. Three specific examples of liability lines worth adding: liability for foster children's parents; drone liability; and cyber liability (split out into various subtypes).

The need to encourage more parents to assist with foster children is especially important. This has been a special topic of interest in North Carolina, with filings from the North Carolina Rate Bureau. In fact, many adults are hesitant about enrolling as foster parents, precisely because of the liability insurance issue. There are certain states with state funds to cover the liability of foster children, only because the market for private insurers is so limited. By making national data available, an important public need could be better addressed, by private insurers which, with data, be interested in entering this market.

Conclusion

The proposal needs to be far more well thought out, in terms of goals and proposed display of results. The list of sub-lines should be reviewed and commented upon, by industry sources.

DISCLAIMER: this represents a personal opinion; was prepared on my own personal time; and does not reflect the opinion of my employer

cc:

Kris DeFrain, NAIC, Director, Research and Actuarial Department

Mary Caswell, NAIC, Senior Data Quality Manager

AMERICAN ACADEMY *of* ACTUARIES

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July 6, 2021

Phil Vigliaturo
Chair
Casualty Actuarial and Statistical (C) Task Force
National Association of Insurance Commissioners (NAIC)

c/o: Kris DeFrain
kdefrain@naic.org

Re: 2021 NAIC Blanks Proposals *2021-11BWG* and *2021-13BWG*

Dear Mr. Vigliaturo:

On behalf of the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries,[1] I appreciate this opportunity to provide comments on the proposed changes to the financial requirements exposed by the Blanks (E) Working Group of the National Association of Insurance Commissioners (NAIC) which requested the Casualty Actuarial and Statistical (C) Task Force (CASTF) to review and evaluate the proposals and provide it with comments on issues that might affect the work of the CASTF or on interested parties concerns. The CASTF requested public comments on June 8, 2021, to be submitted with a deadline of July 7, 2021.

COPLFR appreciates your consideration of our comments.

The exposed two proposals that we would like to provide comment on.

I. *2021-11BWG- Add a new annual statement supplement to the Property and Casualty (P/C) statement to capture exposure data for Annual Statement Lines 2.5, 4, 19.1, 19.2 and 21.2 of the Exhibit of Premiums and Losses. Add a column to the Quarterly Parts 1 and 2 to capture exposure data for these annual statement lines for the quarter.*

[1] The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

II. *2021-13BWG- Add a new supplement to capture premium and loss data for Annual Statement Lines 17.1, 17.2 and 17.3 of the Exhibit of Premiums and Losses (State Page) – Other Liability by more granular lines of business.*

We believe that the potential benefit that may be derived by the public from having access to additional reported information needs to be considered relative to the effort to obtain the additional information. We also believe that the quality and consistency of the data that would be provided under the proposals are a concern, and that the proposals should ensure the additional data will serve the intended use.

The level of detail that would be requested by the two exposure drafts is not regularly captured in typical company financial data systems. It will require time for each company to clarify the detailed requirements and then additional lead time to implement within individual company systems to ensure quality data can be provided.

The value of the reported data will depend on what is available from each specific company. Additional granularity of some data may still only be achieved through judgment and allocations made at the individual company level. This often makes detailed information less valuable once obtained and aggregated to the industry level. In addition, requesting data with unclear requirements and with definitions not commonly used across the industry is not likely to produce consistent and useful quality data.

Specific issues that we would like to point out, given the currently provided details of these two proposals, are separately discussed below.

<u>2021-11BWG</u>

- <u>Definition of exposure</u>—A clearer definition of how exposure should be calculated for each requested line is needed. Some lines where this additional information is requested contain significant issues related to mix of exposure.
    - For example, “Homeowners line 4” contains exposures varying in type including owner occupied, apartment renters, condo owners, and mobile home owners, with significantly varying lines of amount of insurance per exposure.
    - For Auto lines, would exposure for a policy having Comprehensive & Collision coverage be measured similarly to a policy containing only one Physical Damage coverage?

  Comparisons year over year within each company will be distorted when there are material changes in mix across these various types of exposures. Comparisons between companies could also be distorted. We recognize that this aggregated information is regularly used to compare premium but comparing *average* premiums could be distorted.

- <u>Calendar date alignment</u>—We note that the timing for the source of exposure data requested (that is available currently in company ratemaking systems) may not match the financial reporting data for financial premium. Exposures are typically maintained in detailed policy-based systems along with policy premium and are provided on a policy year basis. They are often separate from financial reporting systems where premium is on a calendar-year-earned basis. While premiums from ratemaking and financial systems could be reconciled, they might not provide a precise match. We note that data from ratemaking systems is already available and provided when requested by regulators or through specific data calls and filing inquiries.

- Existing alternative data sources—Some of the data requested is already available through statistical plan reporting which may meet the intended need. Statistical plan data is primarily available to regulators (the restricted availability is intended to protect the proprietary nature of each company's data).

Changes that COPLFR would suggest that would *improve* the proposal (2021-11BWG):

- Include a complete and clear definition of exposure and calculation for each line proposed, particularly as respects the crossing (or overlap) of calendar time periods. Clear specifications ensure greater consistency across companies reporting.
- Definitions that account or minimize distortions from mix would be recommended.
- If these requests move forward to requirements, we respectfully suggest a 2023 implementation date as the earliest date for achievement of those requests.
- We recommend that flood coverage (Annual Statement Line 2.5) be removed from the proposal, as flood has a mix of both Personal and Commercial policies, written on both primary and excess bases.

2021-13-BWG

- Granularity and definition—The (29) proposed components of additional reporting for Other Liability will require clear definition (or instruction) on how to map class plan or package policies to these new required sublines of Other Liability. Significant judgment will be necessary at the individual company level depending on the policies written by that company. It is not clear that the proposed sublines are exclusively defined to eliminate overlap, nor that they will subsequently add up to the whole (e.g., internet liability vs cyber; employee benefit liability vs. fiduciary; one package policy covering three sublines of liability). A particular policy type could possibly be matched to one reporting line or another, generating inconsistency across companies, or year after year as policy changes evolve or new products are distributed. It is not clear why more granularity of data would not be put into the statistical data requirements, rather than being added into the Annual Statement. The proposal notes an additional Appendix defining the 29 granular pieces, but we do not find those proposed components included in the exposure draft for review.
- Credibility/Quality (IBNR)—We note that further subdividing the Liability data, already sparse in areas, will not necessarily provide valuable additional information across all the data elements requested. Inclusion of Incurred But Not Reported (IBNR) reserves at this new granular level of detail will most likely be arrived at through a company-determined allocation process. Liability is generally a low frequency / high severity line of business. Actuarial reserves for Liability are necessarily analyzed at higher levels of aggregated data to arrive at meaningful estimates and to reduce volatility in those reserve estimates

over time. While some companies may segment Liability into credible pieces given their business profile, likely no company utilizes the (29) sublines proposed in their derivation of IBNR reserves.

- Inconsistency with the underlying policies—We find that this breakout of a broad type/cause of loss product such as Liability would be excessive and also is not consistent with the purpose of the General Liability policy, which is to provide broader aggregated coverage across a variety of situations which by themselves may not be as easily or affordably insurable.
- Preparation—The proposed breakouts of Other Liability as currently listed as the sublines requested would not be consistently defined across companies. If this list will continue to change, it should be noted that the value and quality of the information would be reduced with each change, and each change would require additional company preparation time as well as discretion to report. Given appropriate time to prepare systems for this change, the quality of the data would improve.

Changes that COPLFR would suggest that would *improve* the proposal (2021-13-BWG):

- Remove the requirement to include IBNR reserves from this new granular level of Liability reporting.
- Clearly define the sublines and eliminate any overlap or redundancies. Balance the additional information requested with the value added by collecting that additional granularity. For example, what is the difference between cyber and internet liability? Where would you categorize a package Liability policy that provides coverage across three of the above proposed sublines?
- Please provide and expose for comment the Appendix noted in the proposal that clearly defines the lines and coverages requested.
- Provide sufficient lead time for system preparation and implementation to improve the quality of data obtained. If these requests move forward to requirements, we respectfully suggest a 2023 implementation date as the earliest date for achievement of those requests.

COPLFR appreciates this opportunity to provide comments to the NAIC Blanks Working Group (and CASTF). We hope these observations are helpful, and we welcome further discussion. If you have any questions about our comments, please contact Rob Fischer, the Academy's casualty policy analyst, at fischer@actuary.org.

Sincerely,

Derek Freihaut, MAAA, FCAS
Chairperson
Committee on Property and Liability Financial Reporting
American Academy of Actuaries

American Property Casualty
Insurance Association
INSURING AMERICA apci.org

July 7, 2021

Phil Vigliaturo, Chair
Casualty Actuarial and Statistical (C) Task Force
NAIC Central Office
1100 Walnut, Suite 1500
Kansas City, MO 64106-2197

Attn: Kris DeFrain, Director, Research and Actuarial Department

VIA Electronic Mail: kdefrain@naic.org

RE: Blanks Proposals

Dear Casualty Actuarial and Statistical Task Force Committee Members:

The American Property Casualty Insurance Association (APCIA)[1] appreciates the opportunity to provide feedback to the National Association of Insurance Commissioners' (NAIC) Casualty Actuarial and Statistical (C) Task Force (CASTF) on the two referrals from the Blanks (E) Working Group. APCIA has significant concerns with both proposals and respectfully requests that CASTF not support their adoption.

New Supplement to Capture Property/Casualty Direct Exposure Written and Direct Exposure Earned

During CASTF's initial discussion of the exposure for a new annual supplement to the financial statement for property and casualty direct exposure written and direct exposure earned, there was support for the proposition that this proposal would provide more timely information. Unfortunately, using this proposal to gain more timely information will lead to misleading data for both regulators and the public. Additionally, the public nature of these filings will offer competitor insight into proprietary information. As noted by at least one regulator on the call, regulators already have tools available to them to obtain necessary timely data. For example, regulators have the authority to review company data if they have concerns, and the Schedule P and Actuarial Statement of Opinion in the Annual Statement and rate filing submissions can also elicit the data sought. Even if this data is insufficient, the regulators have access to detailed market conduct data. Finally, regulators and industry worked well together to develop a data call under difficult circumstances to provide necessary information during the pandemic. APCIA struggles to identify why regulators need this new publicly available supplement data when there are many additional avenues to obtain this information.

Significantly, this proposal will sacrifice timely data for misleading data. The defined Exposure counts may, in some instances, not be appropriately inclusive of the coverage reported under the respected Annual Statement Line of Business. The Interested Party comment letter filed with the Blanks Working Group

[1] Representing nearly 60 percent of the U.S. property casualty insurance market, the American Property Casualty Insurance Association (APCIA) promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, protecting families, communities, and businesses in the U.S. and across the globe.

provides the following useful example: "If ASL 4 Homeowners Exposures is all inclusive, the proposal to count written and earned 'residences' would include an array of policies ranging from rental policies to mansions, resulting in an average premium that has no real value to users. If ASL 4 Exposure does not include condo and/or rental policies, then the average premium would be misleadingly inflated."

The consequences of misleading data, availability of alternative sources for timely information, and impact of the availability of proprietary information to competitors all suggest that this proposal should not be advanced.

New Supplement to Capture Property/Casualty Premium and Loss Data
APCIA notes that this proposal has some ambiguities and ultimately will not provide the insights that may be sought. For instance, there will be inconsistencies in reporting as companies use their individual judgment to identify how a package policy would fit into the new sublines and there is some question as to whether the reporting method will eliminate overlap or just cause additional confusion.

Further, this proposal will require a significant amount of work to retool systems to be able to capture the information as requested. The resulting capital and human resource costs are not necessary when regulators can request this detail from individual companies on a case-by-case basis or through a data call.

Thank you for the opportunity to comment. APCIA encourages members of CASTF to review the comment letters that have already been submitted to the Blanks Working Group for additional observations.

Respectfully submitted,

Angela Gleason

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June 25, 2021

Mr. Jake Garn, Chair
Blanks Working Group
National Association of Insurance Commissioners
1100 Walnut St.
Kansas City, MO 64106

SUBJECT: Blanks Working Group ("BWG") proposals exposed during the conference call on May 26, 2021

Dear Mr. Garn:

Interested parties ("IPs") appreciate the opportunity to review and comment on the 5 proposals that were exposed during a conference call by BWG on Wednesday, May 26, 2021.

2021-10 [Exposed changes remove language in Line 4.1 of the quarterly General Interrogatories Part 1 that requires filing of a quarterly merger/history form, which does not function with the database system as currently designed. The annual form shall still be required. Anticipated effective date is 1st Quarter 2022]

IPs have no comments.

2021-11 [Exposed changes to add a new annual statement supplement in the Property/Casualty Statement to capture direct exposures written and direct exposures earned which will be reported for Annual Statement Lines 2.5, 4, 19.1, 19.2 and 21.2; also, add a column to the Quarterly Parts 1 and 2 to capture exposure data for these annual statement lines for the quarter. Anticipated effective date is 1st Quarter 2022 / Annual 2022]

IPs do not support 2021-11BWG for several reasons. Primarily, we are concerned that a fatal flaw exists at the core of this proposal, which, if adopted, would result in the reporting of misleading information and potentially provide competitors with proprietary information. We believe that there is no benefit to providing information on a timely basis if that information is misleading. The fatal flaw and additional concerns are outlined in the following discussion.

Fatal flaw: IPs believe that this proposal, if adopted, would result in misleading information and provide competitor insight into proprietary information.

The proposal focuses on collecting defined Exposure counts of specific ASLs, while presenting and analyzing it with total Premiums reported in the respective ASL. These defined Exposure counts may in some instances not be appropriately inclusive of the coverage reported under the respective ASL. For example, if ASL 4 Homeowners Exposures is all inclusive, the proposal to count written and earned "residences" would include an array of policies ranging from rental policies to mansions, resulting in an average premium that has no real value to users. If ASL 4 Exposure does not include condo and/or rental polices, then the average premium would be misleadingly inflated. For ASL 19.2 auto policies, if Premiums include, but Exposures exclude, miscellaneous vehicles, such as golf carts, private passenger trailers, and all-terrain vehicles, the average premium would be inflated. Furthermore, how misleading this broadly applied average may be for any individual company depends on the size and mix of their business reported under each ASL impacted by the proposal. This information, taken out of context, could be negatively construed and lead to detrimental results for companies. At the same time, publicizing Exposure counts by company would provide competitors with proprietary information.

The existing reports cited in this proposal (i.e. "Auto Database Report" and "Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners" reports) may be distributed with a time lag, but they also have important context and underlying details, such as business line detail, which helps analyze and understand the data. The "Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owners" report issued in 2020 was almost 200 pages of data and narrative and included the fact that some of the information came from residual market data providers. The "Auto Database Report" issued in February 2021 was 255 pages and also acknowledged "Written premium and written exposure data were obtained from AAIS, ISO, ISS, NISS, the California Department of Insurance, the Texas Department of Insurance, MAIF, and the M-CAR". Additionally, the existing reports provide aggregate information and do not reveal company specific details. If the primary reason for this proposal is faster information, perhaps a more prudent approach would be a discussion with CASTF regarding whether opportunities exist in the process to produce quicker publication of existing reports.

Additional concerns:

1. The proposal's justification included a comment that "…the severe time lag between actual experience and reporting fails to inform the public or policymakers of recent trends or outcomes and can, consequently, mislead the public and policymakers." However, other data exists in quarterly and annual financial filings, and in rate filings, that can be used to identify meaningful trends. We would contend that the proposal, if adopted, would result in misleading information for which detailed clarification would not exist at the same time. This could have detrimental results to companies and the states in which they do business.

2. It is unclear to IPs why the disclosures in this proposal are needed. Regulators already have the authority to review a company's data and operation if they have specific concerns. There is also a significant amount of company-level and more granular data and information available to regulators in Schedule P and the Actuarial Statement of Opinion in the annual statement, as well as in rate filing submissions. In addition, statistical data may be provided via statistical agents (e.g. ISO) rather than from individual companies. And, if this vast amount of data is insufficient for a regulatory need, regulators also have access to companies' detailed market conduct data. IPs strongly believe these data sources obviate any need for the highly sensitive public disclosures contemplated in this proposal.

3. The proposal's justification included, "Consider how valuable timely average premium values would have been for personal lines as the pandemic unfolded." How would this data have been used? Is this to suggest that misleading average premiums would have been used as actionable information toward insurers? To what end? At this point, we are still seeing longer-reaching pandemic impacts such as repair/replacement cost increases due to unexpected supply shortages. Taking today's general average premium per exposure out of context and adding a prospective narrative would be misleading and the possibility of it is concerning.

4. Does the definition of Exposure match that used for Exposure in the cited existing reports? If not, this would result in a disconnect between the proposed annual reporting and the cited existing reports.

5. Providing statistical data via financial reporting. Statistical data may be provided via statistical agents, such as ISO, rather than directly from individual companies. Therefore, not all companies have this Exposure information available today, or may not be available as defined, and would require enough time to implement. However, IPs do not believe this is a cost that would benefit policyholders or regulators.

IPs recommend that this exposure be rejected and that the regulators consider the need for 'Exposure' data within the annual statement filing process.

<u>2021-12</u> [Exposed changes to modify the Analysis of Operations by Lines of Business – Accident and Health for Life\Fraternal entities by adding and deleting lines to capture health specific data captured on the Heath Analysis of Operations by Lines of Business but not on the Life\Fraternal Analysis of Operations page; also, add new crosschecks for the new lines and new crosschecks to the Analysis of Operations by Lines of Business – Summary to map the lines on the accident and health page to the summary. The purpose of the proposal is to modify the Analysis of Operations by Lines of Business – Accident and Health for Life\Fraternal entities to capture health specific data points captured on the Health Analysis of Operations page. Anticipated effective date is Annual 2022]

IPs offer the following general comments and request an extended comment period for this item to allow additional time for further evaluation. Since the suggested effective date is Annual 2022, there is still time to review, analyze and revise this proposal.

- The NAIC recently implemented changes to the 2019 annual statement for Life/Fraternal entities modifying the Analysis of Operations by Lines of Business (ANAOPS) to provide a more detailed breakdown by product group with a corresponding Summary page; considerable time and cost was spent by the NAIC and industry to develop and capture the revised reporting requirements. To comply with this proposal, the NAIC and industry would be required to develop and implement additional system updates again. This proposal requires more granular details, specifically for lines 1 and 9, which may not be readily available.
- The proposed changes would result in inconsistencies between the ANAOPS – Summary page and the ANAOPS – Lines of Business pages by creating different lines. The changes would negate current validations the NAIC has in place between the Summary and the detail pages, making the flow of information difficult to follow.
- The format changes suggested in this proposal would be in direct conflict with the tying in of data that the Schedule H proposal (2021-14BWG) is trying to achieve.
- Instead of the proposed changes to modify the existing ANAOPS – Accident and Health page, IPs recommend that consideration be given to retaining the current ANAOPS structure by developing an alternative method to capture the additional data separately. In addition, clarity would be needed on how certain products would be reflected in certain lines (e.g. LTC and DI benefits in lines 9.1 and 9.6). Perhaps the sponsors of this proposal and 2021-14BWG could collaborate on alternative reporting methods.
- IPs recommend making the following editorial revisions if this item moves forward as exposed:
    - On page 2 of the PDF, the instructions for 'Line 1.6' should be changed from "in the Exhibit, Part 1" to "in Exhibit 1, Part 1".
    - On page 3 of the PDF, the instructions for 'Line 7.2' should be changed from "Aggregated at Line 8.3" to "Aggregated at Line 7.2".
    - On page 5 of the PDF, the instructions for 'Line 9.5' should be changed from "Hospital/Medical Benefits on Line 9.2" to "Hospital/Medical Benefits on Line 9.1".

2021-13 [Exposed changes add a new supplement (*Exhibit of Other Liabilities By Lines Of Business*) to the Property annual statement to capture premium and loss data for Annual Statement Lines 17.1, 17.2 & 17.3 of the Exhibit of Premiums and Losses (State Page) – Other Liability to provide regulators more granular detail of the premium and losses of the diverse lines of business reported on such lines. Anticipated effective date is Annual 2022]

IPs offer the following comments, but also request an extended comment period for this item to allow additional time to further evaluate the significant proposed changes to the Property statement. Since the suggested effective date is Annual 2022, there is still time to review, analyze and revise this proposal.

- Business reported in ASL 17 is not usually internally managed to this proposed level of granularity; therefore, data infrastructure does not exist to capture or calculate all the requested data at this level (i.e. IBNR). A large expenditure of both NAIC and industry resources would be required to achieve this level of reporting. Regulators could request this detailed information from individual companies on a case-by-case basis where there is concern or the data seems relevant and meaningful. In addition, data calls could be used.
- If this item moves forward as exposed, IPs recommend that a new question be added to the 2022 Supplemental Exhibits and Schedules Interrogatories related to the filing of this new exhibit.
- IPs recommend making the following editorial revision if this item moves forward as exposed:
  - On page 2 of the PDF, the reference "Line 26 – All Other" should be "Line 29 – All Other".

2021-14 [Exposed changes expand the number of lines of business reported on Schedule H (*Accident and Health Exhibit*) to match the lines of business reported on the Health Statement and modify the instructions to be uniform between life/fraternal and property. The purpose of the proposal is to bring uniformity in the accident and health lines of business used on Schedule H with other schedules and exhibits in the annual statement. Anticipated effective date is Annual 2022]

IPs request an extended comment period for this item to allow interested parties additional time to evaluate the impacts to the Life/Fraternal and Property blanks. Since the suggested effective date is Annual 2022, there is still time to review, analyze, and revise this proposal as needed.

IPs recommend the following editorial revisions:

Use a consistent description for the 2 Comprehensive Hospital and Medical lines of business throughout 2020-33BWG_Modified (*Health ASLs – Property Blank*) and 2021-14BWG (*Schedule H*) as indicated below.

- Comprehensive (Hospital and Medical) Individual
- Comprehensive (Hospital and Medical) Group

2020-33BWG_Modified:

Underwriting & Investment Exhibit I Parts 1, 1A, 1B, 2, and 2A
13.1 Comprehensive (hospital and medical) individual
13.2 Comprehensive (hospital and medical) group

Insurance Expense Exhibit Parts II and III
13.1 Comprehensive Individual
13.2 Comprehensive Group

Exhibit of Premiums and Losses (Statutory Page 14)
13.1 Comprehensive (hospital and medical) Individual
13.2 Comprehensive (hospital and medical) Group

Quarterly PART 1 – LOSS EXPERIENCE and PART 2 – DIRECT PREMIUMS WRITTEN
13.1 Comprehensive (hospital and medical) individual
13.2 Comprehensive (hospital and medical) group

Appendix P&C LOB
13 Comprehensive (Hospital and Medical)

2021-14BWG:

Underwriting & Investment Exhibit I Parts 1, 1A, 1B, 2, and 2A
13.1 Comprehensive Individual Accident and Health
13.2 Comprehensive Group Accident and Health

Schedule H column headings:
Comprehensive (Hospital and Medical) Individual
Comprehensive (Hospital and Medical) Group

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July 2, 2021

NAIC Casualty Actuarial and Statistical (C) Task Force
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RE: 2021-11BWG and 2021-13BWG

Dear Chair, Vice Chair, and Task Force Members:

On behalf of the member companies of the National Association of Mutual Insurance Companies[1] we respectfully submit these comments which are responsive to the proposed changes to the annual and quarterly statement blanks that, if adopted, would add a new annual statement supplement to capture direct exposures written and direct exposures earned for certain lines of business (2021-11BWG). It would also add a new exhibit in the statement of Premium and Losses (State Page) to capture more details regarding certain line of business premium and loss data (2021-13BWG). We submit these comments in hopes that regulators will join us in the effort to protect and educate consumers with relevant, timely information so that they may find the right product, at the right price, at the right time.

Although there is a strong desire to partner with regulators to resolve several outstanding issues, the NAMIC membership opposes both proposals as exposed. Further, we have specifically requested the Blanks (E) Working Group reject Agenda Item 2021-11BWG and provide an extended comment period for Agenda Item 2021-13BWG. NAMIC members support the Interested Parties comment letter (dated June 25, 2021) to the Financial Condition Blanks Working Group, stating their opposition to agenda item 2021-11BWG and their request for an extended comment period for Agenda Item 2021-13BWG. However, it is impossible to support an effective date for Annual 2022 for either proposal. We respectfully request that an effective date not be established until a policy decision is made as to whether the information requested serves a specific regulatory need. This shall include

[1] The National Association of Mutual Insurance Companies is the largest property/casualty insurance trade group with a diverse membership of more than 1,400 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner's insurance market and 53 percent of the auto market. Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

a full cost/benefit analysis for each proposal to ensure that the information being requested is meaningful and relevant to the consumer and the costs associated with implementation and compliance for both regulator and industry don't outweigh the benefits.

The following comments are offered on each individual agenda item.

<u>2021-11BWG</u>

Agenda item 2021-11BWG proposes to add a new annual statement supplement to the Property and Casualty annual statement to capture direct exposures written and direct exposures earned. In addition, the proposal would also require new quarterly reporting on Part 1 – Loss Experience to capture the number of direct earned exposures and Part 2 – Direct Premium Written to capture the number of direct written exposures. Both the annual statement proposed change and the proposed changes to the quarterly statement are focused on the private flood (Line 2.5), homeowners (Line 4), private passenger auto no-fault (Line 19.1), other private passenger liability (Line 19.2), and private passenger auto physical damage (Line 21.1) lines of business.

The stated justification for agenda item 2021-11BWG is to obtain average personal auto and homeowners' premiums (as well as private flood) per exposure in a more-timely manner. The quarterly and annual statement should not be used to collect meaningless or incomplete data elements, as it runs the risk of misleading consumers and takes away from regulators core mission to educate consumers and efficiently regulate a competitive insurance marketplace. Because the annual reports produced by the NAIC that include average personal auto and homeowners' premiums are typically published 24 months after the end of the experience period, some believe there is validity in obtaining this information sooner. However, there are significant flaws with how the proposal is constructed, including using exposure counts to calculate average premium. If the proposal is adopted as exposed, it will produce misleading results that instead of educating consumers on average premium values will have the opposite effect. The mission of insurance regulators is often to educate and protect consumers, rather than support proposals that provide inaccurate and misleading information and consumer confusion.

To the best of our knowledge, exposure counts are not required anywhere else in the annual or quarterly statement; however, exposure counts are required for certain direct state reporting filings, but those filings are at the policy level. The purpose of those filings is to provide policy level information to the Statistical Agency in order to illustrate the direct relationship between the premium being written and the exposures. Nevertheless, it is difficult to see what value the regulator would get with exposure counts, absent other significant data elements at the policy level, and the risk of misinterpretation by consumers far outweighs the benefits.

Therefore, in addition to capturing information that appears useless in the calculation of average premium values, there is a valid concern that the data will create false impressions and unintended consequences for all parties involved. Regulators should be aware that exposure counts are typically included as part of the rating filing. This information may already be in the possession of the regulator. Consequently, there is concern with exposing this proprietary data on annual statements especially if unnecessary. One must consider the regulatory purpose of requiring reporting entities to produce this information more than once, if at all. Further, it is imperative to consider why the request is only for a limited set of information. Absent other pertinent data elements, this information is meaningless in achieving the objective of obtaining average personal auto and homeowners' premium per exposure.

NAMIC implores the working group to take a measured approach in arriving at conclusions on these action items in order to ascertain the benefit of requiring this information be provided with the costs in terms of regulatory compliance for both regulator and industry given the potential futility of outcome. NAMIC specifically requests that statistical data not be included on the annual/quarterly statement blanks and encourages the working group to instead look for opportunities to assist the NAIC in speeding up the process of publishing its' annual report of average personal auto and homeowners' premiums. Further, NAMIC encourages the working group to have ongoing conversations with industry to find a solution that is amenable, amendable, timely, and achieves the objective of protecting and educating the consumers we all serve.

2021-13BWG

Agenda Item 2021-13BWG proposes to add a new "Exhibit of Other Liabilities by Line of Business" that if adopted would require all reporting entities that report "other liability" on Line 17 of the Exhibit of Premiums and Losses to prepare this new exhibit annually. The stated purpose of the exhibit is to provide more information on the "diverse lines of business filed on Annual Statement Line 17" and includes 28 different liability lines of business requiring the reporting of the following direct business categories: written premium, earned premium, unearned premium reserve, losses paid, losses incurred, losses unpaid, defense and cost containment paid, DCC incurred, and DCC unpaid.

To implement this new exhibit would require significant changes to how insurers manage the business reported on Line 17, including systems updates to track the additional granularity required in the proposed reporting. While Other Liability encompasses a sizable portion of premiums written by property/casualty insurers[2], it remains unclear what regulatory purpose would be served by dividing this LOB into 28 sub-LOBs. NAMIC members request

[2] Direct premiums written in 2020 for property/casualty insurers reporting on Line 17.1, 17.2 – Other Liability totaled $91 billion or 12.5% of total premiums written – NAIC 2020 Market Share Report.

additional time to comment on this proposal, as many of the new categories in the exhibit have not been defined, nor included in the Annual Statement Instructions.

Further, NAMIC members request the working group defer making any policy decision on whether to collect these data elements from all reporting entities until a cost/benefit study has been conducted. This study should factor in the cost of doing individual data calls as opposed to creating a new reporting supplement requirement for all reporting entities to comply with. As regulators consider their role in promoting a stable and competitive environment for consumers and insurers, top of mind should be how to balance what information from insurers is meaningful and relevant to the consumer but also would not put insurance companies at a competitive disadvantage. This issue strikes at the heart of that balance and requires a more deliberative process and additional time to consider. At very minimum, the regulators should take the necessary steps to protect consumers from misinformation and confusion.

* * * * *

NAMIC appreciates the opportunity to take part in the process. Thank you for your consideration of these comments on this matter of importance to NAMIC, its member companies, and their policyholders. If there are anyquestions, please do not hesitate to contact me.

Sincerely,

Jonathan Rodgers

Jonathan Rodgers
Director of Financial and Tax Policy
National Association of Mutual Insurance Companies