

Draft: 6/16/22

Market Analysis Procedures (D) Working Group
Virtual Meeting
June 8, 2022

The Market Analysis Procedures (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met June 8, 2022. The following Working Group members participated: John Haworth, Chair (WA); Rebecca Rebholz, Vice Chair (WI); Crystal Phelps and Russ Galbraith (AR); Maria Ailor (AZ); Don McKinley (CA); Damion Hughes (CO); Kurt Swan (CT); Scott Woods (FL); Erica Weyhenmeyer (IL); Tate Flott (KS); Sandra Stumbo and Lori Cunningham (KY); Jeff Zewe (LA); Mary Lou Moran (MA); Dawna Kokosinski (MD); Timothy N. Schott (ME); Jeff Hayden (MI); Jo LeDuc and Teresa Kroll (MO); David Dachs (MT); Martin Swanson and Robert McCullough (NE); Edwin Pugsley (NH); Ralph Boeckman and Erin Porter (NJ); Peggy Willard-Ross (NV); Larry Wertel (NY); Todd Oberholtzer and Guy Self (OH); Landon Hubbard (OK); Jeffrey Arnold (PA); Brett Bache and Matt Gendron (RI); Michael Bailes (SC); Shelley Wiseman (UT); Will Felvey (VA); Karla Nuisl and Mary Block (VT); and Theresa Miller (WV).

1. Adopted its March 3 Minutes

The Working Group met March 3 and took the following action: 1) reviewed its 2022 charges; 2) discussed the proposed standard ratios for the Travel and Short-Term Limited-Duration (STLD) Market Conduct Annual Statement (MCAS) blanks; and 3) discussed incorporating the new MCAS lines into the Market Analysis Review System (MARS).

Ms. Weyhenmeyer made a motion, seconded by Ms. Rebholz, to adopt the Working Group's March 3 minutes (Attachment XX). The motion passed unanimously.

2. Adopted Standard Ratios for the Travel and STLD MCAS Lines of Business

Mr. Haworth said the proposed standard ratios for the Travel and STLD MCAS blanks were originally exposed prior to the Working Group's Nov. 18, 2021, meeting. He said at that time, the Working Group asked a group of subject matter experts (SMEs) to review and revise them as needed. The draft proposals are now exposed on the Working Group's web page.

Mr. Haworth said there are five proposed ratios for Travel and 11 ratios for STLD. He also noted that the drafting group made a couple suggestions for new data elements. He said the first suggestion is a new element for the Travel MCAS blank of "policies in force during the reporting period" to assist in analyzing complaint trends from year to year and company to company. He said it would enable the Working Group to add a ratio measuring cancellations to policies in force during the period. He said the second data element is recommended for the STLD MCAS blank and is the "dollar amount of claims paid during the reporting period."

Mr. Haworth said the Working Group would focus on adopting the Travel and STLD ratios and consider the new data elements later.

Birny Birnbaum (Center for Economic Justice—CEJ) said the proposed Travel ratio #5 measuring complaints to premium during the period was not useful because of the difference in the average premiums for the different products offered by different insurers. He suggested that the denominator would be more effective if the denominator was the average of the number of individuals insured at the beginning of the period and the number of individuals insured at the end of the period.

Lisa Brown (American Property Casualty Insurance Association—APCIA) said the drafting group considered Mr. Birnbaum’s suggestion, but the group decided it did not work because most policies that are written are in force for time periods under a year. The two data elements suggested by Mr. Birnbaum does not yield an average. Ms. Brown said the lack of a good denominator for this ratio is the reason the drafting group suggested a new data element of “policies in force during the reporting period.”

Ms. Ailor asked if there is time available to consider the new information provided or if there is a deadline to be met for adopting the ratios. Teresa Cooper (NAIC) said it is important that these are adopted soon so they can be entered into the system for next year, but an additional month would be possible. Ms. Nuisl agreed with Ms. Ailor that additional time would be helpful. Mr. Oberholtzer said he does not believe Mr. Birnbaum’s comments should delay the adoption of the ratios. He said the drafting group spent time reviewing and coming up with the ratios that are proposed. Mr. Galbraith said comments were due in April, and now the Working Group will be delayed in deciding because of written comments received one day before the meeting. He said he would not want to see the Working Group set a precedent that anyone can submit comments long after the deadline for comments.

Ms. Weyhenmeyer suggested removing ratio #5 from consideration and only voting on the first four Travel ratios. Ms. Rebholz agreed with Ms. Weyhenmeyer. She said voting on the first four ratios would make sure some ratios are adopted regardless of any later decisions. Ms. Ailor said she also agrees with the idea, and she asked when new ratios can be introduced. Randy Helder (NAIC) said new ratios or modifications to other ratios still have time to be adopted. However, Ms. Cooper said any new data elements could not be effective until the 2024 data year.

Ms. Weyhenmeyer made a motion, seconded by Ms. Ailor, to adopt the first four Travel ratios (Attachment XX). The motion passed unanimously.

Ms. Weyhenmeyer made a motion, seconded by Mr. Schott, to adopt the STLD ratios (Attachment XX). The motions passed unanimously.

3. Discussed the Addition of Outstanding MCAS Lines of Business Data Elements to the MARS

Mr. Haworth said during the last Working Group meeting, the Working Group agreed to submit a Uniform System Enhancement Request (USER) form to the Market Information Systems Research and Development (D) Working Group to prioritize adding the Lender-Placed Insurance and Disability Insurance MCAS data elements to the MARS Level 1 set of questions. However, he noted that all the new MCAS lines of business need to be added to the MARS in time for the first collection of the data. He also said the MARS lines of business options are not broad enough to encompass each of the new lines of business added to the MCAS. For example, the new Travel MCAS would need to be completed under one of the available property/casualty (P/C) lines in the MARS.

Mr. Haworth said the Market Information Systems Research and Development (D) Working Group would like the Market Analysis Procedures (D) Working Group to expand on what should be required for the MARS to adequately meet the analysts’ needs.

Mr. Dachs said he has had to use a different line of business in the MARS to do a Level 1 analysis on a line of business that is not an option in the MARS. He said the questions and data are not really on point. He said it would be useful to expand the line of business options in the MARS. Ms. Rebholz agreed that it would be helpful, but she does not know how difficult it would be to add the lines.

Mr. Haworth asked that comments be sent to Mr. Helder by July 11.

4. Considered New Lines of Business for the MCAS

Mr. Haworth said the Working Group needs to consider a new line of business for the MCAS, and he asked that suggestions be sent to Mr. Helder by July 11.

Mr. Birnbaum suggested three possible new lines of business for the MCAS. He said pet insurance has experienced tremendous growth and has doubled in size in the last four years. He said title insurance has \$20 billion in premium, and there is little review of the underwriting and claims handling for title insurance. Some states also allow title insurance policies to contain pre-dispute mandatory arbitration provisions. Finally, Mr. Birnbaum also suggested business owners insurance, which would limit policies under \$5,000 in premium covering small businesses who are similar to personal lines policyholders.

Mr. Gendron agreed with the pet insurance suggestion as a great way to gather information on these companies for analysis. He said pet insurance is reported as inland marine, and it is difficult to get premium volumes. Ms. Moran supported Mr. Gendron. Mr. Haworth said the market is larger than just “pet insurers.” He said there are only a small number of specialized pet insurers, but many companies market pet insurance under different branding. He said this is something to bear in mind if the Working Group moves forward on this.

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

SharePoint/NAIC Support Staff Hub/Member Meetings

From: Gendron, Matthew (DBR) <Matthew.Gendron@dbr.ri.gov>

Sent: Thursday, June 23, 2022 8:07 AM

To: Haworth, John (OIC) <John.Haworth@oic.wa.gov>

Cc: Bache, Brett (DBR) <Brett.Bache@dbr.ri.gov>

Subject: RE: [EXTERNAL] : Pet Insurance Proposal for MCAS

a. A statement explaining how this line of business will further the objectives of and improve efficiency of market regulation in general;

By implementing an MCAS data for Pet Insurance will allow State Departments to protect the consumer based upon all laws and regulations that are in place in each individual state.

b. Why collecting data in this formation is the most expeditious manner to do so (for example, rather than a onetime data call for a specific situation);

By collecting data in this formation will allow any state to properly regulate a Company that produces Pet Insurance in a particular year as they may choose. A one-time data call for any specific situation may not gather or be able to grasp the full picture of a specific issue.

c. How the addition of this line of business will benefit the consumer.

By allowing for this line of business to be added as an MCAS data worksheet will protect the consumer in more ways than one. For example: there has been incredible growth in the pet insurance market; policy premiums sometimes far exceed the cost of the covered item; and numerous multifaceted policies with multiple coverage options and exclusions. These reasons alone prove that an MCAS data worksheet is needed for market regulation on Pet Insurance.

3. Supporting documentation may include the following Qualitative Factors:

a. Is this line/product subject to regulation by any other agency such as the IRS, FINRA, SEC, HHS? If so, which one(s)?

No. There are no other regulators of pet insurance.

b. Is this line/product currently reporting data on a periodic basis to any state(s)? If yes, which one(s) and what is being reported

Not yet. The Pet Insurance (C) Working Group recently made a referral to add a separate pet line to the Schedule T, so that states and consumers can identify pet insurers writing in any particular state.

4. If available, the supporting documentation must also contain the following Quantitative Factors:

a. The number of carriers writing premium for this line;

In Rhode Island, through some diligence in 2021, we were able to obtain quotes from 19 different pet insurers, but through at least 28 different producers, MGAs or direct offerings.

b. The in-force premium and new premium volume for each of the last 5 – 10 years;

Unknown because of lack of data formally reported. According to a [NAPHIA report](#), the US and Canadian market saw \$2,174,000 in 2020 gross written premium. That report is available for prior years, but I don't know the process of the data collection sufficiently enough to find the data to feel comfortable citing as factual. I rely on it for the position that there is a lot of pet insurance sales happening, and there is steady and large growth in the area.

c. The number of policies in-force in each of the last 5 – 10 years;

According to the NAPHIA report, 3,101,956 total pets were insured in the US in 2020.

d. The number of policyholders for each of the last 5 – 10 years;

Unclear.

e. The number of claims paid each year for the last 5 – 10 years;

Unclear.

f. The total number of complaints or inquiries received nationally in each year for the last 5 – 10 years.

Unclear, but we have spent some time looking into this. Since 2020, there is a coding within iSite for pet specific complaints. We were able to review those on a company-by-company basis during our 2021 review of pet insurers. But we have not identified a report yet that would aggregate that information.

g. A list of states/jurisdictions in which the line/product is sold;

Pet insurance is sold in all 50 states, and the District of Columbia.

h. Any other data specific to the line/product that would support recommendation.

The NAIC Pet Insurance (C) Working Group just finished work on a model law. Several regulators who have looked into pet insurers have found issues (see Washington and their many actions against pet insurers). And as others begin to look into the area, there is a steep learning curve and limited NAIC information available to assist those regulators.

Note: the number of years reported for items 4a – 4g should be consistent.

Thanks!

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