**Draft Pending Adoption**

Market Analysis Procedures (D) Working Group  
Virtual Summer National Meeting  
July 30, 2020

The Market Analysis Procedures (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met via conference call July 30, 2020. The following Working Group members participated: John Haworth, Chair (WA); Rebecca Rebholz, Vice Chair (WI); Maria Ailor (AZ); Don McKinley (CA); Damion Hughes (CO); Kurt Swan (CT); Robin David (DE); Scott Woods (FL); Erica Weyhenmeyer (IL); Tate Flott (KS); Russell Hamblen (KY); Nathan Strebeck (LA); Dawna Kokosinski (MD); Timothy Schott (ME); Michele Riddering (MI); Paul Hanson (MN); Teresa Kroll (MO); Jeannie Keller (MT); Reva Vandevoorde (NE); Edwin Pugsley (NH); Ralph Boeckman (NJ); Leatrice Geckler (NM); Peggy Willard-Ross (NV); Larry Wertel (NY); Todd Oberholtzer (OH); Landon Hubbart (OK); Gary Jones (PA); Matt Gendron (RI); Michael Bailes (SC); Tannji Northrup (UT); Melissa Gerachis (VA); and Christine Rouleau (VT). Also participating was: Paul Yuen (HI).

1. **Adopted its March 23 Minutes**

   Mr. Haworth said the Working Group met March 23 and took the following action: 1) extend the Market Conduct Annual Statement (MCAS) filing due dates by 60 days due to the COVID-19 crisis; and 2) adopt travel insurance as the next line of business for MCAS.

   Ms. Rouleau made a motion, seconded by Mr. Hamblen, to adopt the Working Group’s March 23 minutes (Attachment Two-A). The motion passed unanimously.

2. **Discussed Revisions to the MCAS Best Practices Guide**

   Ms. Rebholz said the work on the *MCAS Best Practices Guide* was put on hold while the state departments of insurance (DOIs) and the NAIC concentrated on critical work that was either related to COVID-19 or time sensitive. She said beginning with the Summer National Meeting, the drafting group will re-start the work on editing the *MCAS Best Practices Guide* and other MCAS documents.

   Ms. Rebholz said much of the work on the *MCAS Best Practices Guide* was to bring it up to date with the changes to the MCAS since 2014. These changes include new lines of business and changed web page links. The drafting group also created two new appendices to highlight the best practices and provide a list of resources for analysts. Ms. Rebholz said the drafting group expects to finish the edits to the *MCAS Best Practices Guide* during its next meeting.

   Ms. Rebholz said editing the *MCAS Best Practices Guide* is only the first piece of a larger project to update all MCAS reference documents with the goal of: 1) identifying “threshold” issues, such as the number of extension requests that a company has made in recent years and the reasons the company cites; 2) specifying the length of the extensions allowed in order to try to bring consistency in the states’ responses to company extension requests; 3) mapping out a generic process the states can use as a template; and 4) developing templates for extension request response letters and orders to be available to the states.

   Ms. Rebholz said the materials that the drafting group will be reviewing are: 1) the *MCAS Best Practice Guide*; 2) the MCAS web page; 3) the MCAS Frequently Asked Questions (FAQ); 4) the MCAS Industry User Guide; 5) the MCAS data call letters; and 6) all MCAS training materials.

   Ms. Rebholz said the drafting group will also explore what type of extension request report the NAIC can provide on an annual basis to help us determine where threshold issues are triggered. As part of the *State Ahead* strategic plan, the NAIC market regulation staff will be developing a Tableau report that will be able to track historical extension and waiver requests. Our work on the drafting group will provide input into what should be included in this tool and its design.
3. Discussed the Market Analysis Framework

Mr. Haworth said during the Working Group’s March 23 conference call, he asked for volunteers to help draft the revisions to the market analysis chapters. He said Ms. Rebholz, Sarah Crittenden (GA) and Rob McCullough (NE) volunteered, but because of the hiatus on Working Group activities, this group has not met. Mr. Haworth said others still have a chance to volunteer before the group’s first meeting. He encouraged comments or suggestions from anyone who has an interest, but it may not be the time to volunteer.

4. Adopted Scorecard Ratios for the Private Flood MCAS Blank

Mr. Haworth said the Private Flood blank was adopted last year, and the first collection of Private Flood MCAS data will be due on April 30, 2021. He said scorecard ratios are published each year for each line of business in the MCAS. The scorecards are useful to companies because a company can see how their ratios compare to the overall ratios in each state. Mr. Haworth said the aggregate ratios for each MCAS state are public, and they are also available to consumers.

Mr. Haworth said the ratios include a cross section of underwriting and claims data elements, but they are by no means exclusive. He said any number of ratios can be generated using MCAS data, but the scorecard ratios are some of the more useful measurements.

Mr. Haworth said he would like to adopt the scorecards during this meeting to allow NAIC staff to begin programming them into the MCAS for the 2020 data year.

Mr. Haworth said for Private Flood, there will be two sets of ratios—one for first dollar coverage and a second set for excess coverage. He said the two coverages are distinct enough to generate significantly different results.

Mr. Haworth said there are eight proposed ratios. He noted that they track very closely to the homeowners ratios. The first three ratios are the same as the homeowners ratios. However, ratio 3 measures the percentage of claims paid beyond 60 days. Mr. Haworth said flood claims may take longer to settle than the typical automobile or homeowners claim, he and asked if the Working Group wants to consider using a different time period for this ratio, such as 90 or 180 days.

Ms. Ailor said she would like to hear the experience of state insurance regulators or industry representatives prior to deciding on the time period to use. Mr. Hamblen said 60 days seemed to be a quick turnaround for flood claims. He said flood losses are often accompanied by other perils, such as wind, that can take significant time to adjust. He suggested beginning with a ratio using 60 days and adjusting it, if necessary, as the data is received and analyzed. Ms. Ailor suggested beginning with 90 days and adjusting, if necessary. Ms. Rouleau said she was inclined to begin with 60 days and adjust later, if necessary. Mr. Yuen said from his experience with Hawaiian flood claims, 60 days is tight.

Lisa Brown (American Property Casualty Insurance Association—APCIA) said she agrees with beginning with a ratio using at least 90 days. Birny Birnbaum (Center for Economic Justice—CEJ) said private flood coverage on homeowners insurance does not face the same multi-peril issues as policies written through the National Flood Insurance Program (NFIP). He said if the ratio was extended to 90 days, there would be a mismatch with the Homeowners MCAS ratios.

Mr. Haworth said ratios 4 and 5 are presented as 4a and 4b and 5a and 5b. He said the Working Group is being asked to decide whether to use 4a and 5a or 4b and 5b rather than all four. He said the Private Flood MCAS blank added a data element asking the company to provide the number of policies in force at the beginning of the reporting period. He said ratios 4a and 5a use this data element in the denominator. He said using this denominator more closely matches with “non-renewals” and “cancellations over 60 days.” He said for non-renewals (ratio 4), flood policies usually have a term of at least one year. He said that means policies only from the prior reporting period would be up for renewal during the reporting period, and policies written during the current reporting period should not be included in the denominator. He said for cancellations greater than 60 days from inception, ratio 5a’s denominator includes both “beginning policies in-force” and “policies written during”; i.e., the entire universe of possible policies that can be cancelled greater than 60 days from inception. Using policies in force at the end of the reporting period excludes policies that were terminated for other reasons during the year, so it does not contain all the possible policies.
Mr. Haworth said the other option is to keep ratios 4 and 5 the same as the ratios used in the Homeowners MCAS scorecard ratios. He said the advantage to this is being able to compare the Private Flood ratios to the Homeowners ratios.

Mr. Hamblen said it is important to be able to compare the Private Flood ratios with the Homeowners ratios.

Mr. Haworth said ratios 6 and 7 duplicate the Homeowners MCAS ratios.

Mr. Haworth said ratio 8 is a new ratio taking advantage of the additional data element asking for the number of lawsuits closed with consideration for the consumer. This is measured against the number of lawsuits closed during the period.

Mr. Hamblen made a motion, seconded by Ms. Vandevoorde, to adopt the Private Flood MCAS ratios (Attachment Two-B), using 60 days for ratio 3 and matching the Homeowners MCAS ratios 4 and 5. The motion passed unanimously.

5. **Discuss the MCAS Attestation**

Mr. Haworth noted that ever since the MCAS was centralized, the Working Group usually gets a few questions each year regarding the attestation process and requests for clarification or changes to the process. He said a few years back, the Working Group added a second attestation to address who is responsible for the recreation of reported data from the source data. He said one concern recently expressed is whether the attestation can be provided at a more granular level. He said currently, the MCAS tool is designed to collect the attestations at the NAIC company code level even if the same company reports different lines of business in multiple states. He said it is possible, for example, that a Property and Casualty company may also report Health business, and the appropriate people to attest for each would be different.

Joseph E. Zolecki (Blue Cross Blue Shield Association—BCBSA) thanked the Working Group for the MCAS extension for the Health MCAS this year. He said the additional time was appreciated by the carriers.

Mr. Zolecki said the single attestation per NAIC company code is a concern for carriers. He asked for some time for industry to consider this and other issues and come back to the Working Group with a more complete discussion. Mr. Birnbaum said it was not clear what the problem is. Mr. Zolecki said it is important for the governance of a specific line of business to be the ones to attest to the data. They are more likely to understand the data and its sources. Mr. Zolecki said the attestation should be a higher-level rubber stamp of a submission made at a lower level, especially submissions to multiple states on different lines of business. Mr. Birnbaum said a single attester can attest to the data.

Mr. Haworth said the Working Group will address the issue after industry has an opportunity to consider it more fully.

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