

Draft: 2/4/21

Market Analysis Procedures (D) Working Group
Virtual Meeting
January 27, 2021

The Market Analysis Procedures (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met Jan. 27, 2021. The following Working Group members participated: John Haworth, Chair (WA); Rebecca Rebholz, Vice Chair (WI); Crystal Phelps (AR); Maria Ailor and Sarah Borunda (AZ); Don McKinley (CA); Damion Hughes (CO); Steve DeAngelis (CT); Sharon Shipp (DC); Frank Pyle (DE); Scott Woods (FL); Erica Weyhenmeyer (IL); Tate Flott (KS); Sandra Stumbo (KY); Jeff Zewe (LA); Mary Lou Moran (MA); Dawna Kokosinski (MD); Timothy Schott (ME); Jill Huisken (MI); Cynthia Amann (MO); Paul Hanson (MN); David Dachs (MT); Reva Vandevoorde (NE); Karen McAllister (NH); Ralph Boeckman (NJ); Leatrice Geckler (NM); Sharon Ma (NY); Guy Self (OH); Jeffrey Arnold (PA); Michael Bailes (SC); Shelley Wiseman (UT); Julie Fairbanks (VA); Marcia Violette (VT); and Theresa Miller (WV). Also participating was: Shane Quinlan (NC).

1. Adopted its Nov. 12, 2020, Minutes

Mr. Haworth said the Working Group met Nov. 12, 2020, and took the following action: 1) adopted its Oct. 22, 2020, minutes; 2) discussed the Market Conduct Annual Statement (MCAS) attestation process; and 3) discussed training opportunities for market regulation analysts.

Mr. Flott made a motion, seconded by Ms. Amann, to adopt the Working Group's Nov. 12, 2020, minutes (*see NAIC Proceedings – Fall 2020, Market Regulation and Consumer Affairs (D) Committee, Attachment Five*). The motion passed unanimously.

2. Discussed Revisions to the MCAS Best Practices Guide

Ms. Rebholz said the group revising the *MCAS Best Practices Guide* is reviewing other MCAS documents to ensure that all the MCAS documents are consistent. The other documents to be reviewed are the frequently asked questions (FAQ) document, the *MCAS Industry User Guide*, and the data call letter. Ms. Rebholz said the work should be complete after two more meetings.

3. Discussed MCAS 14-Day Extension Limitation

Mr. Haworth said the review of the *MCAS Best Practices Guide* raised the concern of a consistent response to requests for extensions. He said the MCAS submission tool currently allows a company to choose up to 60 days. This creates inconsistencies when some states allow the entire 60 days, some allow 30 days, and others limit the request to two weeks. Mr. Haworth also noted that companies need to re-log into the MCAS to know how the jurisdictions responded to their request. He said it is possible that a company may assume all states are providing 60 days if they only see one or two of the responses.

Mr. Haworth said the group revising the *MCAS Best Practices Guide* is advising all jurisdictions to allow no more than 14-day extensions. The group is also asking that the MCAS tool be adjusted to only allow extensions for no more than 14 days at a time. Mr. Haworth noted that it is possible that companies may need more than the 14 days, so the MCAS tool will also need to be changed to allow companies to submit second or third requests for extensions. He said this will require some programming work by NAIC's Information Technology Group (ITG). He said if the Working Group approves this change, the soonest it would be in effect would be for the 2021 data reported in 2022, but it might be the following year.

Mr. Flott said he supports a 14-day limit on extension, and he said the Kansas Department of Insurance (DOI) already has a standard of only 14 days. He said if additional time is needed, the company is required to provide more specifics to the request. He said the company will typically not contact the DOI if it fails to submit by the end of the extension. Mr. Arnold said he supports the 14-day limitation. Ms. Ailor said the Arizona DOI has the same concern with companies asking for extensions and still not submitting their MCAS by the end of the extension. She also said certain companies fail to even request an extension. She suggested editing the MCAS data call letter to advise that the company must make an extension request if it cannot submit its data by the due date. Mr. McKinley asked if a company can receive a reminder as the end of extension period nears. He also suggested that the MCAS system could advise the jurisdictions about the extensions that are outstanding with no submission. Mr. Dachs also supported the 14-day limitation.

Mr. Haworth said the Working Group will vote on this issue on the next conference call. He asked that comments be sent to Randy Helder (NAIC) by Feb. 17.

4. Discussed MCAS Attestation

Mr. Haworth said in November, the Working Group heard an industry request to allow for more attesters in the MCAS. Some companies that write multiple lines of business in multiple states have different individuals who can appropriately attest to the data. However, Mr. Haworth said the MCAS currently only allows for one attester per company to attest to the accuracy of the data regardless of the number of lines of business and states being reported in the MCAS. He said there seemed to be support from the Working Group on expanding the ability of companies to have more than one attester to the accuracy of the data. He said during the November meeting, he asked NAIC staff support to investigate possible solutions.

Teresa Cooper (NAIC) said the MCAS interrogatories can quickly be revised to add two lines for each attester. She does not believe this would be a substantive change and could be implemented right away. There would be two lines for the individual attesting to the accuracy and another two lines for the person attesting that the data that can be traced back to its source within the company. The four additional lines would be available for each line of business blank in each state. The first line would be for the name of the attester and the second line for the title of the attester. While the current comment section for the attestation would be lost, the comment boxes in the interrogatories can be used for the attestation. Ms. Cooper said if the attestation is currently not completed, the company is unable to submit its filings. She said validations would need to be added to require the new interrogatories to be completed before the filing can be submitted.

Lisa Brown (American Property Casualty Insurance Association—APCIA) said she needs to speak with APCIA membership about this, but she does not believe there would be any concerns.

Joseph E. Zolecki (Blue Cross Blue Shield Association—BCBSA) asked if there would be a description and example provided. Ms. Cooper said she could draft a mock-up of the suggestion.

Birny Birnbaum (Center for Economic Justice—CEJ) said he agrees that the change is not substantive, but if companies believe they need time to re-program, a requirement could be put in place requiring a cover letter with the names of the attesters for each line of business and each state.

Mr. Haworth asked for comments to be sent to Mr. Helder by Feb. 17.

5. Discussed the Market Analysis Framework

Mr. Haworth said the subgroup revising the market analysis chapters of the *Market Regulation Handbook* has made progress and should be completed by the Spring National Meeting.

6. Discussed Market Analysis Training

Mr. Haworth said in the last Working Group meeting, there was clearly a strong desire to obtain additional training from both the NAIC and peers in other jurisdictions. He said the Working Group only received one response to its request for suggested training ideas and opportunities, and he once again asked for more comments by Feb. 17.

Ms. Phelps said she would appreciate training on the meaning and importance of the variety of different ratios used by market analysts. Ms. Amann said there is a how-to guide that was published by the NAIC that contained information on financial ratios and why they should be considered in market analysis. She said she has a hard copy, but it probably needs updates, even though the underlying concepts are still valuable.

Mr. Quinlan said the only MCAS training class for state insurance regulators is an on-site class in Kansas City that was cancelled in 2020. He asked if MCAS training can be made virtual. Mr. Helder noted that the training discussed at the Working Group should include a variety of delivery methods, including virtual and in-person.

7. Discussed Other Matters

Mr. Birnbaum said the initial premise of the MCAS was that the additional market conduct data obtained by annual reporting would increase the efficiency of analysts to identify and focus on priorities. This would also reduce the burden on companies

because they would not have to respond to numerous ad hoc data calls and inquiries. However, Mr. Birnbaum noted that companies continually resist any additional lines of business or data elements in the MCAS. He said if the MCAS were meeting its initial goals, companies should be cooperative with adding additional lines and data elements. He asked why companies did not take the MCAS as seriously as they do other reporting requirements. He asked whether the MCAS is achieving its initial purpose, and the reason if it is not.

Mr. Zolecki asked if the Working Group has considered a possible extension of MCAS reporting, as was provided in 2020, since the COVID-19 pandemic is continuing. Mr. Haworth said it has not because, by now, companies and state insurance regulators have adapted to the new environment. He said extensions create delays in the market analysis process.

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

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Life (Mockup of Attestation Reporting Option)

Life Interrogatories

		Yes Response	No Explanation
01	Individual Life Cash Value - Does the company have data to report for this product type?		--
02	Individual Life Non-Cash Value - Does the company have data to report for this product type?		--
03/04	Is there a reason that the reported Individual Life Cash Value information may identify the company as an outlier or be substantially different from previously reported data (such as assuming, selling or closing blocks of business; shifting market strategies; underwriting changes, etc)?		
05/06	Is there a reason that the reported Individual Life Non-Cash Value information may identify the company as an outlier or be substantially different from previously reported data (such as assuming, selling or closing blocks of business; shifting market strategies; underwriting changes, etc)?		
	<i>Data elements 7 through 14 are an attestation of the accuracy of reported data. Please refer to the Data Call and Definitions for a full description of the attestation</i>		
07	Attestation #1: Name		--
08	Attestation #1: Title		--
09	Attestation #1: Phone Number		--
10	Attestation #1: Email Address		--
11	Attestation #2: Name		--
12	Attestation #2: Title		--
13	Attestation #2: Phone Number		--
14	Attestation #2: Email Address		--
15	Additional state specific Individual Life Non-Cash Value comments (optional):		--
16	Additional state specific Individual Life Cash Value comments (optional):		--