

Draft Pending Adoption

Attachment --

Market Regulation and Consumer Affairs (D) Committee
8/12/22

Draft: 7/27/22

Market Analysis Procedures (D) Working Group
Virtual Meeting (*in lieu of meeting at the 2022 Summer National Meeting*)
July 13, 2022

The Market Analysis Procedures (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met July 13, 2022. The following Working Group members participated: John Haworth, Chair (WA); Rebecca Rebholz, Vice Chair (WI); Tolanda Coker (AZ); Don McKinley (CA); Damion Hughes (CO); Steve DeAngelis (CT); Susan Jennette (DE); Scott Woods (FL); Erica Weyhenmeyer (IL); Tate Flott (KS); Sandra Stumbo (KY); Jeff Zewe (LA); Mary Lou Moran (MA); Dawna Kokosinski (MD); Timothy N. Schott (ME); Jeff Hayden (MI); Jo LeDuc, Cynthia Amann, and Teresa Kroll (MO); Martin Swanson and Robert McCullough (NE); Erin Porter (NJ); Leatrice Geckler (NM); Larry Wertel (NY); Todd Oberholtzer (OH); Shelly Scott (OK); Matt Gendron (RI); Rachel Moore (SC); Shelley Wiseman (UT); Will Felvey (VA); Karla Nuisl and Mary Block (VT); and Theresa Miller (WV). Also participating was: Shelli Isiminger (TN).

1. Adopted its June 8 Minutes

Mr. Haworth said the Working Group met June 8 and took the following action: 1) adopted the standard ratios for the Travel Insurance Market Conduct Annual Statement (MCAS) and the Short-Term Limited-Duration (STLD) MCAS; 2) considered new lines of business for the MCAS; and 3) considered improvements to the Market Analysis Review System (MARS).

Mr. Schott made a motion, seconded by Mr. Gendron, to adopt the Working Group's June 8 minutes (**Attachment xx**). The motion passed unanimously.

2. Considered New Lines of Business in the MCAS

Mr. Haworth said suggestions have been made to add Pet Insurance, Title Insurance and business owner's policy (BOP) to the MCAS. He said the Working Group received comments from Rhode Island in support of Pet Insurance as the next line of business. He said Mr. Gendron provided some responses to the questions that need to be addressed per the "Process for Selecting New MCAS Lines of Business."

Mr. Haworth said Ms. Isiminger suggested adding Credit Life Insurance and Credit Disability Insurance to the MCAS. He said Ms. Isiminger also suggested adding data elements on Waiver of Premium (WoP) and Accelerated Death Benefits (ADB) to the Life MCAS blank.

Ms. Isiminger said credit life and credit disability insurance generate large profits for the companies writing, and the products are often marketed to and purchased by consumers least able to afford them. She said consumers often feel pressured to purchase the products even though it would be less expensive for them to shop around for the coverage. She said the lack of regulation leads to questions as to whether the consumers of the product are receiving the coverage they purchased. She noted there was very little, if any, regulation of the products.

Ms. Isiminger said WoP and ADB are either added as part of a life insurance policy or attached as a rider to the policy. She said she has seen WoP added to policies in an amount not sufficient to cover the entire premium. She said ADB coverage can be a very useful product for consumers, and the coverage keeps viatical companies at bay.

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She said it would be helpful to analyze whether consumers are being treated appropriately when they buy or make claims on WoP and ADB coverages.

Mr. Haworth noted that the request to add WoP and ADB data elements should be referred to the Market Conduct Annual Statement Blanks (D) Working Group.

John Euwema (Consumer Credit Industry Association—CCIA) said the suggestion to add credit insurance coverages to the MCAS was made and rejected by the Working Group in 2017 and 2018. He said nothing has changed in the credit insurance marketplace since then. He questioned why it should be considered again.

Birny Birnbaum (Center for Economic Justice—CEJ) said he supports adding credit life and credit disability insurance to the MCAS and offered his assistance.

Mr. Gendron said there are market conduct problems surrounding pet insurance. He said one issue is that the product is sold by companies that write many other lines of business, and because pet insurance is written as inland marine, there is no way to determine what premium is generated by their pet insurance products or even which companies may even be writing pet insurance without looking at all the form filings. He said pet insurance has grown rapidly in the last five years, especially as more people have purchased pets during the COVID-19 pandemic. Mr. Haworth noted that the only information available on pet insurance comes from the trade associations, and there is no way to verify the information. He said because of the uncertainty regarding the underwriters of the coverage, it is a challenge to identify what company a complaint is directed against.

Acting Superintendent Schott said Maine just passed legislation on pet insurance based on the *Pet Insurance Model Act* (#633). He said it would be very helpful to have pet insurance data.

Mr. Haworth said the Working Group would decide on the next line of business during its next meeting. Mr. Birnbaum said there was no opposition to adding pet insurance, and the suggestion has been exposed since the last Working Group meeting. Ms. LeDuc and Acting Superintendent Schott requested more time to review all proposals and John Fielding (Chubb) asked for additional time to allow the North American Pet Health Insurance Association (NAPHIA) the opportunity to comment.

Mr. Haworth asked for comments to be sent to Randy Helder (NAIC) by Aug. 12.

3. Discussed the Addition of Outstanding MCAS Lines of Business in the MARS

Mr. Haworth said since the last Working Group meeting, one comment was received from Tony Dorschner (SD) stating that South Dakota analysts often use the MARS to analyze companies seeking to expand their Certificate of Authority. He said South Dakota supports adding additional lines of business options to the MARS.

Mr. Haworth said the current lines available in the MARS are Credit, Homeowners, Long-Term Care (LTC), Medicare Supplemental, Workers' Compensation, Group Accident & Health (A&H), Individual A&H, Medical Professional, and Private Passenger Auto (PPA).

Ms. LeDuc said there are lines of business that do not have corresponding lines of business in the financial annual statement. Adding a line of business option in the MARS for those lines would be difficult. Mr. Haworth agreed, but he said state insurance regulators have MCAS data MARS does not have a designated Level 1 line of business available to perform analysis. He said this needs to be addressed.

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Mr. Haworth said he will work with Mr. Helder to re-draft the Working Group's Uniform System Enhancement Request (USER) form to forward to the Market Information Systems Research and Development (D) Working Group requesting an expansion of the lines of business options in the MARS and adding the outstanding MCAS data lines.

4. Discussed Other Matters

Mr. Haworth said Maria Ailor (AZ) sent a comment letter to the Working Group in support of adding the Travel Insurance loss ratio to the standard MCAS ratios for Travel Insurance. He said Ms. Ailor noted that the blank collects the total dollar amount of claims (line item 29) and the total direct written premium (line items 44, 45, and 46). He said even though some travel insurance policies are short-duration and others are long-duration, the loss ratio derived from the MCAS data would provide a good average for each state.

Mr. Oberholtzer said the Working Group should consider whether the information would have value for market analysts. He said he believes the information would be helpful for analysts in Ohio. Mr. Swanson agreed.

Mr. Birnbaum said this was originally proposed during the June 8 Working Group meeting. He said there is no annual statement line for travel insurance, and the loss ratio cannot be derived. He said the loss ratio is the accepted method for evaluating the value of an insurance product for consumers. He said calculating the loss ratio allows the market analysts to compare loss ratios across companies. Mr. Birnbaum also noted that while the public would only see a statewide loss ratio, the market analysts would have a more granular level of access, allowing for the tracking of loss ratios of time. He said this would be a very valuable ratio for analysts.

Mr. Birnbaum said the CEJ also requested that the volume of direct written premium, the average number of insureds, and the number of claims be presented along with the standard ratios for travel insurance. He said even if some market analysts may not find the information useful, other stakeholders may.

Ms. LeDuc asked what effort this would create for the NAIC to add the additional travel insurance ratio. Mr. Helder said the data elements are being created, and the work on adding the adopted ratios is still in progress, so it should not create difficulties.

Ms. LeDuc said since travel insurance consists of many different types of coverages, it may not make sense to aggregate them into one loss ratio. Mr. Birnbaum said travel insurance is sold as a package of products so the aggregate loss ratio reflects the value of the product.

Mr. Haworth asked for comments to be sent to Mr. Helder by Aug. 12.

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

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