Draft: 6/7/22

Statistical Data (C) Working Group

Virtual Meeting

May 18, 2022

The Statistical Data (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force met May 18, 2022. The following Working Group members participated: Sandra Darby, Chair (ME); Wanchin Chou, Vice Chair, George Bradner, and Amy Waldhauer (CT); Daniel Davis (AL); Arthur Schwartz (LA); Cynthia Amann (MO); Christian Citarella (NH); Edmund Scanlon (NJ); Tom Botsko (OH); Andrew Schallhorn (OK); David Dahl and Ying Liu (OR); and Brian Ryder (TX). Also participating were: Luciano Gobbo (CA); Anthony Bredel (IL); Mari Kindberg (MT); Chris Aufenthie and Mike Andring (ND); and Mary Block (VT).

1. Adopted its April 14 Minutes

The Working Group met April 14 and took the following action: 1) discussed the timeline of data collection for the *Auto Insurance Database Report* (Auto Report); and 2) discussed updating the *Statistical Handbook of Data Available to Insurance Regulators* (Handbook).

Ms. Amann made a motion, seconded by Mr. Botsko, to adopt the Working Group’s April 14 minutes (Attachment - ). The motion passed unanimously.

1. Heard a Presentation from the CEJ on Statistical Data Collection

Birny Birnbaum (Center for Economic Justice—CEJ) said the topic of his presentation is modernizing statistical data reporting for personal lines insurance. He said the availability of the data relating to the COVID-19 pandemic is a good place to begin looking at how data can be collected. He said workers’ compensation insurance data related to COVID-19 claims, as well as mortgage lending and other financial data on the Coronavirus, Aid, Relief, and Economic Security Act (CARES Act) funds were made available during the pandemic. He said the data was available on a one-to-two-month lag. He said there was not available data for state insurance regulators for personal lines insurance like auto and homeowners.

Mr. Birnbaum said the Handbook says responsibilities most relevant to statistical data collection include ensuring rates meet statutory standards and monitoring market structure and performance. He said the statistical data system currently fails to provide timely and relevant data for most Property/Casualty (P/C) lines of business to assist state insurance regulators in carrying out these responsibilities. He said the statistical agency system has not been updated in most states in 40 years, and that has led to the NAIC producing the Auto Report and the *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner’s Insurance Report*(Homeowners Report) three years after the experience period begins.

Mr. Birnbaum said there are three differences in the reporting of workers’ compensation data and personal lines insurance data: 1) workers’ compensation data is collected by a single statistical agent in each state, while insurers for other P/C lines have about four different statistical agents to choose from; 2) workers’ compensation data is collected at a transaction level; and 3) workers’ compensation data is collected on a monthly basis, which offers a much faster turn around time for data analysis.

Mr. Birnbaum said the solution to modernizing the collection of statistical data is to use existing regulatory authority to update statistical plans, designate a single statistical agent through a competitive bidding process, and establish requirements that the primary duty of the statistical agent is to serve the state insurance regulator. He said updated statistical plans should require reporting on at least a quarterly basis.

Mr. Birnbaum said statistical agents that collect transaction level data are in a better position to provide the data in a timely manner and do better data quality checks. He said moving to a single statistical agent approach would increase the efficiency of data reporting.

Mr. Scanlon said some statistical agents have more relaxed reporting requirements; therefore, companies are reporting skeletal data that still satisfies the requirements. He asked if changing the reporting requirements would increase costs. Mr. Birnbaum said a new statistical plan and reporting system would increase efficiencies and lower costs. He said companies that are reporting in Texas are already doing this kind of data collection and reporting. He said a more robust statistical plan would decrease the amount of special data calls for companies. Mr. Scanlon asked to what extent stricter reporting requirements should be seen as a barrier to entry. Mr. Birnbaum said reporting transaction data should not be difficult for companies, because it is essentially a data dump, whereas a summary report would require a program to pull and aggregate the data.

Mr. Chou asked how to go about getting all statistical agents to comply with transaction reporting. Mr. Birnbaum said commissioners have the authority to designate statistical plans and a single statistical agent. He said that process begins with the Working Group modernizing the statistical reporting system.

Ms. Darby asked if it is possible to request that all statistical agents provide transaction data. Mr. Birnbaum said at least two large statistical agents only collect summary data and would need to transition their systems.

Albert Burton (Independent Statistical Service—ISS) said some companies do not have a need for the expansive reporting required by Insurance Services Office (ISO), and the ISS is able to fill their need with less requirements. He said if reporting requirements in the Handbook change, the ISS will comply with those changes.

Mr. Schwartz said auto and homeowners data was coming in during the pandemic via fast track reports, and state insurance regulators were actively looking at those reports. He said the fast track reports could be improved as an alternative to the idea of a new, single statistical agent.

Steve Clarke (ISO) said the way the workers’ compensation industry developed led to one statistical agent collecting the data for the purposes of experience modification. He said ratemaking is the main reason for statistical agents that are also advisory organizations to collect robust data. He said many states that have adopted regulations around statistical reporting have language stating that while the commissioner appoints statistical agents, the companies get to choose a statistical agent to act on its behalf. He said instead of making the move to a single statistical agent, state insurance regulators should decide what data they need and why they need that data.

Ms. Darby said the discussion of specific data elements and what data state insurance regulators need will be a topic during the next meeting.

Having no further business, the Statistical Data (C) Working Group adjourned.

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