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Statistical Data (C) Working Group

Virtual Meeting

September 28, 2022

The Statistical Data (C) Working Group of the Casualty Actuarial and Statistical (C) Task Force met Sept. 28, 2022. The following Working Group members participated: Sandra Darby, Chair (ME); Wanchin Chou, Vice Chair, and Qing He (CT); Arthur Schwartz, John Sobhanian, and Nichole Torblaa (LA); Cynthia Amann and Jo LeDuc (MO); Christian Citarella (NH); Alexander Vajda (NY); Landon Hubbart (OK); David Dahl (OR); and Brian Ryder (TX). Also participating were: Anthony Bredel (IL); Brenda Johnson (KS); David Dombrowski and Mari Kindberg (MT); Mike Andring and Chris Aufenthie (ND); Eric Lowe (VA); and Mary Block and Nick Marineau (VT).

1. Discussed Proposed Changes to NAIC Statistical Reports

Ms. Darby said Mr. Schwartz summarized his previously proposed changes to the NAIC statistical reports, and today’s meeting would go over the summarized bullet points of the *Report on Profitability By Line By State* (Profitability Report).

Mr. Schwartz said his first proposed change is to rename the Profitability Report the Profitability Database Report. He said he sees the statistical reports as a database in which the user is encouraged to dig into the underlying data and use it for various types of analysis. Mr. Dahl said he understands a database to be something to run a report off of to summarize and manipulate the data. Ms. Darby said a database is what is used to produce the report, but the report itself is not a database in its current form. Mr. Vajda said there are calculations underlying certain fields within the Profitability Report that the user would not be able to derive without access to the entire database. Libby Crews (NAIC) clarified that the data contained in the Profitability Report is pulled from NAIC Financial Annual Statement filings and is then used to derive many of the data elements in the report. Mr. Lowe said whether the name of the report is changed, the ability to download the data provided in the report in a comma-separated values (CSV) format would be very useful for state insurance regulators. Mr. Schwartz said he would like to see all the statistical reports overseen by the Working Group to be available as a CSV download. Ms. Darby said even if the data is available to download, there would still need to be a portable document format (PDF) form report, and the name Profitability Database Report would not be in line with a PDF report. Mr. Schwartz said other databases, such as those provided by the federal government, have an option for a PDF report and an option to download the data into Microsoft Excel. Mr. Citarella said he thinks of a database as a living thing that can be changed and updated, and a report is a snapshot of a static moment in time. He said calling the report a database may give the wrong impression.

Ms. Crews said the data in the reports and the Financial Annual Statement data can currently be provided to state insurance regulators in the CSV format, but that data has a fee when it is requested by non-state insurance regulators. Mr. Lowe said a good option would be to provide the CSV files to state insurance regulators via StateNet or another regulator-only access point. Ms. Darby asked NAIC staff to investigate how to provide the data in a downloadable form to state insurance regulators.

Ms. Darby said the next proposed change to the Profitability Report is to show profitability metrics for mutual and reciprocal insurers separately from stock insurers. Mr. Schwartz said there is a clear difference in the profitability metrics of stock insurers because they are more focused on profits per share and the growth of profits over time. He said many mutual and reciprocal insurance companies will sacrifice short-term profits in favor of making longer term investments that may ultimately benefit the policyholders. He said if a state insurance regulator was using the profitability metrics in the context of a rate filing, they would want to have a distinction between the type of companies. Ms. Darby asked if the data was available broken out by the type of company. Mr. Lowe said the NAIC has the company type within its database, so the data should be able to be pulled and displayed in the Profitability Report by each company type.

Mr. Schwartz made a motion, seconded by Mr. Dahl, to break out the profitability metrics by stock insurer, mutual insurer, and reciprocal insurer. The motion passed unanimously.

Ms. Darby said the next proposed change to the Profitability Report is to add a new return on premium metric. Mr. Schwartz said the return on premium metric is directly applicable to rate filings. Mr. Lowe clarified that this metric would not replace the return on net worth metric, but it would be a separate metric and an additional column. Ms. Darby asked if the data used to calculate return on premium are already available in the report. Mr. Lowe said all the data needed to calculate return on premium is already available. Rich Gibson (American Academy of Actuaries—Academy) said the return on premium calculation would be 1 minus the combined ratio or 1 minus the operating ratio. Mr. Schwartz said he would like to see the calculation with both the combined ratio and the operating ratio. Mr. Bredel said the profit on insurance transactions metric is available in the report, and it would not include the investment gain that is attributed to net worth. Mr. Schwartz said it may need to just be a change to the column name, as return on insurance transactions is not as clear as return on premium. Ms. Darby suggested that the Working Group look at this issue further to see if the requested metric is already accounted for in the report. She said the discussion on these changes will be continued during the next meeting.

1. Discussed Current Statistical Data and the Need for the Modernization of Statistical Reporting

Ms. Darby said she compiled reports from three different statistical agents to showcase the type of data state insurance regulators are currently receiving. She said the reports come to her in a PDF format, and she must spend time converting it into Microsoft Excel to do useful analysis with the data. She said each statistical agent files their statistical plan with the insurance department, and those plans are approved individually by the commissioner or another state insurance regulator. She said this creates issues when trying to aggregate data between statistical agents because the data is not presented in the same way and may not include the same data elements. She said some statistical agents use codes that would have to be mapped to corresponding data elements from other statistical agents.

Ms. Darby said there are many different ideas of how technology could change the future of statistical reporting. She said she would like the Working Group to look at making small changes to how the data is reported that would make it easier to aggregate data and see a larger picture of the market. She said the Working Group should look at what data elements state insurance regulators need, review the minimum standards that are set out, and revise those as needed.

Ms. Darby said the *Statistical Handbook of Data Available to Insurance Regulators* currently states, “Regulators may modify or enlarge their requirements for information to accommodate changing needs and environments.” Mr. Schwartz said the data being provided today is the type of data that was required 20 years ago, but it is not the data of the future. He said state insurance regulators now, and in the future, need more data and data that is more refined. Ms. Darby agreed, and she said she would like to continue the discussion on making changes to the minimum standard of reported data for all the different lines of insurance.

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

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