



**Comments of the Center or Economic Justice**  
**To the NAIC Casualty Actuarial and Statistical Task Force**  
**Blanks Referral for Proposal 2021-11BWG**  
**October 11, 2021**

In response to the Blanks Working Group referral to CASTF, CEJ urge CASTF to recommend adoption of Blanks Proposal 2021-11BWG for the following reasons.

1. The addition of two data elements – written exposures and earned exposures – to the current reporting of written premium and earned premium for the private passenger auto and homeowners lines of business will provide useful and relevant information for regulators, policymakers and the public by providing some of the same information in current CASTF reports but two or more years earlier..
2. Contrary to industry claims, the additional data elements – and average premium calculations generated – will not be misleading to regulators, policymakers or the public.
3. The additional data elements complement CASTF’s statistical reports which provide more granular and additional data analysis.
4. The additional data elements are financial information suited to reporting through the annual and quarterly financial statements. By reporting through the financial statement infrastructure, the data will be comprehensive, uniform and timely.
5. There is no meaningful alternative – speeding up reporting by statistical agents and states to produce the same limited information is not feasible with the current statistical agent infrastructure.
6. By virtue of financial statement reporting, 2021-11BWG includes some data quality checks.

Additional Issue More Relevant for Blanks Working Group consideration

7. There will be a non-material cost burden on insurers to report the additional data elements.

***The addition of two data elements – written exposures and earned exposures – to the current reporting of written premium and earned premium for the private passenger auto and homeowners lines of business will provide useful and relevant information for regulators, policymakers and the public by providing some of the same information in current CASTF reports but two or more years earlier.***

The NAIC and individual states have determined that average personal auto premium and average homeowners premium are relevant and useful information for regulators, policymakers and the public, as evidenced by the publication of these values in the *Auto Insurance Database Report* and the *Dwelling, Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report*.

For example, on page 3 of the 2021 *Auto Insurance Database Report*, the average expenditure calculation is shown as total personal auto written premium divided by liability written exposures. This calculation can be exactly replicated with the data reported pursuant to 2021-11BWG – nearly two years sooner than the publication of the *Auto Insurance Database Report*.

Similarly, the average premium in the *Homeowners* report is calculated by dividing written premium by written exposures. Written exposures are expressed as house-years. The report includes a table aggregating written exposures by homeowners owner-occupied and homeowners tenants and condo/co-op. The report calculates total average premium by dividing written premium by written exposures for homeowners owner-occupied policy forms and for tenant/condo/coop policy forms. 2021-11BWG allows exact replication of the tenant/condo/coop calculation while permitting an owner-occupied calculation limited to homeowners policy forms – nearly two years sooner than the publication of the *Homeowners* report.

If the publication of average premium for personal auto and residential property insurance is sufficiently relevant and important for the NAIC to publish these values, it is equally or more relevant and important to provide data permitting these calculations in a far more timely manner.

***Contrary to industry claims, the additional data elements – and average premium calculations generated – will not be misleading to regulators, policymakers or the public.***

Some have argued that average premium calculations developed from data reported pursuant to 2021-11BWG would be misleading or confusing to consumers. This argument is logically and factually incorrect.

First, if the potential calculations with data reported pursuant to 2021-11BWG replicate calculations in the CASTF reports, it simply can't be argued that the average premium values are misleading. In fact, by making an average premium value available much closer to the experience period, the average premium calculations generated from data reported pursuant to 2021-11BWG are more relevant and less misleading than values reported two years after the experience period.

For example, the NAIC issued a press release on March 9, 2021 announcing the release of the *Auto Insurance Database Report*. The release stated, "The national average annual expense per insured vehicle was \$1,190 in 2018, a 20.87% increase from 2014." When newspapers pick up this story, there is no caveat that the data are two to three years old and may not reflect current conditions. Rather, the logical response from media and consumers is that this information is relevant and current. By permitting the calculation of average premium values two years earlier than the CASTF reports, 2021-11BWG will reduce confusion and the potential for policymakers and consumers to be misled.

Second, some have argued that the CASTF reports are not misleading or confusing because the reports provide more detail and explanation about the tables in the reports. The additional data detail is important and useful for some purposes, but the fact remains that NAIC and state insurance department press releases and media coverage focus on the top line numbers, not the detailed analyses. Stated differently, providing a report with more detail and commentary is no guarantee that the detailed data or commentary will be used or relied upon.

Third, if confusion or misconception are a concern, there is nothing to prevent the NAIC – or state insurance departments – from issuing a press release or brief report with any caveats or commentary shortly after the 2021-11BWG data are reported.

Fourth, denying the collection and reporting of the additional data elements in 2021-11BWG based on false claims about misleading and confusing policymakers and consumers is simply censorship based on the implicit assumption that only insurers and regulators know how to analyze and present insurers' financial information. This implicit assumption is forcefully disproved by the presence of scores of rating agencies, financial market analysis and academics who analyze and interpret insurers' financial information.

***The additional data elements complement CASTF's statistical reports which provide more granular and additional data analysis.***

As noted above, the CASTF reports contain far more and more detailed data than would be reported pursuant to 2021-11BWG. Consequently, 2021-11BWG complements the CASTF reports in the same way that Fast Track data reports complement annual reports from statistical agents or that quarterly financial statements complement annual financial statements.

***The additional data elements are financial information suited to reporting through the annual and quarterly financial statements – comprehensive, uniform***

Industry has incorrectly argued that the two additional data elements in 2021-11BWG are statistical data and not financial data and, consequently, do not belong in the quarterly and annual financial statements.

As evidenced by the recent efforts by the Statistical Working Group to explore the potential for timelier reporting by statistical agents of premium and exposure data, the defining characteristic of statistical reports is the provision of claims experience matched to exposures. It is this matching that requires statistical agents to wait 15 months after the end of the experience period to collect claims experience associated with exposures from that experience period.

In contrast written and earned premium and written and earned exposures are financial information available immediately after the end of the experience period. To understand why this is the case, consider how insurers calculate the written and earned premium values reported in the annual and quarterly financial statements.

Insurers maintain a database of sales transactions – records of when a new or renewal policy was issued and the amount of premium associated with that policy. When the insurer calculates written premium for an experience period, the insurer sums the premium on policies issued during the period and nets out return premium for net written premium during the period. When the insurer calculates the earned premium for the period, the insurer calculates the portion of the policy term occurring during the experience period, multiplies this fraction times the policy premium and sums these amounts.

The calculation of written exposures and earned exposures is identical to the calculation of written and earned premium with the exception that instead of summing premium, the calculation sums vehicles insured and homes insured, respectively, for personal auto and homeowners. No claims information is involved and the same financial records used to calculate written and earned premium are used to calculate written and earned exposures.

***There is no meaningful alternative – speeding up reporting by statistical agents and states to produce the same limited information is not feasible with current statistical agent infrastructure for statistical agents and states representing well over 50% of the market.***

The Statistical Working Group investigated whether the statistical agents could speed up the delivery of their annual reports, generally, or just the premium and exposure data elements, specifically. The result of this investigation was clearly no.

It is important to set the baseline against which to compare the various stat agents' and states' responses. Insurers are required to submit the annual financial statement by March 1 and April 1, respectively, for key schedule and exhibits and remaining schedules and exhibits. Quarterly financial statements are due 45 days following the end of the first three experience quarters. This means that the by line by state data for the annual statement in 2021-11BWG is available to regulators shortly after the submission data and to the public about 30-45 days after the submission date. So, the by state by line data in the annual statement portion of 2021-11BWG is available to the public by around May 15 (though some purchases obtain annual statement data in April) and the by line data in the quarterly statement portion of 2021-11BWG is available to the public by around June 30, September 30 and December 30, respectively for Q1, Q2 and Q3 quarterly statements.

The Statistical Working Group received responses 15 statistical agents. Of the three main statistical agents – ISO, NISS and ISS, only ISO stated an ability to provide an earlier report of premiums and exposures – in May. NISS and ISS, who account for about 50% of the personal auto and homeowners statistical reporting, are not able to speed up delivery. While some state entities reported the ability to speed up delivery, most indicated they could not, including California with 11-12% of the total market.

Putting aside the obvious problems with usefulness of a minority of countrywide experience, even if the speeded up reporting was limited to the statistical agents and states who could provide the premium and exposure data sooner than the current schedule (and not all could meet a May deadline for full year reporting), the NAIC would have to collect and compile the information, which would take additional time.

The use of the annual and quarterly financial statement reporting reflected in 2021-BWG represents an extremely efficient method of collecting comprehensive and complete data in a uniform and consistent fashion in a timely manner.

***By virtue of financial statement reporting, 2021-11BWG includes some data quality checks.***

The instructions for reporting included 2021-11BWG require that the earned premium and written premium values tie to other exhibits in the annual and quarterly financial statements. These are core financial data points that, themselves, are typically used to verify and reconcile other data reports. For example, the statistical agent AAIA, in its response to the Statistical Working Group, states, “As far as how soon AAIS could get this data to the NAIC, our initial assessment is that if we started on the reconciliation when we get the preliminary annual statement data in May we should be able to finalize data by September.”

***Additional Issue More Relevant for Blanks Working Group consideration: There will be a non-material cost burden on insurers to report the additional data elements.***

Some have raised the argument that reporting of data pursuant to 2021-11BWG will be costly for insurers, although this claim of cost burden has not been supported by any evidence or logical explanation. In fact, it is demonstrable that any additional cost to insurers will be non-material.

Recall the discussion above about how insurers track sales transactions and calculate written and earned premium for financial statement reporting. With access to the transaction data that permits calculating written and earned premium, the analogous calculations of written and earned exposures are minor additions. This ease of calculation is evidenced by the response of ISO to the Statistical Working Group inquiry. Insurers reporting to ISO report transaction-detail data – similar to the data records maintained by insurers. By virtue of having transaction data, indicated the ability to report the premium and exposure data shortly after receipt from insurers.

2021-11BWG does not require insurers to collect any new data elements nor even to calculate new data elements. It simply asks insurers to report written and earned exposures at the same time and in the same detail and written and earned premiums are reported in financial statements.