

## Comments of the Center for Economic Justice

### To the MCAS Blanks Working Group

April 16, 2025

We direct our comments to the lender-placed insurance (LPI) reporting problem and proposed solution and at the proposal for renaming certain data elements across multiple MCAS lines of business.

#### Lender-Placed Insurance

We start by noting that a **LPI reporting problem by every company** has been identified and there is currently only one written proposal to address that reporting problem. At the last working meeting, there was mention of other proposals, but we have seen nothing in writing. Based on the verbal descriptions of the other proposals, they do not address the problem.

**The problem** is that there is currently no data element for coverages expiring at the end of coverage term. There are data elements for coverages:

- a. at beginning of period;
- b. written during the period;
- c. at the end of the period;
- d. flat-cancelled; and
- e. cancelled for any other reason.

Consequently, the data check that compares the  $(a + b - d - e)$  to c produces an error message.

The missing piece is coverages expiring at end of term during the period.

One insurer reported that to avoid this error message, the insurer treated all expiring coverages as cancellations. While this makes the error message go away, it represents incorrect reporting – it overstates cancellations and such overstatement can be significant. Other insurers who have not reported a problem are nevertheless incorrectly reporting to avoid getting the error message. Some insurers may not be reporting new coverages issued on the same property or vehicle as a new coverage written – which would also be an error that understates underwriting activity during the period

While clarification of some definitions are needed – a coverage expiring at end of term is not a cancellation and a new coverage issued on the same property or vehicle following expiration of a prior policy is not a renewal – such changes in definitions alone are not sufficient. Changing the definitions does not correct the problem of the missing data element and currently erroneous reporting.

**Eliminating the error message also does not address the problem – it simply results in some insurers underreporting new coverages during the period and other insurers over-reporting cancellations.**

Based on the above, we recommend the following:

1. The working group adopt the CEJ proposal for additional data elements and new and revised definitions for the earliest reporting period permitted by MCAS procedures.
2. As in interim measure, the working group inquire of reporting companies the following:
  - a. How/where have your reported new coverages on the same property following expiration of a prior coverage;
  - b. How many of item 2.a. by coverage;
  - c. How/where have you reported coverages expiring at the end of coverage term; and
  - d. How many of 2.b by coverage?

By getting this supplemental information, the NAIC may be able to adjust company reports to address the reporting error as an interim measure

3. The working group consider, after adopting the CEJ proposal, asking companies to resubmit corrected reports in light of the new definitions and data elements for prior years in order for regulators to have consistent data reporting over time – which is essential for analyzing MCAS data.

**Renaming Certain Data Elements Across Multiple MCAS Lines of Business**

We start by asking what problem or problems are prompting the proposed changes? If the only purpose of the proposal is to create completely consistent terminology across multiple lines of business, that would seem to be a solution in search of a problem. If there are no reporting problems associated with these data elements, the proposed re-naming seems unnecessary.

In addition, there can be significant differences across different MCAS lines of insurance – from property casualty to life and annuities to health and other health to travel to pet to lender-placed. There may well have been a reason or reasons why the particular terminology was used for the particular data element in a particular line of business.

We suggest the working group expose the proposed changes for a lengthier comment period and consider asking reporting companies and regulators with relevant expertise if the name changes will create any confusion.