CEJ Comments to Pet Insurance MCAS SME Group

April 20, 2023

After considering NAPHIA's letter of April 11, 2023 and reviewing the discussion from last week's SME call, CEJ concludes that the industry claim of inability to track claims outcomes by coverage is implausible.

During the development of the model, pet insurers argued that waiting periods and pre-existing exclusions were necessary to hold down claim costs and prevent fraud. Insurers specifically called for a waiting period for accidents, arguing the absence of a waiting period for accidents would drive up rates to unaffordable levels. It is unclear how insurers could have offered any of these arguments in the absence of tracking experience for accident claims.

Taking this argument from the specific to the general, how could an insurer respond to a situation in which claim costs were rising more than expected in the absence of some ability to assess what was driving the increased claim costs? How can an insurer put together a package of coverages and develop appropriate rates in the absence of some information about the costs of providing specific benefits / coverages?

If we were to accept the (hard-to-believe) representation by NAPHIA and companies participating in the SME that their systems do not permit tracking of experience by coverage, it is incumbent on regulators to establish MCAS reporting requirements that cause pet insurer to track experience by major coverage to ensure sound business practices by pet insurers.

Consequently, we re-urge the working group to retain wellness, accident, illness and other as coverage categories – not policy types – in the claims schedule.

Bowing to industry representations about the limitations of their systems, we suggest a single definition of claim, as used in other p/c MCAS blanks, with the following data elements broken out by coverage.

Create three sets of data buckets for claim dispositions –

A. Claims closed without payment
B. Claims closed with full payment
C. Claims closed with partial payment

For B category, have Dollar amount of claims paid during the period

For C category, have Dollar amount of claims requested during the period and dollar amount of claims paid during the period.

Putting it all together – with columns for Wellness, Accident, Illness, Other and Aggregate (with Aggregate cells limited to the median days data elements:

1. Number of claims open beginning of period
2. Number of claims opened during the period
3. Number of claims closed during the period

4. Number of claims closed with full payment during the period
5. Dollar amount of claims closed with full payment during the period
6. Median days to claim closure for claims closed with full payment

7. Number of claims closed with partial payment during the period
8. Dollar amount requested for claims closed with partial payment during the period
9. Dollar amount of claims closed with partial payment during the period
10. Median days to claim closure for claims closed with partial payment

11. Number of claims closed without payment during the period
12. Dollar amount requested for claims closed without payment during the period
13. Median days to claim closure for claims closed without payment during the priod

14. Number of claims pending end of period

15. Number of claims closed during the period with full payment 0 – 30 days
16. Number of claims closed during the period with full payment 31– 60 days
17. Number of claims closed during the period with full payment 61 – 90 days
18. Number of claims closed during the period with full payment 91 – 180 days
19. Number of claims closed during the period with full payment 181 – 365 days
20. Number of claims closed during the period with full payment beyond 365 days

21. Number of claims closed during the period with partial payment 0 – 30 days
22. Number of claims closed during the period with partial payment 31– 60 days
23. Number of claims closed during the period with partial payment 61 – 90 days
24. Number of claims closed during the period with partial payment 91 – 180 days
25. Number of claims closed during the period with partial payment 181 – 365 days
26. Number of claims closed during the period with partial payment beyond 365 days

27. Number of claims closed during the period without payment 0 – 30 days
28. Number of claims closed during the period without payment 31– 60 days
29. Number of claims closed during the period without payment 61 – 90 days
30. Number of claims closed during the period without payment 91 – 180 days
31. Number of claims closed during the period without payment 181 – 365 days

32. Number of claims closed during the period without payment beyond 365 days

33. Number of claims closed during the period without payment – pre-x condition

    Note – there are three data element in the current draft for number of claims closed without payment for congenital anomaly, hereditary disorder and chronic condition. These all seem to a pre-existing condition. Is there a reason for asking for these specific types of pre-x claim denials?

34. Number of claims closed during the period without payment – waiting period
35. Number of claims closed during the period without payment – maximum benefit limit
36. Number of claims closed during the period with partial payment – maximum benefit limit
37. Number of claims closed during the period without payment – claim amount less than deductible
38. Number of claims closed during the period without payment – inadequate documentation
39. Number of claims closed during the period with partial payment – inadequate documentation
40. Number of claims closed during the period without payment during the period for reasons other than 34 through 39,