

April 28, 2025

Sent via email

**To:** LeDuc, Jo

**Cc:** Guillory, Joshua; Marshall Newhouse; Cooper, Teresa; Rebholz, Rebecca; Ailor, Maria

**Subject:** MCAS LPI Proposal

Dear Jo,

I've reviewed your comment letter of April 17, 2025 and wanted to engage with you. One of your comments is the following:

*We are also struggling to understand how insurance regulators would benefit from having the number of certificates or individual policies that were 'renewed' during the period reported separately from the number of certificates or individual policies written during that same period.*

To ensure we are on the same page, "renewals" refers to new coverage issued on the same vehicle or property following the expiration of the coverage term of the prior coverage. There are no renewals in LPI -- a new individual policy or certificate is issued on the same property if the borrower continues to fail to provide evidence of required insurance by the end of the term of that prior individual policy or certificate.

There are at least two valuable benefits from the additional data element of coverages "renewed." First, if a particular LPI insurer has a high number of "renewals" relative to other insurers, that is a strong indication of problems with consumer disclosures and/or false placement. Regulators could certainly have used this information a few years back when the LPI insurer National General for Wells Fargo auto loans. See <https://www.insurancejournal.com/news/national/2024/07/26/785676.htm> which notes that National General falsely placed LPI 56% to 93% of the time resulting in hundreds of thousands of erroneous placements and hundreds of millions of dollars in inappropriate charges. The "renewals" data element would certainly assist in identifying problems like this.

A second benefit would be to allow regulators to gauge the overall volume of "renewals" for auto and home insurance. This is one of the best metrics to assess the availability and affordability of auto and home insurance as high numbers or increasing numbers of "renewals" indicate problems in the state's market.

Your letter also includes the following:

*We have some concerns about the remaining proposed definitions and data elements. Specifically, the definitions for "Individual Policies Written During the Period" and "Certifications Written During the Period" include both certificates and individual policies. Additionally, the proposal introduces new data elements for reporting certificates and individual policies that have been "renewed." We do not support adding definitions that could lead to double reporting of information.*

The two definitions correspond to the breakout within the LPI MCAS for individual policies and certificates issued under group policies. While both cover a single vehicle or property, some states require LPI to be issued as an individual policy, while the majority of states permit issuance of certificates under a group policy sold to the lender or servicer. The two definitions are intended to replace the current definitions of "Individual Policy" and "Certificate" to provide the clarity needed to address the current reporting errors.

I refer to individual policies and certificates issued under a group policy collectively as "coverages."

As you know from the discussions to date, there has been a reporting problem because insurers have been misreporting in one of two ways in order to avoid the error message that prevents submission. One way has been reporting expiring coverages as cancellations -- an error because the policies have simply reached the end of the term. This error falsely inflates the number of cancellations. Another way is that insurers have not been reporting "renewals" as coverages written, which understates the number of coverages written during the period. Both errors render key ratios non-comparable and misleading.

The data element for coverage renewed is necessary to both correct reporting errors and fix the missing gap in the data quality edit that compares the ending coverage total to the sum of beginning coverages plus coverage activity during the period.

Thanks for your consideration,

Birny

Birny Birnbaum (he/his)  
Director  
Center for Economic Justice

[www.cej-online.org](http://www.cej-online.org)

512-912-1327