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John Haworth
Chair, NAIC Market Analysis Procedures (D) Working Group
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Dear Chair Hayworth:

The U.S. Travel Insurance Association ("UStiA") appreciates the opportunity to provide comments to the Market Analysis Procedures (D) Working Group ("MAP WG" or "Working Group") with regard to adding travel insurance as a new business line for Market Conduct Annual Statement ("MCAS") reporting purposes. UStiA does not believe adding travel insurance as a separate MCAS business line is necessary or appropriate at this time.

The MAP WG and NAIC Market Regulation and Consumer Affairs (D) Committee considered this issue as recently as 2018. After consideration of testimony, written submissions, and thorough deliberation, the Working Group voted by nearly a two-to-one margin in December 2017 not to add travel insurance as an MCAS business line. In an unusual move after the Working Group's action, the full D Committee considered the issue in August 2018 and voted overwhelmingly NOT to include travel insurance as an MCAS business line. As was the case in 2018, the market remains small relative to other lines currently subject to separate MCAS reporting and continues to go through considerable regulatory review. Moreover, while states are working to implement NAIC's Travel Insurance Model Act ("Travel Model") into their own laws and regulations, the regulatory landscape is constantly shifting. Finally, due to the fact that travel insurance is generally a short-term, non-renewable, discretionary purchase, its competitive success in the marketplace is highly dependent upon meeting the customer's expectations at a valued price.

For these reasons, and as more fully explained below, the UStiA does not believe that MCAS reporting would be useful or warranted, nor do we believe that the NAIC or the states would be well served by dedicating additional state regulatory resources for this purpose and imposing this additional regulatory burden on this relatively small industry.

I. **<u>The travel insurance regulatory landscape is constantly shifting as states work to implement NAIC's Travel Model.</u>**

The MAP WG should not require MCAS reporting for travel insurance at this time because there is not a uniform regulatory regime for the product. On December 19, 2018, the NAIC Executive (EX) Committee and Plenary adopted the Travel Model. The Travel Model was thoroughly vetted by state insurance legislators, regulators, and industry. In fact, the NAIC Travel Insurance Working Group provided all stakeholders – private sector and regulator alike – with more than 25 separate calls and in-person meetings to debate the Travel Model, discussing each section and considering all comments from stakeholders. The Travel Model, as approved by NAIC, creates a uniform and workable regulatory regime for the travel insurance industry.

Currently, however, the Travel Model has only been implemented in eight states.[1] Until the Travel Model is implemented across the country, the regulatory landscape for the travel insurance market varies and will continue to shift. It makes sense to have clear definitions, standards and requirements in place in the states for travel insurance before implementing an MCAS reporting requirement. Otherwise, requiring MCAS reporting for travel insurance will place additional regulatory burdens for an already heavily reviewed line of insurance, during a period when the baseline for such reporting is shifting. UStiA encourages states to work with the travel insurance industry to implement the Travel Model before adding travel insurance as a new business line for MCAS.

II. <u>The travel insurance market is under regulatory review by state lawmakers and regulators.</u>

The MAP WG should not require MCAS reporting for travel insurance at this time because state regulators currently have a great deal of information available regarding individual travel insurers. The industry has – and continues to – be the subject of significant regulatory review and oversight.

To address the regulatory confusion brought to light as a result of the activity of the NAIC's Market Actions Working Group (MAWG), a substantial number of travel insurance companies, representing more than 75% of outstanding premium, signed Regulatory Settlement Agreement ("RSAs") with approximately 40 states in 2018. Importantly, the RSA contains provisions pertaining to ongoing monitoring of the travel insurance companies, including but not limited to semi-annual reports to the states by individual travel insurance companies. Therefore, the overwhelming majority of states regularly receive comprehensive reports on the travel insurance industry and will continue to do so, in some cases for several more years. Given the ongoing monitoring and already heavy scrutiny of this segment of the industry, adding travel insurance as a new business line for MCAS is not needed at this time.

In addition to the RSA reporting and multi-state examination followup, the NAIC Market Conduct Examination Standards (D) Working Group just released for comment its "Inland Marine in Force SDR" as part of updating its standard data requests for various lines of business. Travel insurance is primarily filed as an inland marine line in most states and thus would be a line of business included in the SDR.

III. <u>The travel insurance industry meets consumer expectations in a competitive market, and consequently has seen increased take-up rates and low (and declining) complaint rates.</u>

[1] Arkansas, Louisiana, Maryland, North Carolina, Oklahoma, Rhode Island, Texas, and Virginia. The UStiA is actively supporting adoption of the Model Act in the states.

Unlike most of the insurance lines subject to MCAS reporting requirements (such as homeowners, automobile, and health), travel insurance is a discretionary purchase and therefore is much more susceptible and responsive to competitive market forces. The purchase of travel insurance is completely up to the consumer – there is no government or third party (lender, for example) that requires a consumer to purchase travel coverage. The travel insurance industry, therefore, is highly sensitive to the concerns of its customers, who may simply refuse to purchase travel insurance again if they have a bad experience.

These competitive market forces have led to the most efficient and valuable travel insurance products for consumers. Because the product is offered broadly, across many different distribution outlets, risk can be spread broadly, prices have remained stable and market sensitive, there is increased pressure to provide broadened services, and consumers benefit. Unlike more traditional insurance markets, market indicators, including increased take rates and very low (and declining) complaint rates, have clearly guided market participants on how best to meet those expectations. In fact, NAIC complaint statistics indicate that the number of complaints about travel insurance actually *decreased* in 2019 from 2018, despite an increase in the number of policies sold. Item 4(f) of the Procedure for Selecting New MCAS Lines of Business indicates that the total number of complaints or inquiries received nationally in each year for the last 5-10 years is a factor to be considered. This important indicator also suggests that the need for further data collection, without clearer signs of broad consumer dissatisfaction, does not warrant expending the regulatory resources needed to administer such MCAS reporting.

IV. <u>Travel insurance is a small market compared to other MCAS reporting lines.</u>

In general, travel insurance is a very small market compared to other MCAS reporting lines, making it an inappropriate candidate for MCAS reporting, which appropriately focuses limited state resources on larger lines of business. It is clear from current MCAS reporting requirements and the history associated with adding lines to MCAS reporting that regulators believe that they should concentrate their time (and MCAS reporting and analysis resources) on the larger markets rather than smaller lines like travel. In fact, the other lines currently subject to MCAS reporting requirements are many multiples of the size of the travel insurance market. The need for additional regulatory resources and attention on this comparatively small segment of the insurance industry makes little sense at this time.

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Thank you for consideration of our comments. Please do not hesitate to contact me with any questions you may have.

Sincerely,

John P. Fielding
Counsel, U.S. Travel Insurance Association