



Comments of the Center for Economic Justice
To the NAIC Market Analysis Procedures Working Group
Proposal to Add Travel Insurance as MCAS Line of Business
January 15, 2020

CEJ writes to propose the addition of MCAS reporting for travel insurance. Pursuant to the Procedure for Selecting New MCAS Lines of Business Adopted by the NAIC Market Regulation and Consumer Affairs (D) Committee on August 8, 2017,¹ we provide the following in support of our recommendation.

2. Concise Statement

a. A statement explaining how this line of business will further the objectives of and improve efficiency of market regulation in general;

According to the U.S. Travel Insurance Association (USTIA),²

In 2018, Americans spent nearly \$3.8 billion on all types of travel protection, as conveyed in the recently released 2016-2018 Travel Protection Market Study conducted for the US Travel Insurance Association. This amount represents an increase of 40.9% from 2016. Coverage and protection includes annual products and per-trip travel protection, with benefits ranging from trip cancellation and interruption, lost luggage, emergency medical, medical evacuation, and various other benefits and programs from USTIA member companies.

In 2018, approximately 65.8 million people were protected by more than 46.3 million plans provided by USTIA members. Consumers purchased these plans through distribution channels such as travel suppliers, travel agents, travel insurance providers, internet aggregators, and insurance producers. The number of people covered increased by 49.1% from 2016, while the number of plans sold has increased by 36.5%.

Programs that include trip cancellation/interruption benefits account for almost 90% of the travel protection products purchased in 2018. Programs focusing on medical and medical evacuation benefits account for 6.3% of the programs sold.

¹ https://content.naic.org/sites/default/files/inline-files/cmte_d_mapwg_mcas_selecting_new_lob.pdf

² https://www.ustia.org/uploads/2/4/8/8/24887869/ustia_press_release_2019_new_study.pdf

The rapid growth in travel insurance has continued from 2014. In 2017, the UStiA reported:³

In 2016, Americans spent \$2.8 billion on all types of travel insurance . . . an increase of 19.1% from 2016. Coverage and protection includes annual products and per trip travel protection, with benefits ranging from trip cancellation and irruption, lost luggage, emergency medical, medical evacuation and various other benefits and programs from UStiA members companies. . . In 2016, approximately 42.6 million people were protected by more than 32.3 million plans provided by UStiA members. Consumers purchase these plans through distribution channels, such as travel suppliers, travel agents, travel insurance providers, internet aggregators, and brokers. The number of people covered has increased by 23.7% from 2014, while the number of plans sold increased by 28.5%.

There is no routine market monitoring of travel insurance. In fact, there are no data routinely collected by regulators regarding travel insurance in the statutory financial statement. This lack of market monitoring and any data collection exists despite the adoption by the NAIC of the Travel Insurance Model Act in 2018 and the adoption by the NAIC of a new chapter in the Market Regulation Handbook for travel insurance. There is no information available to market regulators, other than very limited complaint data submitted to insurance departments on sales and claims in travel insurance markets. There is no annual statement data that isolate travel insurance. There is also no current market outcome-related data collection for travel insurance.

Establishing a MCAS for travel insurance will provide market regulators with information to monitor travel insurance markets, generally, and to monitor outcomes from the multi-state examination as well as recently-adopted laws to expand existing regulatory structures from producer licensing of travel retailers and other sellers of travel insurance to a more comprehensive regulatory framework for travel insurance.

As with all lines of business, a MCAS for travel insurance will provide market regulators with the raw material for market analysis which, in turn, provides for more focused regulatory efforts for any line of insurance.

Given the complicated nature of the policy, the variety of coverages provided with a policy, the tremendous growth in the travel insurance market, the tens of millions of consumers who purchase the product and the recent adoption of model laws by the NAIC and NCOIL and adoption of new travel insurance laws by the states, travel insurance is a prime candidate for addition as a MCAS line of business.

³ http://www.ustia.org/uploads/2/4/8/8/24887869/ustia_2014-16_market_survey_release.pdf

b. Why collecting data in this formation is the most expeditious manner to do so (for example, rather than a one-time data call for a specific situation);

Travel insurance is a rapidly growing line of insurance affecting tens of millions of consumers. A line of insurance affecting this many consumers require the routine market monitoring that MCAS allows. MCAS reporting is ultimately far more efficient and effective than special data calls which, by the unique nature, are typically riddled with data reporting problems and interpretations. Routine data reporting will always yield more reliable data for analysis and regulatory purposes than one-time reporting. More important, the issues with travel insurance are on-going – fair sales and claims settlement practices.

The reliance on complaints submitted to state insurance departments are particularly inadequate for travel insurance. In addition to the usual limitations of complaints for market monitoring, most travel insurance is sold by travel-related businesses as part of a travel protection package with non-insurance services. If a consumer wanted to file a complaint, s/he would most likely go first to the travel retailer or the travel assistance provider. In fact, the number of travel insurance complaints received by the NAIC is lower than the number of complaints with Better Business Bureau and far lower than then number of poor reviews at travel assistance web sites.

c. How the addition of this line of business will benefit the consumer.

Consumers will benefit by the provision of data to regulators for monitoring a market which has never had such monitoring in the past. Routine market monitoring of travel insurance will enable regulators to identify and address problems in travel insurance markets more pro-actively than through other available market monitoring approaches.

Consumer also benefit because MCAS for travel insurance allows market regulators to efficiently monitor travel insurance markets through routine data analysis instead of through special data calls and examinations. By providing a more efficient market monitoring tools for regulators, regulators are more likely to routinely monitor travel insurance markets than without such a market monitoring tool.

Consumers also benefit because MCAS will enable market regulators to identify and focus regulatory resources on particular problems that may arise. As the attached examples of travel protection plans show, the plans are complex – covering a wide variety of events with insurance and non-insurance benefits and complex features, including various exclusions (e.g., pre-existing conditions) and claim settlement features (e.g. excess coverage). The samples also indicate a number of states require disclosures specific to travel insurance. By better enabling market regulators to routinely monitor travel insurance market outcomes and identify specific types of problems (e.g., sales vs. claims, cruise lines vs. aggregator web sites), consumers and the travel industry benefit from more informed market analysis and focused regulatory efforts.

3. Supporting documentation may include the following

Qualitative Factors:

a. *Is this line/product subject to regulation by any other agency such as the IRS, FINRA, SEC, HHS? If so, which one(s)?*

The insurance aspects of travel protection plans are subject to state-based insurance regulation. The non-insurance aspects of travel protection plans may be subject to broader unfair trade practices laws, but we are unaware of any routine oversight by other regulators.

b. *Is this line/product currently reporting data on a periodic basis to any state(s)? If yes, which one(s) and what is being reported*

To the best of our knowledge, no.

4. If available, the supporting documentation must also contain the following

Quantitative Factors:

a. *The number of carriers writing premium for this line;*

A review of various travel insurance aggregator web sites suggests 8 to 15 insurer groups actively selling travel insurance. But, as there is no routine reporting of travel insurance as a line of business in the annual statement, the number may be higher. Travel insurance is typically filed as inland marine, so a search for “travel insurance” filings may not produce comprehensive or reliable results.

b. *The in-force premium and new premium volume for each of the last 5 – 10 years;*

See above citation from UStiA survey. We are not aware of other publicly available data.

c. *The number of policies in-force in each of the last 5 – 10 years;*

See above citation from UStiA survey. We are not aware of other publicly available data.

d. *The number of policyholders for each of the last 5 – 10 years;*

See above citation from UStiA survey. We are not aware of other publicly available data.

e. *The number of claims paid each year for the last 5 – 10 years;*

See above citation from UStiA survey. We are not aware of other publicly available data.

f. The total number of complaints or inquiries received nationally in each year for the last 5 – 10 years.

NAIC data show that travel insurance complaints increased dramatically from 2014 to 2016 from 87 to 209 to 251 closed, confirmed complaints. NAIC staff has reported the number of total complaints is significantly higher. Our review of product reviews on travel insurance aggregator web sites indicates a greater number of dissatisfied consumers than suggested by complaint data alone. We have not identified a public source of more current data on complaints regarding travel insurance submitted to state insurance regulators.

We note that the presence or absence of complaint data is not a relevant indicator of need for MCAS reporting because complaints are, at best, an incomplete indicator of market performance. For example, despite Wells Fargo force-placing in error a half million auto insurance policies on its borrowers, state regulators received no complaints from consumers regarding this practice. Complaints to regulators will be a particularly poor measure of market performance of travel insurers and producers because most travel insurance is purchased through travel providers, such as airlines and cruise lines. Consequently, consumer complaints are likely to go to these providers and not to insurance departments.

g. A list of states/jurisdictions in which the line/product is sold;

We believe travel insurance is sold in all states and the District of Columbia

h. Any other data specific to the line/product that would support recommendation.

Another reason for monitoring the travel insurance market with MCAS reporting is the complicated nature of travel insurance. The plans are complex in a number of ways. For example, many of the travel insurance plans provide only excess coverage and do so in a manner difficult for consumers to understand:

The insurance provided by this Certificate shall be in excess of all other valid and collectible insurance or indemnity. If at the time of the occurrence of any Loss there is other valid and collectible insurance or indemnity in place, the Company shall be liable only for the excess of the amount of Loss, over the amount of such Other Insurance or indemnity, and applicable Deductible.

Given the complicated nature of the policy, the variety of coverages provided with a policy, the tremendous growth in the travel insurance market, the tens of millions of consumers who purchase the product and the recent adoption of model laws by the NAIC and NCOIL and adoption of new travel insurance laws by the states, travel insurance is a prime candidate for addition as a MCAS line of business.