



**Comments of the Center for Economic Justice**  
**To the NAIC Market Analysis Procedures Working Group**  
**Suggested MCAS Ratios for Travel Insurance**

**June 6, 2022**

The Center for Economic Justice submits the following proposed MCAS ratios for travel insurance in addition to ratios included in the meeting materials.

**Loss Ratio**

(Sum of Item 29 for all coverages) / (Sum of Items 44, 45 and 46 for all coverages)

(Dollar Amount of Claims Closed with Payment for all coverages) / (Dollar Amount of DPW for Individual Policies for all coverages + Dollar Amount of DPW for Group Policies Other Than Blanket for all coverages + Dollar Amount of DPW for Blanket Policies for all coverages)

***Rationale:*** There is currently no annual statement line of business break-out for travel insurance. Consequently, there is no routine public information regarding travel insurance loss ratios. The proposed single ratio would allow regulators to compare loss ratios across companies and would allow the public to see industry aggregate loss ratios by state. As loss ratio is the most accepted method of assessing aggregate value of an insurance product for consumers, loss ratio information for travel insurance as useful as loss ratio information for virtually every other line of insurance. The ratio specifies the loss ratio calculation aggregated across all coverages, resulting in one ratio per company per state for regulators and one ratio per state for the public.

**Lawsuit Frequency**

(Sum of Item 31 for all coverages) / (Sum of Item 18 for all overages)

(Number of Lawsuits Opened during the Period for all coverages) / (Number of Claims Opened during the Period for all coverages)

Or

(Sum of Item 31 for all coverages) / (Average of Item 40 and Item 43 for all coverages)

(Number of Lawsuits Opened During the Period) / (Average of Number of Individual Insured under All Policies Beginning of Period for all coverages and Number of Individual Policies and Certificates from Group Policies at End of Period for all coverages)

**Rationale:** The current proposal includes a single ratio involve lawsuits – lawsuits with consideration for the consumer to lawsuits. While this ratio is useful to determine how often he consumer obtains relief through a lawsuit, it doesn't provide any information about the frequency of lawsuits. A company experiencing 1 lawsuit with consumer consideration out of 2 total lawsuits presents the same ratio as a company experiencing 1,000 lawsuits with consumer consideration out of 2,000 total lawsuits. The proposed ratio provides a rough metric of the overall frequency of lawsuits. The proposed ratio is not only useful by itself, but makes the existing (proposed) lawsuit ratio more useful for market analysis.

While we offer two options for this ratio, we suggest the first – Lawsuits to Claims – because the massive number of travel insurance insureds in a reporting period will generate extremely small ratio values if the denominator is the average number of insureds. Such extremely small values mean that even a tiny difference in ratio value creates a large difference in the ratios.

The ratio specifies the lawsuit frequency calculation aggregated across all coverages, resulting in one ratio per company per state for regulators and one ratio per state for the public.

### **Direct Premium Written, Average Number of Insureds and Total Number of Claims**

**Direct Premium Written:** (Sum of Items 44, 45 and 46)

(Dollar Amount of DPW for Individual Policies for all coverages + Dollar Amount of DPW for Group Policies Other Than Blanket for all coverages + Dollar Amount of DPW for Blanket Policies for all coverages)

AND

**Average Number of Insureds:** (Average of Item 40 and Item 43 for all coverages)

(Average of Number of Individual Insured under All Policies Beginning of Period for all coverages and Number of Individual Policies and Certificates from Group Policies at End of Period for all coverages)

AND

***Total Number of Claims:*** (Item 18 for all coverages)

(Number of Claims Opened during the Period for all coverages)

**Rationale:** As mentioned above, there is currently no annual statement line of business for travel insurance. Consequently, basic information about premium, claims and number of insureds available for nearly every other personal line of insurance is not available for travel insurance. The basic metrics proposed will allow the public to learn about the size and basic performance of the travel insurance market. While regulators would have access to these ratios by company, the public would only have access to industry aggregate experience by state.