



**Comments from the Center for Economic Justice**

**To the NAIC Market Conduct Annual Statement Blanks Working Group**

**Regarding the proposed Travel Insurance MCAS and Digital Claims Settlement for Private Passenger Auto and Homeowners MCASs**

**May 26, 2021**

As the MCAS Banks Working Group considers various proposals for data elements and definitions for new and existing MCAS lines of business, CEJ offers the following comments.

- CEJ urges adoption of the definitions, interrogatories and data elements for the new travel insurance line of business, as recommended by the drafting group, with two additions:
  - Add a coverage breakout for the Cancel for Any Reason coverage
  - Add a data element for Free Look Cancellations
- CEJ urges adoption of the definitions, interrogatories and data elements for Digital Claims for the private passenger auto and homeowners MCAS lines, as recommended by the drafting group.

Travel Insurance

CEJ recommends the following additions to the work product of the drafting group.

***Add Coverage Breakout for “Cancel for Any Reason”***

The draft travel insurance MCAS includes the reporting of claims activity broken out by coverages:

- Trip Cancellation
- Trip Interruption
- Trip Delay
- Baggage Loss / Delay
- Emergency Medical / Dental
- Emergency Transportation / Repatriation
- Other

As a result of the pandemic, travel insurers have significantly increased the inclusion of a “Cancel for any Reason” (CFAR) benefit option in the travel insurance plans. InsurerMyTrip, a travel insurance web aggregator, recently reported<sup>1</sup> that the percentage of travelers purchasing policies with a CFAR “upgrade” has doubled from 8% in January 2021 to 16% in April 2021.

A recent article in *Forbes* discussed CFAR:<sup>2</sup>

[Cancel for any reason coverage](#) is an optional upgrade that gives you the most flexibility if you want to cancel a trip. Without it, you’ll receive trip cancellation reimbursement only if you cancel for a reason listed in the policy. But with CFAR, you can get partial reimbursement no matter what your reason for canceling is—from wanting to watch the season premiere of “The Crown” to being mad at your traveling companion.

Other must-knows about CFAR:

- Reimbursement is usually 50% or 75% of your pre-paid and non-refundable trip costs
- You must have insured 100% of your pre-paid and non-refundable trip costs
- You must add CFAR coverage within a certain time period after making your first trip deposit, such as 10 to 21 days

Adding a “cancel for any reason” upgrade to a [travel insurance](#) policy will increase a policy’s premium by about 40%, says Steven Benna, a spokesperson for Squaresmouth, a travel insurance comparison provider. He observes that since the start of 2020, the average cost of a standard trip cancellation insurance policy has been \$299. During that same time, the average cost of a policy with cancel for any reason coverage has been \$428—about 43% more.

The current proposed Travel Insurance MCAS does not break out CFAR – any CFAR claims activity would be included in the Other category.

CEJ suggests that given the complexity, cost and growth in the sales of CFAR coverage, CFAR claims activity should be reported as a separate coverage. Doing so requires only adding CFAR to the list of coverages with separate reporting for domestic vs. international (as is the case with all other coverages) without a primary vs. excess/secondary breakout.

The drafting group decided not to include definitions of coverages, so there is no need to add a definition of CFAR. The drafting group accepted industry’s recommendation to not define coverages because the coverage categories are well understood by travel insurers.

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<sup>1</sup> <https://www.prnewswire.com/news-releases/data-more-travelers-buying-cancel-for-any-reason-coverage-301287876.html>

<sup>2</sup> <https://www.forbes.com/advisor/travel-insurance/is-cfar-worth-it/>

***Add “Free-Look” Cancellations as a Data Element to the Underwriting Table***

Travel insurance products include a free look period. The NAIC Travel Insurance Model Law, at section 7 (C) (3), requires insurers to offer a full refund to consumers who cancel a policy or certificate within 15 days if the fulfillment materials are delivered by mail and within 10 days if delivered by other means.

The current travel MCAS proposal includes a single consumer-initiated cancellation data element: 4-40 Number of individual policies and certificates from group policies cancelled by the consumer during the period.

The current data element doesn't break out free-look cancellations from other consumer-initiated cancellations. This greatly limits the analytic value of the cancellation data. Since there are likely many free-look cancellations, other types of cancellations which might raise the interest of a market analyst, will be impossible to detect because the number of free-look cancellations will dwarf the number of other consumer-initiated cancellations. Consequently, breaking out free-look cancellations is important not only to track free-look outcomes, but also to improve the value of the general cancellation data element.

In addition, every other MCAS line of business that feature free-look periods includes a free-look cancellation data element – life insurance and long-term care insurance. For example, the life insurance MCAS has a data element for free-looks and includes the following definition:

Free Look– A set number of days provided in an insurance or annuity contract that allows time for the purchaser to review the contract provisions with the right to return the contract for a full refund of all monies paid. Report the number of policies or contracts that were returned by the owner under the free look provision during the period, regardless of the original issuance date. Count any policy returned under the Free Look provision even if an alternative policy was ultimately purchased by the insured.

CEJ suggest the addition of a free look data element “Number of Free-Look Cancellations during the Period” and the definition of Free Look cited above to:

- Provide relevant data for market analysts to review a critical feature of travel insurance sales;
- Improve the usefulness of data on other-than-free-look cancellations; and
- Provide consistency or reporting across MCAS lines of business