

# Market Conduct Annual Statement (MCAS) State Success Stories

## **California**

California has started to incorporate the results of MCAS into our market conduct exam process. California currently reviews its MCAS results and shares those results with its examiners that are in the process of or will be examining a particular insurer. If an MCAS ratio from the insurer in question appears to be an outlier, recommendations are shared with the examiner that scrutiny in those particular areas should be incorporated into the examination. As this process matures we are hopeful that potential market conduct issues can be detected using MCAS and corrected in the shortest time possible

## **Colorado**

Colorado uses the MCAS information as a component of our overall analysis, so it is hard to say that it, on its own, has helped us identify a specific market conduct issue.

Of course, it does help us when conducting our baseline analysis to help us identify companies that may need to be examined. We also utilize the info when performing our Level 1 reviews to help us prioritize our exam schedule and develop the scope of an exam.

We have also found it useful when trending policies issued and inforce, and when trying to determine if common areas of concern exist for a particular line of business for a particular company in another state, by viewing other state MCAS ratios.

## **Delaware**

In reviewing the Life and Annuity MCAS data for Delaware we have identified some areas of concern that either led straight to an interrogatory or Level 1/Level 2 Analysis. For example:

- We have identified companies with high numbers of policies/contracts surrendered in less than 2 years from issuance which leads to high surrender fees, and therefore raises agent handling concerns.
- We have identified companies with suitability issues in relation to annuity contracts issued to annuitants over the age of 80.
- We have identified companies that had high complaint ratios in MCAS but not a lot of complaints reported in I-SITE/SBS. As a result of the high complaints identified within the MCAS data, we requested the complaints from the Company, conducted analysis and identified many concerns with their complaint review process, which we then brought to the attention of the Company.

In reviewing the Homeowners and Private Passenger Automobile MCAS data for Delaware we have identified multiple concerns. For example:

- We have noted companies with concerns related to delayed claims payments and high numbers of claims closed without payments.
- We have taken the detailed information found in the Private Passenger Automobile MCAS data in preparation for and as part of some targeted examinations on PIP claims processing.
- We have identified companies that have been issuing policies and then rescinding the policies after 60 days, which resulted in underwriting findings.
- We have identified companies that continue to have lawsuit activities.
- We have determined which companies are offering specific coverages without the need to conduct specialized data calls.

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- With the MCAS data, we have clearly identified statewide fluctuations specifically related to storm related activities which would not be the case if we attempted to compare to national averages.

If we had not reviewed MCAS data for any of these Companies we may not have identified any concerns or have conducted some of the targeted examinations on these companies.

We have also been able to eliminate companies based off of our MCAS review.

### **Maryland**

Maryland has always incorporated MCAS data in its baseline analysis and in the Market Conduct Examination process, as applicable. For data year 2014, Maryland will also be selecting outliers using MCAS MAPT summary report. We will follow up with carriers selected as outliers using the MCAS scorecard report for data year 2014. This process will include all 5 LOBs (Life, Annuity, LTC, PPA and HO). This is the initial process to, hopefully, identify a market conduct issue and address it immediately.

We may discover that there were errors in reporting data. In this particular instance, we will advise the carrier to file the correct data.

At this stage of the process/investigation, I am not sure what we will discover. If a ratio provided is higher than the state ratio as outlined in the MCAS scorecard, this merits further investigation. Of course, we will be selecting the top 10 or 20 outliers for each LOB to follow up with and send then Interrogatories.

### **Michigan**

Michigan has developed our Annuity Suitability Program which utilizes a series of interrogatory questions coupled with minimal data calls to quickly and easily assess the carrier's compliance with our suitability statute (based on the NAIC's Suitability in Annuity Transactions Model Regulation). We have had a number of successful examinations so far and, as the program becomes more sophisticated, we expect to have many more. It is especially important to expedite continuum actions in the individual annuities line of business due to the potential for senior abuse and the MCAS ratios have been key to expediting our work.

This program has been so successful that partner programs in the Private Passenger Auto, Long Term Care, and Health lines of business are currently being developed, each based on using the MCAS ratios for identifying companies with opportunities to improve.

### **New Hampshire**

#### **Issue:**

New Hampshire allows cancellation of an automobile policy after it has been in effect for 60 days for only one or more of the following reasons:

- Nonpayment of premium
- Specific request of the insured
- Failure to sign the New Hampshire residency form as required by statute

Upon review of the Market Conduct Annual Statement (MCAS) data, it was noted that all the carriers in a particular group of companies had cancellation numbers in all three cancellation categories significantly higher than the statewide averages.

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### **Investigation:**

The state contacted the company for an explanation of the higher than average cancellation numbers. The company responded by stating that their business was conducted without agents, and despite providing applicants with a fax number to return the signed residency form, they often did not get returned and matched to the policy file. As a result the policies were being cancelled in accordance with state law.

### **Resolution:**

The state advised the company that the large numbers of cancellations of New Hampshire consumers was not acceptable and asked for detail of their specific process.

As part of the review of the company process, it was learned that when the faxed forms were received they were delivered to the wrong area within the company and were not getting matched up with the underwriting file. As a result, it appeared to the underwriters that the forms had not been received and the policies were being cancelled.

The light bulb moment for the company occurred when they realized the forms were being sent to the wrong place and they were then able to change their process so that the forms were routed to and matched with the underwriting file thereby reducing the unnecessary cancellations.

### **New Jersey**

Our MCAS analysis revealed a specific homeowner company that had a high claim resistance level, a confirmed complaint ratio that exceeded the state confirmed complaint average by 91%, an excessive number of delayed settlements and a downward premium trend. We considered these and other variables to be outliers, and pulled state-specific complaints. We found a trend in which settlements were subject to the appraisal clause in the policy contract. We then found that some involved impartial appraisers and umpires. We made direct contact with the company, outlined our position, outlined our continuum options and the company agreed to renegotiate rejected settlement offers in lieu of specific continuum activity.

### **North Carolina**

With regard to the MCAS, NC uses the MCAS MAPT data to create what we refer to as a "cursory review report" to help with our baseline analysis. Certain data points (claims, cancellations, non-renewals, etc...) from the MCAS MAPT are used to create an overall score based on the attributes (counts, trends, etc...) of each data point selected for use in the calculation. This report has a three year history of the company's data. We review the current data for outliers as well as the three year data for trends. It has been extremely helpful as a tool to determine the priority level and type of review for each company.

### **Washington**

The MCAS reports break out median dates for claims processing by coverage types. Review of the MCAS data indicated that some coverage types for certain carriers were being processed significantly quicker than state averages. In contacting several of these carriers, it was then identified that recent claims systems changes caused certain aging reports to not calculate correctly. The companies were able to identify the problem, implement the changes, and then refile the market conduct annual statements. These changes were done in a collaborative and least intrusive manner.

One should consider this a success story because the issue was quickly identified and resolved without the expense of an exam.

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### **Wyoming**

The MCAS report showed that one of Wyoming's domestic companies had a much higher ratio of unprocessed claims than the national average. We contacted the company to discuss the situation and found that they had experienced difficulties capturing the information in the format required by the MCAS report which led to reporting errors. In this circumstance, I believe that the report accomplished one of the goals: It identified a possible problem that led to follow up with the company, and action by the company to correct the issue. I consider this a success story.