

## PROJECT HISTORY - 2004

### MODEL REGULATION TO REQUIRE REPORTING OF STATISTICAL DATA BY PROPERTY AND CASUALTY INSURANCE COMPANIES (#751)

#### 1. Description of the Project, Issues Addressed, etc.

The Model Regulation to Require Reporting of Statistical Data was amended to establish the NAIC *Statistical Handbook of Data Available to Insurance Regulators* (Handbook) as the standard for statistical reporting of property and casualty data in states. By adopting the model, a state also adopts the Handbook's data quality standards and statistical report formats.

#### 2. Name of Group Responsible for Drafting the Model and States Participating

Changes to the model regulation to designate the Handbook as the statistical data reporting standard were first drafted by the Statistical Handbook Working Group, chaired by Alan Wickman (NE) in 1997. Before they were considered for adoption, however, the working group needed to draft the new data quality standards for the Handbook. They also added Handbook chapters that prescribe formats for customized data requests including a special call format for catastrophe data and they updated the personal auto and the homeowners' chapters.

The model regulation changes and the revised Handbook chapters were moved up to the Statistical Information (C) Task Force at the 2002 Spring National Meeting. The task force deferred the adoption of the model regulation changes until additional changes to the Data Quality chapter and the other modified chapters of the Handbook were made. The task force adopted all the new and revised handbook chapters by December 2003. The model regulation changes were reviewed and adopted in the early part of 2004 and reported up the Property and Casualty (C) Committee at the 2004 Spring National Meeting.

Peg Ising (OH) chaired the task force throughout the handbook chapter revision effort and during the subsequent review of the model regulation. Rae Taylor (OR) became the task force chair in 2004. The following states were task force members throughout the handbook and model regulation revision process: California, the District of Columbia, Ohio, New Jersey, New York, Missouri, Oregon, and Texas. Other members of either the working group or the task force at some point during the revision period were Alaska, Florida, Illinois, Kansas, Kentucky, Pennsylvania, Puerto Rico, Virginia, Washington and West Virginia. Members that participated in the vote to adopt the model regulation amendments by include Ohio, Missouri, Oregon, New York, New Jersey, Pennsylvania and West Virginia.

#### 3. Project Authorized by What Charge and Date First Given to the Group

In 1996 the (Ex) Special Committee On Statistical Information initiated a project to study and recommend improvements to the system for collecting and disseminating statistical information relating to property/casualty insurance. The charge to this committee was to oversee the development of a strategic plan for the system that would encompass, but not be confined to the following areas:

- a. types of data that should be collected;
- b. timeliness of data;
- c. methods of data collection and processing;
- d. quality control;
- e. access to information;
- f. responsiveness of system to public and regulatory needs;
- g. ownership and control structures of statistical agents; and
- h. role of regulators and the NAIC.

In December 1996, the Special Committee adopted the NAIC *Statistical Strategic Plan* and charged the task force to update the Statistical Handbook according to its recommendations. A Statistical Handbook Working Group was designated to focus on these charges. The working group drafted revisions to the model regulation and the Handbook and developed formal procedures for making changes to Handbook. Upon completing these charges in 2002, the working group disbanded. The review and appropriate modifications to the Handbook and the model regulation are now standing charges to the Statistical Information (C) Task Force.

**4. A General Description of the Drafting Process (e.g., drafted by a subgroup, interested parties, the full group, etc). Include any parties outside the members that participated**

Changes to the model regulation itself were primarily technical in nature, drafted to make its provisions consistent with an enhanced Handbook. The goal was to enable any state that adopts the model regulation to rely on the Handbook for the collection of statistical data and the development of data calls that are informative and of good quality. Sections in the model regulation directly reference sections of the Handbook that were still being revised when the model regulation changes were made so action on the model regulation was deferred until after the drafting process for the Handbook chapters was complete.

Revising the Handbook was a considerably lengthy process, primarily due to the development of statistical data quality standards. A self-certification system that would enable statistical agents and companies to attest to the effectiveness of their data reporting systems was initially proposed but, after years of discussion, not adopted. A sampling and verification method for data quality assurance was developed, first, as a requirement for insurers, then—following a poll of states—as an option for states to consider in light of the potential costs associated with obtaining and reviewing the samples.

**5. A General Description of the Due Process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers and legislators was solicited)**

From 1997 through 2002 the Statistical Handbook Working Group members worked diligently with statistical agent representatives, insurance company members, trade associations, funded consumer representatives and many other interested entities to revise the Handbook. In addition to the data quality standards, they also added handbook chapters that prescribe formats for customized data requests including catastrophe data calls and updated the personal auto and homeowners' insurance chapters. Dozens of drafts of the chapters were circulated for comment and volumes of comments were collected, discussed and incorporated into new drafts.

In March 2002, the working group sent its final recommendations for changes to the Handbook chapters and the model regulation to the renamed Statistical Information (C) Task Force. The task force implemented an aggressive review schedule that initially called for bi-weekly conference calls solely to review the proposed Handbook chapters. These intense deliberations continued over the next two years and resulted in major changes to the working group drafts. These final drafts were adopted at the 2003 Winter National Meeting. Minor changes were then made to the model regulation to reflect the new drafts of the Handbook chapters.

**6. A Discussion of the Significant Issues (items of some controversy raised during the due process and the group's response)**

The significant issues raised throughout the handbook revision process related primarily to the cost of capturing new data elements, compiling new statistical reports and implementing new quality standards versus the benefit to regulators to have it. Several states and many consumer group representatives expressed the need to add data elements to that would provide more information to regulators, in greater detail, and to include model formats in the Handbook for states to use in developing new reports using these data.

As new statistical reports were proposed, the industry questioned whether all states would need or use the data and urged members to weigh the benefits of having the information against the significant costs to insurers and statistical agents to report it on a regular basis. Some states also expressed concerns about the need for the proposed new data and considered their own costs to store and review new reports. As a result, many compromises were made.

Some data reporting requirements were made optional so that states could chose to implement them if desired. Several proposals to collect new data elements, require new reporting formats or develop brand new statistical reports were considered good ideas that could be placed on hold until system changes necessary to accomplish them were more cost beneficial or until five or more states required insurers to start collecting it. Efforts to make special data call requirements more consistent among states reduce the industry costs to report these data to regulators. Once these issues were resolved, no significant issues were raised during the review and adoption of the model regulation changes.

**7. Any Other Important Information (e.g., amending an accreditation standard)**

None.