Draft: 12/4/23

Market Analysis Procedures (D) Working Group
Virtual Meeting *(in lieu of meeting at the 2023 Fall National Meeting)*
November 20, 2023

The Market Analysis Procedures (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met Nov. 20, 2023. The following Working Group members participated: Jo LeDuc, Chair (MO); John Haworth, Vice Chair (WA); Cheryl Hawley (AZ); Don McKinley (CA); Steve DeAngelis (CT); Scott Woods (FL); Erica Weyhenmeyer (IL); Lori Cunningham (KY); Raymond Guzman (MD); Connie Mayette (ME); Jeff Hayden (MI); Troy Smith (MT); Maureen Belanger (NH); Ralph Boeckman (NJ); Larry Wertel (NY); Guy Self (OH); Landon Hubbart (OK); Karen Veronikis (PA); Brett Bache (RI); Glynda Daniels (SC); Tanji J. Northrup (UT); Melissa Gerachis (VA); Karla Nuissl (VT); Rebecca Rebholz and Darcy Paskey (WI); and Theresa Miller (WV). Also participating were: Teresa Kroll (MO); Tony Dorschner (SD); and Bryan Stevens (WY).

1. Adopted its Oct. 16 Minutes

LeDuc said the Working Group met Oct. 16 and took the following action: 1) discussed the premium reporting threshold for the Market Conduct Annual Statement (MCAS); 2) received an update on the interviews with market analysts about their jurisdictions' use of the Market Analysis Prioritization Tool (MAPT); and 3) received an update from the subject matter expert (SME) group drafting the set of standardized ratios for the pet insurance MCAS blank.

Haworth made a motion, seconded by Daniels, to adopt the Working Group's Oct. 16 minutes (Attachment XX). The motion passed unanimously.

2. Discussed Lunch and Learn Trainings

LeDuc said the Lunch and Learn sessions have been well-received, and a lot of positive feedback has been received during the interviews with states about MAPT. She said the two Lunch and Learns were recorded and will be posted soon to the tutorial section of i-Site+.

LeDuc said the next Lunch and Learn will be in January due to the Fall National Meeting and the holiday season. She said a topic has not been decided yet, but in speaking with different states, she learned there are a few different baseline methodologies and specially built prioritization tools. LeDuc said she may ask some states to present on their tools and baseline methodologies. Coker suggested a session on Tableau.

3. Discussed NAIC MIS Data

LeDuc said there were more than 25 interviews scheduled, and they are close to completion. A report will be created to provide an overview of the most common themes throughout the interviews. She said there were a lot of commonalities among all the states, such as: 1) combining the financial and market MAPT with the MCAS-MAPT; 2) beginning with a download of all state and national data but focusing on state data; and 3) a consistent use of $50,000 as a premium threshold for baseline analysis to match with the MCAS reporting threshold.

LeDuc said there were also a lot of suggestions that were heard multiple times, including: 1) combining the financial and the MCAS MAPTs; 2) providing a glossary and embedded helps in the tools: and 3) having all the lines of business available across MCAS, MAPT, and the Market Analysis Review System (MARS).

4. Discussed the Draft of the Pet Insurance MCAS Ratios

Bache said the SME group comprises industry and state insurance regulators, including many involved in drafting the pet insurance MCAS blank. The group has met a couple of times and is almost through reviewing all the ratios to get initial opinions. He said that, so far, no ratios have been removed from the 23 ratios in the initial draft. He said a few definitional questions have come up, including a question about the definition of partial payment. He said he expects the group to be finished by early 2024.

5. Discussed the Premium Reporting Threshold for the MCAS

LeDuc said the Working Group is looking into whether the premium reporting threshold should be changed since it was originally set nearly 20 years ago. She said this may influence whether fraternal organizations are required to file an MCAS. The concern with fraternal organizations is that they are often quite small, and the MCAS could be both a burden for many of them and of minimal value for analysts. She said, however, that there are many quite large fraternal organizations that do not file an MCAS even though they are larger than non-fraternal life companies that are required to file an MCAS.

LeDuc said that after the last Working Group meeting, Randy Helder (NAIC) sent each state market analysis chief (MAC) the state-specific data underlying the national data shown in Attachment C in the materials. She said for smaller states, a larger premium threshold may not make sense and would eliminate a large percentage of their marketplace from reporting the MCAS. She did think not many resources would be devoted to looking deeper into an issue on a company with less than $50,000 in premium.

LeDuc said she is torn on whether to increase the reporting threshold for the MCAS. She said she does not use the MCAS just to identify outliers but also to research companies that come up in inquiries. There is data for companies available in the MCAS and cannot be found elsewhere.

Daniels said she would not want to lose the data on smaller companies. Haworth said that during the last Working Group meeting, he suggested a threshold of $2 million and was clear that many smaller states would not benefit from such a high threshold. Kroll said she and LeDuc discussed and thought $100,000 may be more reasonable now, 20 years later. LeDuc said the financial-market MAPT has a $100,000 threshold option that would match with a decision to increase the MCAS threshold. Gerachis said Virginia could agree with $100,000.

Stevens said that, initially, he has no concerns with $100,000, but he would want to look more closely at it before agreeing to increase the threshold. Dorschner agreed with Stevens. He said even companies with low premium in lines like short-term, limited-duration (STLD) health can cause issues. Haworth noted that smaller states may not see who is writing certain lines in their states with MCAS reporting.

LeDuc said Missouri recently passed legislation requiring companies to report on insurance to the Department of Motor Vehicles (DMV) if they write more than a stated threshold. She said having the MCAS allows her department to identify companies that would not have to report to the DMV and develop a different process for those companies.

Self said he saw no benefit to raising the threshold, as it would only result in losing data for some companies. LeDuc said it is only being discussed in relation to the fraternal organizations exemption since many of them are very small. Bache said having a lower threshold allows states to have data on companies not just for baseline analysis but also for market information. He said an analyst can apply their own threshold when doing analysis. He said leaving the threshold at $50,000 is the best of both worlds—market information and analysis.

Weyhenmeyer said that as a larger state, Illinois would be opposed to increasing the threshold. It uses MCAS data to monitor companies as they increase their business in the state.

Allison Koppel (American Fraternal Alliance—AFA) said that the AFA believes that there are some companies that are possibly being considered as fraternal organizations but are not. She asked for more time to research this. LeDuc said no decision will be made until 2024.

Rikki Pelta (American Council of Life Insurers—ACLI) asked if an MCAS reporting threshold change would apply to all of the travel and long-term care (LTC) lines of business. LeDuc said those lines have no threshold for specific reasons, and no threshold would be introduced for them. Haworth said a lot of LTC is written on riders, and it is difficult to know the premium amount written for riders in the financial annual statement. He said many companies use annuity funds for LTC administration and claims.

Having no further business, the Market Analysis Procedures (D) Working Group adjourned.

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2024 Adopted Charges:

1. Recommend changes to the market analysis framework based on results over the past five years, including the current set of Level 1 and Level 2 questions.

2. In accordance with the second recommendation of the adopted *Review of Artificial Intelligence Techniques in Market Analysis*, assess currently available market analysis data to identify needed improvements in the effectiveness of the data for market analysis and the predictive abilities of the market scoring systems utilizing the data.

3. Discuss other market data collection issues and make recommendations, as necessary.

4. Consider recommendations for new lines of business for the Market Conduct Annual Statement (MCAS).

2024 Market Conduct Annual Statement Ratios

Pet Insurance

Public Ratios

Ratio 1. The number of claims closed without payment compared to the total number of claims closed

$$\left(\frac{[\#\text{of claims closed without payment during the period (3-77)}]}{[\#\text{of claims closed during the period (3-68)}]}\right)$$

Ratio 2. Percentage of claims paid (full or partial) beyond 60 days

$$\left(\frac{\begin{bmatrix}\text{total \# of claims closed during the period with full payment beyond 60 days } (\sum \text{ 3-83 through 3-86}) + \\ \text{total \# of claims closed during the period with partial payment beyond 60 days } (\sum \text{ 3-89 through 3-92})\end{bmatrix}}{[\text{total \# of claims during the period with full and partial payment closed over all durations } (\sum \text{ 3-81 through 3-92})\ ]}\right)$$

Ratio 3. Non-renewals to policies in force

$$\left(\frac{[\#\text{of company initiated policy/certificates non} - \text{renewals during the period (2-46+2-47)}]}{[\#\text{of policies/certificates in force during the period } (\sum \text{ (2-28 through 2-37)}]}\right)$$

Ratio 4. Cancellations during "Right to Examine and Return Policy" period

$$\left(\frac{[\#\text{ of policies/certificates returned during the period under "Right to Examine" (2-38 + 2-39)}]}{[\text{total \# of policies issued during the period (2-49 + 2-50)}\ ]}\right)$$

Ratio 5. Cancellations/terminations at the policy/certificate-holder's request

$$\left(\frac{[\#\text{of cancellation/terminations during the period at the policy/certificate-holder's request (2-40+2-41)}]}{[\text{total \#of cancellation/terminations during the period } (\sum \text{2-40 through 2-45})\ ]}\right)$$

Ratio 6. Lawsuits opened during the period to claims closed without payment

$$\left(\frac{[\#\text{ of lawsuits opened during the period (5-117)}]}{[[\#\text{of claims closed during the period without payment (3-77}]\ ]}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratio 7. Percentage of lawsuits closed with consideration for the consumer

$$\left(\frac{[\text{Number of lawsuits closed with consideration for consumer (5-120)}]}{[\text{Number of lawsuits closed during the period (5-118)}]}\right)$$

Ratio 8. The number of complaints received directly from any entity other than the DOI per 1,000 policies in-force during the period

$$\left(\frac{[\#\text{of complaints received directly from any person or entity other than the DOI (5-115)}]}{\left(\left[[\#\text{of policies/certificates in force during the period } (\sum \text{(2-28 through 2-37)}]\right] \div 1{,}000\right)}\right)$$

Non-Public Ratios

Ratio 9. The number of claims closed with partial payment compared to the total number of claims closed

$$\left(\frac{[\#\text{of claims closed with partial payment during the period (3-72)}]}{[\#\text{of claims closed during the period (3-68)}]}\right)$$

Ratio 10. The number of claims closed with full payment compared to the total number of claims closed

$$\left(\frac{[\#\text{of claims closed with full payment during the period (3-69)}]}{[\#\text{of claims closed during the period (3-68)}]}\right)$$

Ratio 11. Percentage of claims unprocessed at the end of the period

$$\left(\frac{\begin{array}{l}\text{Number of claims open at the beginning of period (3-66)} + \text{Number of claims opened during period (3-67)} \\ -\text{Number of claims closed during the period (3-68)}\end{array}}{\#\text{ of claims open at the beginning of period (3-66)} + \#\text{ of claims opened during the period (3-67)}}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratio 12. The number of claims closed without payment beyond 60 days compared to the total number of claims closed without payment

$$\left(\frac{[\text{total \#of claims closed during the period without payment beyond 60 days } (\sum \text{3-95 through 3-98})]}{[\text{total \#of claims closed during the period without payment over all durations } (\sum \text{3-93 through 3-98})\ ]}\right)$$

Ratio 13. Pre-existing condition - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to pre} - \text{existing condition exclusion } (3-100)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

Ratio 14. Ineligibility - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to ineligibility } (3-99)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

Ratio 15. Waiting period - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to waiting period } (3-101)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

Ratio 16. Maximum benefit limit - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to maximum benefit limit } (3-102)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

Ratio 17. Less than deductible - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to claim amount less than deductible } (3-103)]}{[\#\text{of claims closed during the period without payment (3-77)}]}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratio 18. Inadequate documentation - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to inadequate documentation } (3-104)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 19. Hereditary disorder exclusion - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to hereditary disorder exclusion } (3-105)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 20. Congenital anomaly or disorder exclusion - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to congenital anomaly or disorder exclusion } (3-106)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 21. Chronic condition exclusion - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to chronic condition exclusion } (3-107)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 22. Other reasons - closed without payments to total claims closed without payment

$$\left(\frac{[\#\text{of claims closed during the period without payment due to other reasons } (3-108)]}{[\#\text{of claims closed during the period without payment } (3\text{-}77)]}\right)$$

Ratio 23. Inadequate documentation - closed with partial payments to total claims closed with partial payment

$$\left(\frac{[\#\text{of claims closed during the period with partial payment due to inadequate documentation } (3-110)]}{[\#\text{of claims closed during the period with partial payment } (3\text{-}72)]}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratio 24. Maximum benefit limit - closed with partial payments to total claims closed with partial payment

$$\left(\frac{[\#\text{of claims closed during the period with partial payment due to maximum benefit limit } (3-109)]}{[\#\text{of claims closed during the period with partial payment } (3\text{-}72)]}\right)$$

Ratio 25. Other reasons - closed with partial payments to total claims closed with partial payment

$$\left(\frac{[\#\textbf{of claims closed during the period with partial payment due to other reasons } (\mathbf{3-111})]}{[\#\textbf{of claims closed during the period with partial payment (3-72})]}\right)$$

Ratio 26. Percentage of policies in-force during the period that provided accident-only coverage

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that included accident-only coverage } (2\text{-}28 + 2\text{-}29)]}{[\#\text{of policies/certificates in force during the period } (\sum (2\text{-}28 \text{ through } 2\text{-}37)]}\right)$$

Ratio 27. Percentage of policies in-force during the period that provided illness-only coverage

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that provided illness-only coverage } (2\text{-}30 + 2\text{-}31)]}{[\#\text{of policies/certificates in force during the period } (\sum (2\text{-}28 \text{ through } 2\text{-}37)]}\right)$$

Ratio 28. Percentage of policies in-force during the period that included accident and illness coverage

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that included accident and illness coverage } (2\text{-}32 + 2\text{-}33)]}{[\#\text{of policies/certificates in force during the period } (\sum (2\text{-}28 \text{ through } 2\text{-}37)]}\right)$$

Ratio 29. Percentage of policies in-force during the period that included wellness coverage (other than a wellness only policy)

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that included wellness coverage } (2\text{-}34 + 2\text{-}35)]}{[\#\text{of policies/certificates in force during the period } (\sum (2\text{-}28 \text{ through } 2\text{-}37)]}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratio 30. Percentage of policies in-force during the period that included wellness as an insurance benefit (and did not cover accident and/or illness)

$$\left(\frac{[\#\text{of policy/certificates in-force during the period that included wellness as an insurance benefit (2-36 + 2-37)}]}{[\#\text{of policies/certificates in force during the period } (\sum \text{ (2-28 through 2-37)}]}\right)$$

Ratio 31. Applications denied for health status or condition to total applications received

$$\left(\frac{[\#\text{ of applications denied for health status or condition during the period (2-61)}]}{[(\#\text{ of applications received during the period (2-60)}]}\right)$$

Ratio 32. Percentage of policies/certificates issued with a pre-existing condition exclusion

$$\left(\frac{[\#\text{ of policies/certificates issued with a pre-existing condition exclusion during the period (2-64)}]}{[\text{total \# of policies issued during the period (2-49 + 2-50) }]}\right)$$

Ratio 33. Average Dollars of Commission Per Policy/Certificate

$$\left(\frac{\left[\begin{array}{c}[\text{Commissions incurred during the period (4-113)}] \\ \text{- [Unearned commissions returned to company during the period (4-114)}]\end{array}\right]}{\left[[\text{total \# of policies issued during the period (2-49 + 2-50) }]\right]}\right)$$

Ratio 34. Percentage Commissions to Written Premium

$$\left(\frac{\left[\begin{array}{c}[\text{Commissions incurred during the period (4-113)}] \\ \text{- [Unearned commissions returned to company during the period (4-114)}]\end{array}\right]}{[\text{Direct written premium during the period (2-57)}]}\right)$$

Ratio 35. Lawsuits to Policies/Certificates in force during the period

$$\left(\frac{[\#\text{ of lawsuits opened during the period (5-117)}]}{\left[[\#\text{of policies/certificates in force during the period } (\sum \text{ (2-28 through 2-37)}]\ \right]}\right)$$

2024 Market Conduct Annual Statement Ratios

Ratios To Be Dropped

Ratio 23. Loss ratio

$$\left(\frac{\begin{bmatrix}\text{Dollar amount of paid claims closed with full payment during the period (3-70)}\\ +\text{Dollar amount of claims closed with partial payment during the period (3-74)}\end{bmatrix}}{\text{[Direct earned premium during the period (2-58)]}}\right)$$

Ratio 3. Percentage of claims closed with full payment beyond 60 days (combined 3&4 for all claims)

$$\left(\frac{\text{[total \#of claims closed during the period with full payment beyond 60 days } (\sum \text{ 3-83 through 3-86)]}}{\text{[total \#of claims during the period with full payment closed over all durations } (\sum \text{ 3-81 through 3-86)]}}\right)$$

Ratio 4. Percentage of claims closed with partial payment beyond 60 days (combined 3&4 for all claims)

$$\left(\frac{\text{[total \#of claims closed during the period with partial payment beyond 60 days } (\sum \text{ 3-89 through 3-92)]}}{\text{[total \#of claims closed during the period with partial payment over all durations } (\sum \text{ 3-87 through 3-92)]}}\right)$$

Ratio 13. Percentage paid on partial payments of the amount requested on partial payments

$$\left(\frac{\text{[Dollar amount of claims closed with partial payment during the period (3-74)]}}{\text{[Dollar amount requested for claims closed with partial payment during the period (3-73)]}}\right)$$