

Date: 11/10/20

*Virtual Meeting*

**MARKET CONDUCT ANNUAL STATEMENT BLANKS (D) WORKING GROUP**

**Monday, November 16, 2020**

**12:00 p.m. ET / 11:00 a.m. CT / 10:00 a.m. MT / 9:00 a.m. PT**

**ROLL CALL**

Rebecca Rebholz, Chair	Wisconsin	Paul Hanson	Minnesota
October Nickel, Vice Chair	Idaho	Brent Kabler/Teresa Kroll	Missouri
Maria Ailor	Arizona	Todd Oberholtzer	Ohio
Jimmy Harris/Crystal Phelps/ Russ Galbraith	Arkansas	Katie Dzurec	Pennsylvania
Kurt Swan	Connecticut	Michael Bailes	South Carolina
Scott Woods	Florida	Lisa Borchert/Ned Gaines/ John Haworth	Washington
Erica Weyhenmeyer	Illinois	Letha Tate	West Virginia
Lori Cunningham	Kentucky		

NAIC Support Staff: Tressa Smith/Teresa Cooper

**AGENDA**

1. Consider Adoption of its Oct. 28 Minutes—*Rebecca Rebholz (WI)* Attachment 1
2. Discuss Options for Collecting Transaction Level Data—*Rebecca Rebholz (WI)*
3. Consider Clarifications to the Home and Auto Market Conduct Annual Statement (MCAS) Lawsuits Definitions—*Rebecca Rebholz (WI)* Attachment 2
4. Discuss Disability Income MCAS Required to File Criteria—*Teresa Cooper (NAIC)* Attachment 3
5. Discuss Any Other Matters Brought Before the Working Group—*Rebecca Rebholz (WI)*
6. Adjournment

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Draft: 11/10/20

Market Conduct Annual Statement Blanks (D) Working Group  
Virtual Meeting  
October 28, 2020

The Market Conduct Annual Statement Blanks (D) Working Group of the Market Regulation and Consumer Affairs (D) Committee met Oct. 28, 2020. The following Working Group members participated: Rebecca Rebholz, Chair (WI); October Nickel, Vice Chair (ID); Maria Ailor and Sarah Borunda (AZ); Crystal Phelps (AR); Sheryl Parker (FL); Erica Weyhenmeyer (IL); Lori Cunningham (KY); Phil Vigliaturo (MN); Cynthia Amann (MO); Todd Oberholtzer and Guy Self (OH); Katie Dzurec (PA); Michael Bailes (SC); Ned Gaines and John Haworth (WA); and Letha Tate (WV).

1. Adopted its Sept. 30 Minutes

The Working Group met Sept. 30 and took the following action: 1) adopted its Aug. 26 minutes; 2) discussed the suggestion to conduct a pilot to collect transactional level detail on a single Market Conduct Annual Statement (MCAS) line of business; 3) received an updated on the travel MCAS; 4) discussed questions regarding the life MCAS definition of “lawsuits closed during the period with consideration for the customer”; 5) adopted the motion to add National Producer Number (NPN) reporting for third-party administrators (TPAs) within the home, auto, life and annuity MCAS and NPN reporting for managing general agents (MGAs) within the home and auto MCAS; 6) adopted the motion to move forward with reviewing the proposed definitions and data elements with the intent to implement reporting of accelerated underwriting to the life MCAS; and 7) adopted the motion to move forward with reviewing the proposed definition and data elements with the intent to implement reporting for digital claims settlements in the home and auto MCAS.

Mr. Gaines made a motion, seconded by Ms. Weyhenmeyer, to adopt the Working Group’s Sept. 30 minutes (Attachment   ). The motion passed unanimously.

2. Heard a Presentation on Transactional Level Detail Data Collection

Ms. Rebholz noted that since the Working Group is in the process of having discussions regarding a possible pilot for collecting transactional level data, it would be helpful to receive some input from Ginny Ewing (NAIC), who provides NAIC information technology (IT) leadership for the NAIC applications that support market regulation. She noted that the presentation is intended to provide some understanding of what transaction level data is, methods that could be used for collecting this type of data and what resources would be required from the NAIC in order to implement a transactional level data collection pilot. In addition to Ms. Ewing, Ms. Rebholz noted Scott Morris (NAIC), Chief Technology Officer, was in attendance, and that Jason Hughes (NAIC), enterprise data architect, would be presenting information during the presentation related to the Data Platform project. Ms. Rebholz stated to keep in mind that this discussion originated with a proposal from the Center for Economic Justice (CEJ), for the other health and travel MCAS blanks that have been approved for creation, and that no proposal has been provided to the Market Regulation and Consumer Affairs (D) Committee for its approval yet for a transaction data collection pilot. She also noted that at this time, the subject matter expert (SME) groups working to draft the other health and travel MCAS blanks will continue with drafting summary-level data reporting.

Ms. Rebholz noted that after hearing this presentation, the primary options to consider are: 1) the Working Group could refer the issue to the Market Analysis Procedures (D) Working Group for its consideration of a pilot data call separate from the MCAS data collection process; 2) the Working Group could decide to make a proposal or recommendation to the Market Regulation and Consumer Affairs (D) Committee for an MCAS pilot of transaction-level data collection for one of the approved MCAS lines of business, which could include one of the new lines of other health or travel; or 3) it could be determined that the Working Group members are not interested in pursuing transaction-level data collection at this time. If this is the case, Ms. Rebholz recommends the Working Group communicate this to the Market Analysis Procedures (D) Working Group because it could suggest a pilot separate from the MCAS data collection process if it chooses. This presentation is to simply gather information and answer questions related to what it would mean to have transaction-level data collection. Ms. Rebholz advised if questions taken at the end of this presentation do not allow for time to discuss the other agenda items, they would carry forward to the next Working Group meeting. She also stated that any questions on this presentation could be sent to Teresa Cooper (NAIC).

Ms. Ewing began by reviewing the definition of transaction-level data. She noted that most of the data collected at the NAIC is summary data, which is data reported on financial statements like total bonds, claims and premiums. She said all of those are

derived from transaction-level data that today is stored at the company. Transaction-level data is much more granular than the summary data. It describes an event like a policy issued or terminated or perhaps a claim that was made or closed. It would include all the details around that event. For example, it would include a policy number, or the type of product included in the transaction. For claim data, it could include the date the claim occurred or was reported, so it is the granular data associated with a particular event. She noted that working with this more granular data lends itself to a lot of advantages around determining accuracy and completeness. It makes it easier to identify incomplete or inaccurate data that is reported. It also provides the ability to reconcile data with other data sources and have different kinds of validations. The data can be aggregated in different ways, and particular products can be evaluated. High-level summaries can be obtained, and then any areas of interest can be explored further. For the most part, transaction-level data can be rolled up and summarized; summary-level data cannot generally be made more granular. Starting with more granular data provides more flexibility.

Ms. Ewing discussed the Regulatory Data Collection (RDC) application, which is a product that was rolled out to production in May 2017. The RDC has been used for several data collections to date. It was designed with the need for secure and spur of the moment data accessibility in mind. The RDC was built with the technology and methods capable of loading large data sets. One of the initial applications for this was the principle-based reserving (PBR) mortality experience data collected. This involved millions of records, so one of the considerations was making sure the application could support that and that it was scalable for when needs change. The RDC automates the manual processes associated with submitting, accepting, validating, aggregating, and transforming the data, and it improves data quality by identifying potential issues early on. When the RDC was used to collect mortality experience data for the PBR VM-51, Experience Reporting Formats, it was for data at a policy level and was very granular. It started with an observation year for 2015, which included a couple of pilots with that data. The first year, there were seven companies involved, and there were almost 6 million records submitted and loaded, which totaled to more than 270 million data elements. For 2016, more companies were added, and data was collected for 2018, resulting in billions of data elements. Expansion was supposed to take place this year, but with COVID-19, that has been delayed to 2021, and approximately 130 participating companies are anticipated. Based on this experience, Ms. Ewing noted that some things to consider when collecting transaction level data, includes establishing in advance the file format, as well as naming conventions, and to clarify and level set expectations with the companies that will be submitting data on what will be received.

The next project Ms. Ewing discussed was Enhanced RDC. This project started a couple of months ago. The goal is to extend the functionality, improve it, make it a self-serve data collection tool where all parameters associated with the needed data collection can be set, and the data can then be collected very quickly. To do that, the administration portal needs to be built out. A need that has come up is forms. For example, in PBR, there would not be someone entering data into a form, but rather a file is uploaded that contains those millions of records. However, there are smaller data sets where there is a need for a user entry data screen, so the ability to define a form is being worked on to build into the RDC. Ms. Ewing advised that while there is still some work to be done on the RDC, it is positioned well to address the data collection needs of state insurance regulators, and it is being used for data collection. She advised that collecting data is the first step but being able to use the data once received is where the Enterprise Data Platform program is addressing those needs.

Mr. Hughes discussed the Enterprise Data Platform and explained that once the RDC collects data, the Enterprise Data Platform is where users will go to do the analytical work. He explained data will initially come into a raw data layer from the source and is then moved to a lightly curated data layer. That layer is where data quality rules will be applied and enforced. This is also referred to as the exploration layer, where staff can look through the data and find value in it and then move the data to the business data layer. The business layer is where the data can be accessed through different dashboards such as Tableau and Snowflake. Application Programming Interface (API) access would also be available at the business data layer. Mr. Hughes advised the big benefit for a system and project like this is to centralize all data elements into one location for analytics. This project is in the early stages, and the first data set is being moved through right now. Future data sets are being evaluated for early next year.

Ms. Ewing advised some pilot considerations to think about are selecting a representative, but non-time sensitive data collection since delays can happen. She advised the data needs to be defined such as what the transaction is, are unique records coming in each time or will existing records be updated, what kind of validations are appropriate, how often does data need to come in, what kind of tools make sense for using the data, and what kind of business intelligence or artificial intelligence (AI) should be considered. Other considerations are NAIC staff availability for setting up data collection, working with participating states and companies and their availability, making sure the right people submit the data and that they can be authenticated and have the needed credentials, and how the data will be consumed and presented. She advised that there is a good foundation and tools and capabilities in place to be able to work with members and business partners to meet their needs.

Mr. Haworth asked if the data would be downloadable into an Access or Structured Query Language (SQL) database and if so, would it be at the state insurance regulator level or would it be at the NAIC, where it is partitioned off where queries could be made from that database. Mr. Hughes advised the business data layer of the Enterprise Data Platform will be comprised of different tools. The foundation is Amazon S3, but one of the other technologies being looked at is Snowflake, which is a data warehousing system. It has a rich data sharing process and is being piloted in a few states right now. Users would be able to log in to Snowflake using their single sign-on (SSO) credentials like when users log into iSite. Based on the roles assigned to the user, they would have access to the data in a read-only state after logging in. From there, users can ingest the data into their own database systems and would also have the flexibility to connect their own tools into it. Mr. Haworth advised he uses Quick Link and links multiple tables and then does queries and extracts. He asked if Snowflake would have that same functionality. Mr. Hughes advised it would and that that is one of the things being tested with pilot states right now as they are heavy Quick Link users as well. Adjusting Quick Link to read against Snowflake was one of the first things addressed, and it has been very successful. Mr. Hughes advised Microsoft Access tools would work as well. Mr. Haworth asked if Python script would also be available, and Mr. Hughes confirmed it would.

Ms. Ailor asked if the data could be obtained in a comma-separated value (CSV) file or a Market Analysis Prioritization Tool (MAPT) format. Mr. Hughes advised he believes so and that Snowflake is a Software as a Service (SaaS), offering so its main interface is a web console. Users can go to the URL and log in, and if there is a query or a table of interest that the user wants to pull down into a CSV, this can be done inside Snowflake. It can also be set up to pull records down from Snowflake to local machines.

Mr. Vigliaturo asked for clarification on exactly what is meant by transaction-level data. He stated he was thinking if a policy is written and canceled mid-term, or if another driver is added on an automobile policy or some type of policy change, his understanding is that the concept of transaction data would mean collecting a record for each one of those types of transactions. He noted it gets even more complicated when the loss record is linked to the policy record and when a claim is first reported, and then additional information comes in as the claim develops and gets settled. He stated he would like to know what is meant by transaction data. Ms. Ewing noted that from a technical perspective, it can be any of those things and that it comes down to what the specific business needs are, so once the business needs were established, that data could be collected.

Birny Birnbaum (CEJ) asked if the NAIC has the capability to collect and process an additional 100 million records representing approximately 100 gigabytes of data. Ms. Ewing answered “yes” and noted that the data would need to be defined. Mr. Birnbaum asked if the NAIC collected transaction data, could the NAIC provide the same reports that are currently provided for MCAS by summarizing the transaction data into the current summary buckets. Ms. Ewing answered “yes,” from a technical perspective working with internal and regulator business partners. Mr. Birnbaum asked if there are differences in data protection for summary data versus transaction data in terms of data confidentiality, and Ms. Ewing answered “no.” She noted that data is data and whether it is summary or transaction-level, it is protected the same way. Mr. Birnbaum asked for examples of improved data quality review that might be possible under transaction reporting that is not possible under summary reporting. Ms. Ewing stated none came to mind right away, but that in general with summary data, by not having the details, it can be unclear what is missing. She explained when looking at an individual record, you can see where a premium may be missing and be able to tie that back to other data to ensure that it is of good quality. Mr. Birnbaum advised PBR VM-51 is considered transaction reporting but asked if his understanding is correct that each record is an individual claim or individual sale. Ms. Ewing answered “yes” and noted that it is at the policy level. Mr. Birnbaum explained his understanding is that while a company may have a number of transactions associated with a particular sale or a number of transactions associated with a particular claim, for PBR reporting, it is summarized as all of the sales transactions into one sales record and all of the claims transactions into one claims record; he asked if that was correct. Ms. Ewing answered that she believes that is correct.

J.P. Wieske (Health Benefits Institute) stated that regarding the PBR data being collected, his understanding is that there are size limitations that attach to the life insurers in a lot of states, and that there is an ability to exempt smaller life insurers from the transactions, at least initially. He asked if the NAIC is prepared to work directly with small companies on specific data to make sure the data set works, as this seems different from a sophistication standpoint. Ms. Ewing advised collaboration would take place with business partners and said details would be worked through with the insurance companies as well. Ms. Cooper answered that assistance would be provided to companies on any needs they had. Mr. Wieske asked if the Working Group approved moving forward today, how quickly would the transaction-level data be available to state insurance regulators to review. Ms. Ewing noted that if this were the No. 1 priority and the data collections were clearly defined and laid out, it could happen in a matter of weeks or months as the technology and foundation are in place.

Ms. Birnbaum asked if the NAIC currently works with the smaller companies on summary reporting for MCAS. Ms. Cooper answered “yes” and noted that there is a team of analysts that takes questions from companies and assists them on how to

report. Mr. Birnbaum asked if data were reported in April or May 2022 and the data elements were fixed by August 2021, would that provide enough lead time to get systems in place. Mr. Hughes answered “yes.”

Tom Keepers (Consumer Credit Industry Association—CCIA) asked if there is a sense for what the current unmet needs are with the MCAS environment at the group summary level and how transaction-level data will address those unmet needs. Ms. Dzurec advised that with respect to the short-term, limited-duration (STLD) and other health products, because of the questions being asked, the transaction-level data would be more useful to address the issues that were laid out in 2018. She noted that the unmet need is about data availability and how the data is analyzed to address specific issues, which is less of an IT concern and more of a regulatory analytical concern. Ms. Dzurec said she believes it is not an unmet need on the technology side, but an unmet need on the actual information collected on a large scale in thinking about market analysis generally. She said she believes transaction-level data applies to and could easily get worked in to STLD and other health and may not be necessary in other places.

Lisa Brown (American Property Casualty Insurance Association—APCIA) noted if there are specific lines where transactional data is the only way to do base level market analysis, then perhaps MCAS is not the vehicle. She noted if the pilot is successful for one line, it would only be a matter of time before transaction-level data would be applied to other lines. Ms. Brown stated if it is not needed for other lines, then she does not understand why this would be explored. Ms. Dzurec stated that if the pilot is successful and a transaction-level data path is followed, there are quality controls and raw data details that state insurance regulators can review on the summary level that they are currently not able to review at the summary level. Ms. Dzurec noted that if transaction-level data is determined to be the most useful, then it will be further explored, and business rules will be created to get to the summary data. She advised transaction-level data allows for more analysis and noted there is still a lot to learn, test and discuss. Ms. Dzurec agreed that collecting unnecessary data is not of interest but noted that state insurance regulators do not have access to things they probably should, and that transaction-level data might provide them that information. Ms. Brown noted she appreciates knowing that this is the beginning of discussions on this topic and that there are still things to be worked out, as her members would not currently agree with a decision by this Working Group that fundamentally changed the nature of MCAS data collection.

Mr. Wieske noted he understands the idea that transaction-level data is infinitely more accurate than summary-level data, but he expressed concern that the expectation is too high. He stated there would be issues to work through related to data being misreported related to misunderstanding of the definitions, differing control of the internal data sources and data being filled in incorrectly at a claims level. Ms. Ewing advised that data needs to be defined, validations need to be in place, and it needs to be clear to everyone involved on exactly what is being collected. She stated there is always the potential of submitting data that does not meet the expectation, which can happen at the transaction or summary level. She advised that is why expectations and the definitions of the data are so critical and need to be well-defined. Mr. Birnbaum noted that regardless of the form of data reporting, there is an opportunity for reporting errors. The relevant aspect of transaction reporting is that there is a greater ability to identify errors than with summary data reporting. He stated if the concern is data quality, then transaction data reporting provides more tools and opportunity to identify those errors and relay that information back to the company.

Will Malofchik (National Council of Insurance Legislators—NCOIL) noted that some of NCOIL’s members expressed concern about MCAS being significantly expanded beyond the current practices. He stated NCOIL is particularly concerned that it seems driven at a staff level rather than by commissioners. Ms. Rebholz advised this is not a decision being made by this Working Group and explained this is about gathering information at this time. She noted any recommendation made by this Working Group, if any, would not be decided at this level but at the Market Regulation and Consumer Affairs (D) Committee level. Other agenda matters will be discussed during the next Working Group meeting.

Having no further business, the Market Conduct Annual Statement Blanks (D) Working Group adjourned.

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## **Review Materials for Discussing 2021 Homeowner and Private Passenger Auto MCAS Lawsuit Definition Issues**

### **2019 and 2020 Homeowner and Private Passenger Auto MCAS Definition of Suit:**

**Suit** – A court proceeding to recover a right to a claim, including suits for arbitration cases.

Exclude:

- Subrogation claims where suit is filed by the company against the tortfeasor.
- Non-suit legal activity or litigation filed by an insurer, including, but not limited to: request to compel an independent medical examination, an examination under oath, and declaratory judgment actions filed by an insurer.

Calculation Clarification:

- Suits should be reported on the same basis as claims. One suit should be reported for each / claimant / coverage combination, regardless of the number of actual suits filed.
- One suit with two claimants would be reported as two suits as any awards/payments made would be made to the claimants individually.
- One suit filed seeking damages for multiple coverages should be reported as one suit for each applicable coverage.
- Suits should be reported in the state in which the claim was reported on this statement.
- Treatment of class action lawsuits: Report the opening and closing of a class action lawsuit once in each state in which a potential class member resides. Include an explanatory note with your submission state the number of class action lawsuits included in the data and the general cause of the action.

### **2021 Approved Homeowner and Private Passenger Auto MCAS Definition of Lawsuit**

**Lawsuit**—An action brought in a court of law in which one party, the plaintiff, claims to have incurred a loss as a result of the action of another party, the defendant.

For purposes of reporting lawsuits for *Homeowners/Private Passenger Auto* products:

- Include only lawsuits brought by an applicant for insurance, a policyholder or a beneficiary as a plaintiff against the reporting insurer or its agent as a defendant;
- Include all lawsuits, whether or not a hearing or proceeding before the court occurred;
- Do not include arbitrations of any sort;
- If one lawsuit seeks damages under two or more policies or contracts, count the number of policies or contracts involved as the number of lawsuits. For example, if one lawsuit seeks damages under three policies or contracts, count the action as three lawsuits;
- If one lawsuit has two or more complainants, report the number of complainants as the number of lawsuits. For example, if one lawsuit has two complainants, report two lawsuits. If the lawsuit is a class action, see instructions for treatment of class action lawsuits;
- Report a lawsuit in the jurisdiction in which the policy or contract was issued with the exception of class action lawsuits;

## **Review Materials for Discussing 2021 Homeowner and Private Passenger Auto MCAS Lawsuit Definition Issues**

- Treatment of class action lawsuits: Report the opening and closing of a class action lawsuit once in each state in which a potential class member resides.
- Include an explanatory note with your submission stating the number of class action lawsuits included in the data and the general cause of action.

### **2021 Approved Homeowner and Private Passenger Auto MCAS Definition of Lawsuits Closed During the Period with Consideration for the Consumer (with draft clarification edits)**

**Lawsuits Closed During the Period with Consideration for the Consumer**—A lawsuit closed during the reporting period in which a court order, jury verdict, or settlement resulted in payment, benefits, or other thing of value, i.e., consideration, to the ~~claimant applicant, policyholder, or beneficiary~~ in an amount greater than offered by the reporting insurer before the lawsuit was brought.

**Review Materials for Discussing Disability Income MCAS Threshold Issue**

**From the Disability Income Data Call and Definitions (with draft clarification edit)**

**Participation Requirements:** All companies licensed and reporting at least \$50,000 of disability income written premium for all coverages reportable in MCAS within any of the participating MCAS jurisdictions.

**SCHEDULE T – PART 2**

**INTERSTATE COMPACT – EXHIBIT OF PREMIUMS WRITTEN  
Allocated By States and Territories**

States, Etc.	Direct Business Only					Totals
	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	
1. Alabama.....AL	.....	.....	.....	.....	.....	.....
2. Alaska.....AK	.....	.....	.....	.....	.....	.....
3. Arizona.....AZ	.....	.....	.....	.....	.....	.....
4. Arkansas.....AR	.....	.....	.....	.....	.....	.....
5. California.....CA	.....	.....	.....	.....	.....	.....
6. Colorado.....CO	.....	.....	.....	.....	.....	.....
7. Connecticut.....CT	.....	.....	.....	.....	.....	.....
8. Delaware.....DE	.....	.....	.....	.....	.....	.....
9. District of Columbia.....DC	.....	.....	.....	.....	.....	.....