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SUBMITTED VIA EMAIL

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**Re: Market Conduct Annual Statement (MCAS)
Interpretation Concerns**

Dear Ms. Johnson and Mr. Leonard:

On the May 16 Market Conduct Annual Statement Subgroup call, the group asked for feedback on MCAS data calls and instructions. In particular, the group seemed to be inviting comments on specific areas where there may be interpretation problems. The American Insurance Association (AIA) responds to this inquiry by providing a number of suggestions.

Provide clearer definitions.

When defining a data element, provide clear definitions to eliminate confusion and misinterpretation. Current definitions leave room for uncertainty; perhaps phrase the request in terms of what the data element includes and excludes. Please see our attached document for examples.

Changes or clarifications should be clearly identified.

As modifications are made to data definitions, they should be clearly identified as a *change* (something brand new) or a *clarification* (something from years past that is now explained differently).

The fact that the data element definitions are still in the process of being refined means that they are in essence a moving target. The absence of solid data definitions undermines the submitted data and would consequently misstate all attempts to trend data. Therefore, the first four years of submission should be treated as an extended pilot.

Establish further administrative parameters.

- There should be a firm deadline for state-driven questions and resubmission of data because a single carrier's data can have a substantial impact on statewide-ratios.
- There should be a firm deadline for each state to review the data results, perhaps within two months of data receipt. Then, regulators should send all issues to all companies and all companies would need to respond by a given point in time. Historically, some feel that the process has been similar to putting out lots of fires and going back through to research the process multiple times.
- Companies are sometimes requested by states to explain ratios that exceed the statewide ratio. It would be helpful to have a cut-off, say 10% or 20% over the industry numbers, before the ratios require explanation. This would save industries from explaining ratios that exceed the statewide average by only a small percentage.
- All data questions and responses received by the NAIC from states or carriers should be shared with all MCAS participants.
- There should be a requirement that states announce their intention to require insurers to submit data for a given year early in that calendar year to provide carriers sufficient time to track and program data they might otherwise not have a use for, and therefore not capture.

Use technology to streamline the process.

- Centralize the contact information to one input screen. Industries are asked to enter the company contact information numerous times and experience has shown that the multiple entries do not guarantee that communications from states reach the correct person. Perhaps use the NAIC company code, company name and contact information entered on the Market Conduct Company Contact Form to populate the other fields where contact information is requested.

- The current data submission process is too cumbersome, complicated, and time consuming. It should be simplified so that carriers writing in multiple companies do not have to submit large volumes of email. Possibly allow for one email to be sent per state or continue to pursue upload of information by individual states from the actual database.
- Reinststitute the automatic pre-fill of check blocks in the database, which track where data has been entered by company in each state.
- Allow insurers to see some of the edit checks in the state's software. The NAIC now allows some high level review. Having this information on a state level would allow for greater understanding of the process and for data corrections before submission.
- Consider whether there should be a way to automatically send an email to the filing address rather than to save to a file.

Eliminate duplicative data requests.

States participating in MCAS should eliminate data calls that contain identical, or substantially redundant, information to that in the MCAS. Please consider whether the following are necessary given overlap of MCAS:

- Policy in Force and Non-Renewal information is contained in the annual Arizona Vehicle Non-Renewal report just as it is in the MCAS.
- Cancellation and Non-Renewal information is contained in the semi-annual Pennsylvania Auto Cancellation/Non-Renewal Report just as it is in the MCAS.
- Premium/Loss dollars for Underinsured Motorist coverage is reported in the annual Missouri Auto Premium, Open/Closed Losses report. The MCAS gives only Premium dollars for all Liability coverages combined.
- Both the annual Illinois Property & Auto Zip Code report and the MCAS contain Policy in Force, Cancellation and Non-Renewal information. The MCAS has this information by Zip Code.

The data obtained by Missouri and Illinois in the data calls above is more detailed than MCAS. AIA questions if that information is necessary for those states that utilize MCAS. We request that you consider whether that level of detail needed or if participating states work with MCAS to protect consumers utilizing market analysis, and if not, seek uniformity among those states participating in MCAS.

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In conclusion, thank you for the opportunity to supply these comments. AIA reiterates its position that it is premature to require a certification until all the definition issues are resolved. Consistent interpretations may go a long way toward remedying both regulator and insurer concerns. AIA looks forward to working with you as the process of clarifying definitions and other aspects of the MCAS moves forward.

Respectfully,

/s/

Catherine Paolino

/s/

Lisa Brown