Appendix B: Market Analysis Level 1 Questions

MICHIGAN COMMENTS

Attached is a red lined version of appendix B with Michigan’s suggested updates and comments. These updates match the text used in the current Level 1 questions. We currently do not have any updates for Appendix C for the Level 2.

Also, if questions regarding Serff filings are added to the Level 1 review that Michigan would be supportive of those additions.

Possible examples: Has the company filed for any rate change requests in the past year? Has the company had any rate requests denied in the past three years?

Appendix B: Market Analysis Level 1 Questions

The following are the questions that are included in Level 1 Analysis in the NAIC Market Analysis Review System (MARS). Level 1 Analysis questions are subject to annual review by state insurance regulators.

Operations

1. Has there been a significant change in the contacts for the financial annual statement, officers, directors or trustees of the company as reported in the financial annual statements over the last three years?

   1. Identify and describe any significant changes in the contact for the financial annual statement, officers, directors, or trustees of the company as reported in the financial annual statement over the last three years.

   2. Are you aware of any changes in the company’s organization, management or operations that might change the way the company operates in the marketplace?

   2. Identify and describe any changes in the company’s organization, management, or operations that might change the way the company operates in the marketplace.

   3. Has the insurer reported in its financial annual statements over the last three years that it has:

      a. Been involved in or a party to a merger or consolidation, or;

      b. Had any certificates of authority, licenses, or registrations (including corporate registrations, if applicable) suspended or revoked by any governmental entity, or;

      c. Changed its state of domicile?

Financial Ratios

4. Review the company’s risk-based capital (RBC) ratios and Financial Analysis Solvency Tools (FAST) scores for the last five year period to determine whether financial results may have the potential to have an adverse impact on the market conduct activities of the company.

   a. Review RBC ratios for the last five year period. Has the company’s RBC ratio triggered any action level events or has the RBC ratio significantly declined during the period reviewed?

   4. a) Identify and describe any action level events triggered by RBC ratios or significant declines in the RBC ratio during the period reviewed.

   b. Review total FAST scores for the last five year period. Are there any concerns related to the total FAST score or individual scores?

   4. b) Identify and describe any concerns related to the total Financial Scores or individual scores.

Special Activities

5. Are there entries in the NAIC’s Special Activities Database (SAD) of substantive concern?
5. Identify and describe any entries in the NAIC’s Special Activities Database (SAD) of substantive concern.

Regulatory Actions

Review the Regulatory Actions Report—5 Years, the Substantive Regulatory Actions report and the summary information of these reports. Are there any regulatory actions reported of concern or are there concerns with any patterns in the origins of action, reasons for action, disposition etc., of the actions listed in the Regulatory Actions Report—5 Years?

Review the Regulatory Actions Report - 5 Years, the Substantive Regulatory Actions Report and the summary information of these reports. Identify and describe any regulatory actions reported of concern, or concerns with any patterns in the origins of action, reasons for action, disposition, etc.

Examinations

6. Review the ETS Summary—5 Years report and the summary information of the report.
   a. Have there been more than three examinations entered in the last 12 months?
   b. Are there any examinations reported of substantive concern or are there concerns with any patterns in the exam triggers, types, areas, status, etc., of the examinations listed in the ETS Summary—5 Years report?

7. Review the EXAM SUMMARY - 5 Years report and the summary information of the report.
   a) Have there been more than three examinations entered in the last 12 months?
   7. b) Identify and describe any examinations reported of substantive concern or concerns in the exam triggers, types, areas, status, etc., of the examinations listed in the EXAM SUMMARY – 5 Years.
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Market Initiative Tracking System

7. Review the MITS Summary—5 Years report and the summary information of the report. Are there any initiatives reported of substantive concern or are there concerns with any patterns in the lines of business, causes/reasons, action types, dispositions, origins, etc., of the initiatives listed in the MITS Summary—5 Years report?

8. Review the MITS Summary - 5 Year report and the summary information of the report. Identify any initiatives reported of substantive concern or concerns with any patterns in the lines of business, causes/reasons, action types, dispositions, origins, etc.

Premiums

P&C Statement Blank

9. Review the company’s direct written premium reported on a national and state basis.
   a. Has the company’s direct written premium in any one jurisdiction increased or decreased by more than 33% in any single year during the last five years?
   b. For the state under review, has the company’s direct written premium for any of the top five lines of business increased or decreased by more than 33% in any single year during the last five years?
   c. For the state under review, has the company’s direct written premium for the line(s) of business under review increased or decreased by more than 33% in any single year during the last five years?

Life, Accident & Health Statement Blank

9. Review the company’s direct business reported on a national and state basis.
   a. Has the company’s direct business for any line of business in any one jurisdiction increased or decreased by more than 33% in any single year during the last five years?
   b. For the state under review, have the company’s direct premiums and/or annuity considerations for any of the top five lines of business increased or decreased by more than 33% in any single year during the last five years?
   c. For the state under review, have the company’s direct premiums and/or annuity considerations for the line(s) of business under review increased or decreased by more than 33% in any single year during the last five years?

Health Blank

9. Review the company’s direct business reported on a national and state basis.
   a. Has the company’s direct business for any line of business in any one jurisdiction increased or decreased by more than 33% in any single year during the last five years?
   b. For the state under review, have the company’s premiums written for any of the top five lines of business increased or decreased by more than 33% in any single year during the last five years?
   c. For the state under review, have the company’s premiums written for the line(s) of business under review increased or decreased by more than 33% in any single year during the last five years?

U.S. Market Share

10. Review the company’s U.S. market share information for the state under review over the last five years. Has there been a significant change in the company’s U.S. market share for the line(s) of business under review over the last five years?

10. Review the company's Market Share information for the state under review over the last five years. Identify and describe significant changes in the company's Market Share for the line(s) of business under review.

When performing a Level 1 Analysis on companies writing long-term care, review earned premium.
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**Loss and Expense Ratios**

**P&C Statement Blank**

11. Review the company’s loss and expense ratio information on a national and state-specific basis for the line(s) of business under review for the last five years.

   a. For the line(s) of business under review in all jurisdictions, are the loss and expense ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s loss ratios? 11. a) For the line(s) of business under review in all jurisdictions, identify and describe any unusually high or low loss and expense ratios, or unusual trends for the company, as compared to the industry averages.

   b. For the state and line(s) of business under review, are the loss and expense ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s loss ratios? 11. b) For the state and line(s) of business under review, identify and describe any unusually high or low loss and expense ratios, or unusual trends for the company, as compared to the industry averages.

**Life, Accident & Health Statement Blank**

11. For individual and group accident and health, review the company’s loss and expense ratio information on a national and state-specific basis for the last five years.

   a. For the line(s) of business under review in all jurisdictions, are the loss and expense ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s loss ratios? 11. a) For the line(s) of business under review in all jurisdictions, identify and describe any unusually high or low loss and expense ratios, or unusual trends for the company, as compared to the industry averages.

   b. For the state and line(s) of business under review, are the loss and expense ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s loss ratios? 11. b) For the state and line(s) of business under review, identify and describe any unusually high or low loss and expense ratios, or unusual trends for the company, as compared to the industry averages.

**Health Blank**

11. Review the company’s loss, administrative expense and combined ratio information on a national and state-specific basis for the last five years. 11. For Individual and group accident and health, review the company’s loss and expense ratio information on a national and state specific basis for the last five years.

   a. For all jurisdictions, are the loss, administrative expense and combined ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s ratios? 11. a) For the line(s) of business under review in all jurisdictions, are the loss and expense ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s loss ratios?

   b. For the state under review, are the loss, administrative expense and combined ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s ratios? 11. b) For the state and line(s) of business under review, are the loss and expense ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s ratios?

   c. For the line(s) of business under review, are the loss, administrative expense and combined ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s ratios?

   d. For the state and line(s) of business under review, are the loss, administrative expense and combined ratios for the company unusually high or low as compared to the industry averages or are there any unusual trends in the company’s ratios?
Resisted or Unpaid Claims

P&C Statement Blank

12. Review the premium written, direct defense and cost containment expenses paid, direct losses incurred and industry averages for the last five years on a national and state-specific basis.

a. On a national basis, are the direct defense and cost containment expenses paid unusually high when measured against premium volume and industry averages or are there any unusual patterns with the direct defense and cost containment expenses paid and direct losses incurred? 12 a) On a national basis, identify and describe any unusual patterns with the direct defense and cost containment expenses paid and direct losses incurred, when measured against premium volume and industry averages.

b. On a state-specific basis, are the direct defense and cost containment expenses paid unusually high when measured against premium volume and industry averages, or are there any unusual patterns with the direct defense and cost containment expenses paid and direct losses incurred? 12 b) On a state-specific basis, identify and describe any unusual patterns with the direct defense and cost containment expenses paid and direct losses incurred, when measured against premium volume and industry averages.
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Life, Accident & Health Statement Blank
12. Review the summary information related to resisted claims for the last five years.
   a. On a national basis, are there any unusual patterns in the amount of resisted claims compared to the total claims for either the entire book of business or an individual line(s) of business?
   b. For those claims disposed of or resisted during the current year, are there any unusual patterns in the state of residence of the claimant?
   c. For those claims disposed of or resisted during the current year, are there any unusual patterns regarding the reason claims were compromised or resisted?

Health Blank
12. Review the unpaid claims information for the company over the last five years. Are there any significant changes in the average number of days of unpaid claims, claims unpaid, claims incurred or the unpaid claims to incurred claims expense ratio over the last five years? Review the summary information related to resisted claims for the last five years.
   a. On a national basis, are there any unusual patterns in the amount of resisted claims compared to the total claims for either the entire book of business or an individual line(s) of business?
   b. For those claims disposed of or resisted during the current year, are there any unusual patterns in the state of residence of the claimant?

Complaints
13. Review the company’s complaint data:
   a. Has there been a significant change in the CONFIRMED complaint index for the current year plus four years?
   b. Has there been a significant change in the COMPLETE complaint index for the current year plus four years?
   c. Review the Closed Complaint By Code - 5 Year report and the Summary of the Closed Complaint By Code - 5 Year report. Are there any areas of concern noted in these reports?
   d. Review the Closed Complaint by Code - 5 Year report and the Summary of Closed Complaint by Code - 5 Year report. Identify and describe any areas of concern noted in these reports.

Market Conduct Annual Statement
14. Does your state participate in the Market Conduct Annual Statement?
   If yes, did the company file a Market Conduct Annual Statement for the data year under review?
   a. Review the ratio and rank results at the state level for the state being reviewed. According to this review, does the company have any areas of concern?
   b. Review the ratio and rank results at the national level. According to this review, does the company have any areas of concern?
   c. Review the company ratio results by coverage type and compare them with the state ratio results by coverage type. Are there any coverage types that show particular concern?
   d. Does any of the company data indicate a trend that causes concern? Identify and describe any of the company data trends that cause a concern.
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e. Was the company identified as an “outlier” through analysis of the Market Conduct Annual Statement data?
   If yes, in which line(s) of business is the company considered an outlier?

Conclusion

15. What is your recommended next step?

Please develop and document your overall conclusion regarding the insurer's market activities based on the procedures performed. The analyst should consider the responses above and any other factors which, in the analyst's judgment, are relevant.

Describe the rationale for this recommendation. Please be as specific as possible.

- [Incomplete review]
- Direct contact with the company is scheduled
- Investigation is scheduled
- Examination is scheduled
- Enforcement action is scheduled
- We will contact the Collaborative Action Designee (CAD) of other states with similar concerns regarding possible collaborative activity
- We will proceed with another option on the continuum of regulatory responses (if known, please explain the option to be used along with the rationale description)
- No further analysis is necessary
- No further analysis this year, but review again next year
- Level 2 Analysis is scheduled