

2006 Market Conduct Annual Statement Survey  
Auto, Home, Life & Annuity Results

In the spring of 2006, the Market Conduct Annual Statement (MCAS) Subgroup was working on identifying and addressing the various issues individual states are experiencing related to the MCAS. The first step in this process was to identify the issues with the process, the data elements and the integrity of the data. In order to do this, the subgroup asked each participating state to respond to a series of questions. The request was for present and past MCAS filings and the problems encountered while processing those filings. However, the subgroup recognized that not every state tracked the MCAS filings in a manner that allowed full responses to the items being requested and that un-tracked historical information may be difficult to reconstruct. With that in mind, only responses covering 2006 MCAS filings were included in this report, and, the reader should keep in mind that the numeric responses could possibly be higher than stated.

2006 Survey Results are shown below. The totals represent the combination of all of the states responding for that particular question. The percentages were calculated only on the information provided for that question. If a state did not track the information for that question, their filings were excluded in the calculation.

1. How many companies filed a statement?
  - Private Passenger Auto      3,037
  - Homeowners                      2,355
  - Life and Annuity                6,404
  
2. How many companies filed statements that were not required to file?
  - Private Passenger Auto      224            9%
  - Homeowners                      162            8%
  - Life and Annuity                582           11%
  
3. How many companies did you have to follow up with?
  - Private Passenger Auto      569           19%
  - Homeowners                      410           18%
  - Life and Annuity                725           12%
  
4. What sort of reasons caused you to follow up with companies (i.e. failed to file timely, differences in FAS and MCAS numbers, etc.)?
  - Failure to timely file
  - Sent follow-up notices due to high ratios
  - Data submitted in wrong format/incorrect extension on data files which caused import problems
  - Data not complete/zeros reported in fields/blank fields
  - Company forgot to apply patch
  - Companies failed to meet the agreed upon extension date
  - Call letter not received
  - Verify if company meets premium threshold
  - Differences in MCAS vs FAS premium;
  - Companies did not advise when their FAS premiums were "exempt"
  - Incorrect median days
  - Company submitted invalid data that would not import
  - Failed data edits (both those built into the system and state specific edits)
  - Failure to explain warnings
  - Wrong state data filed
  - Spam filter issues because of incorrect file submissions

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- Correct filing error discovered after first submission
  - Closed without payment issue. Late filed.
  - Co cancelled more polices than they wrote or had enforce
  - CY data same as PY
  - DBF files for wrong companies
  - Not enough info provided to grant exemption
  - Not all dbf files sent for filing
  - Auto: non-pay cancellation included in cancellation data
  - Auto: co reported PIP/we don't have PIP; Co failed to file
  - Life: inclusion of reinsured business; reported certificates instead of group policies; large amt of business, no surrenders
5. How many re-files did you receive and/or how many filings did you correct on behalf of the company?
- |                          |     |     |
|--------------------------|-----|-----|
| • Private Passenger Auto | 669 | 22% |
| • Homeowners             | 449 | 19% |
| • Life and Annuity       | 525 | 9%  |
6. How many of the re-files received were not a result of a follow-up you initiated with the company (i.e. unsolicited re-files)?
- |                          |     |     |
|--------------------------|-----|-----|
| • Private Passenger Auto | 393 | 15% |
| • Homeowners             | 255 | 12% |
| • Life and Annuity       | 291 | 5%  |
7. What caused the companies to re-file (i.e. programming error, data entry error, misunderstood requirements, based on report card etc)?
- Inquiry on our part,
  - Misreported cancellation and non-renewal data
  - Misunderstood requirements caused the re-filings.
  - Missing data files
  - Misinterpretations
  - Programming errors/incorrect data/data entry errors
  - Incorrect process or procedure in collecting the info
  - Failure to understand basic definitions (such as claim counts, understanding how to calculate closing times, or even what constitutes a claim
  - Not verifying data prior to submission
  - Inquiries by other states.
  - CY data same as PY
  - Blank fields
  - Incomplete data interpretation of the definitions
  - Wrong extension on data files
  - Premiums changed to match FAS; No reason;
  - Premiums under reported
  - Technical issues uploading data
  - Undisclosed data error
  - Home: Renters premium not included
  - Data entry problems

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8. What sort of issues did you encounter with the process itself (i.e. company sent entire database rather than DBF files, emailed to wrong address, etc)?
- Company did not follow filing instructions and sent the entire database,
  - Emailed to wrong address,
  - Data in wrong format, sent pdf documents, word documents
  - Both Auto/Home data submitted despite only having to submit one or the other,
  - Data submitted without patch,
  - Co. respond despite not meeting premium threshold,
  - Co. claim they never received call letter,
  - Submit A/H data in separate emails.
  - Companies sent paper reports.
  - Zipped entire database and forwarded, one company submitted "zip" files that contained several state's data files for 11 companies.
  - Spam filter would not pass files
  - Companies changed file names,
  - Group included all companies in one email
  - Filings sent to incorrect email address
9. What sort of issues did you encounter with the interpretation of specific data elements and their related definitions?
- Company using FAS definitions rather than MCAS. The inclusion and/or exclusion of coverage in FAS and MCAS filings.
  - Calculation of median;
  - Inclusion of non-pay cancellation;
  - What constitutes a claim
  - Issues with calculating the number of days to pay a claim
  - Auto: Some confusion on required misc. vehicles (i.e., motorcycles licensed for road use), Inclusion/Exclusion of motor homes, RVs, motorcycles, mobile homes;
  - Auto: Companies submitted PIP claims data due to lack of understanding.
  - Auto: mostly they just don't read completely. The biggest issues I have are that some file occurrence, some by claimant and so the numbers don't relate well. Also that CWP usually is not a true reflection of denials; more reserve exposure
  - Life: Many companies writing Group Life questioned why the number of POLICIES was requested rather than the number of LIVES or CERTIFICATES.
  - Life: inclusion of reinsured business; reported certificates instead of group policies; large amt of business, no surrenders
  - Home: what premiums are included (dwelling?, rental?)
  - Home: issues with including dwelling policies not reported on line 04; inclusion of inland marine endorsements
10. What data integrity checks are you performing (i.e. which data elements are you checking and exactly what are you doing to check the integrity of the data element)?
- If the ratio is over 100%, if there's premium, but no policies reported, if there's policies or claims reported but no premium, if the company reported policies but no claims data and vice versa.
  - Review the MCAS ratios for reasonability as we perform our market analysis. If at that time we discover ratios that appear to be out of the norm we may follow-up with the company to determine if the ratios are accurate.

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- Verify premium by checking the state page on NAIC I-Site to determine if the company was exempt from filing, if their premium was above the threshold or if they had premium in a particular line of business.
- Upon receipt of the file I check MCAS premium against FAS premium. Once the ranks are run I will check with the company regarding any ratios that appear to be out of the norm.
- Reviewing all of the claims data, number of claims open, closed with/without payment. Also reviewing when the claims were settled and corresponding median days. Look at number of policies inforce and written and the cancellation and nonrenewal numbers.
- Virtually all data elements are verified. Internal consistency; completeness; external verification; reasonableness
- More cancellations reported than new business written; scanning non-renewals and cancellations to see if they appear to be out-of-line
- Verifying through the data verification, MCAS vs. NAIC info.
- Cancellation to non-renewals to new business written
- Checking the state pages for premiums and issued.
- Median days-calculated the average of the median & compared; direct written premium & policies inforce at end of period- calculated average premium per policy in CY & compared to PY premium per policy; compared FAS to MCAS; reviewed policies inforce to autos w/policies
- Review error notices generated by database, review filings against OIC generated data and the NAIC database. Comparing the MCAS data to the FAS State page filing.
- Compare FAS & MCAS premium data, review warnings, look for unusual claims and/or underwriting activity
- Auto: PIP issues
- Life: Still have a couple of outstanding responses. Currently have not done any data integrity checks. Will start that once all of P&C work is completed.

11. What method(s) are you using to do the data integrity checks (i.e. visual inspection upon receipt of file, automated system, etc)?

- Both visual inspection and running different queries.
- Based on a visual inspect of the MCAS ratios we may target companies with MCAS ratios that appear out of the norm for further reg action. If, as we conduct our reg action, the company indicates that their ratios are incorrect we may ask them to resubmit.
- Compare CY data to PY data, dump data into spreadsheet to calculated the difference between company's ratios and statewide ratios

12. Suggested improvements (data integrity checks or data elements and/or definitions)

- Would like some guidance on how to grant extensions now that this is more of a centralized project. Do we defer to the domiciliary state if that state is a MCAS reporting state? How do we agree on how much time should be granted related to an exemption?
- Some sort of data integrity checks or automated system for states to be able to easier review any abnormalities in the data.
- It would be very beneficial if the companies were required to verify the data prior to submission. Possibly education on self-examination prior to filing.

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- DBF files would not be created if warnings were not explained in the comments section.
- Recommend a standard format for the email heading when sending data to the departments. That would enable us to use "email rules" to automatically send them to a desired folder. For example the heading for every company could be: MCAS D
- Have a list of companies, along with contact info (including e-mail address) we should be expecting submissions from and be able to pull a list at any time those remaining outstanding.
- Break-out claims ratios into sections that are handled the same or have the same typical time lag in payments. For example, bodily injury claims usually take longer than collision claims.
- Include non-pays, insured requested cancellation, and autos/policies for the beginning period. This information would allow the analyst to perform more calculations on the data. Not allowing companies to submit MCAS data if warnings appear without explanations.
- Advise Company's that they are not required to file data in schedules where they have less than the minimum threshold premium for a particular State. Restructure the database to allow for removal of schedules not required for an individual company.
- Align the requested data to more closely follow what is reported in the FAS so that cross checks can be performed more easily; insert simple example of how to calculate median days to report & final payment; automate the data integrity checks
- Auto: have companies report cancellations based on states actual length of allowed cancellation periods.
- Auto: Fix the motorcycle issue.
- Life: Schedule 3 does not seem helpful, because we do not have the number of policyholders, and usually the number of policies in the state is "0". Some of the definitions could be clearer, specifically which premiums are to be included.
- Life: I think the Group Life schedule should be modified or eliminated. It needs to be changed to include certificate or lives elements; the policy counts for that schedule are worthless. The only valid indicators are the percentage of claims paid within 60 days.