

**NAIC/INDUSTRY LIAISON COMMITTEE**

NAIC/Industry Liaison Committee Dec. 6, 2009, Minutes

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San Francisco, CA  
December 6, 2009

The NAIC/Industry Liaison Committee met in San Francisco, CA, Dec 6, 2009. The following Committee members participated: Susan E. Voss, Chair (IA); Jay Bradford (AR); Sharon P. Clark (KY); James J. Donelon (LA); Ann Frohman (NE); Scott J. Kipper (NV); Joel Ario (PA); Kent Michie (UT); Alfred W. Gross (VA); Sean Dilweg (WI); and Jane L. Cline (WV).

The following industry representatives participated: Deirdre Manna (Property Casualty Insurers Association of America—PCI); Catherine I. Paolino (American Insurance Association—AIA).

1. Market Conduct Issues

Ms. Manna and Ms. Paolina jointly presented an overview of NAIC market regulation issues. They emphasized that certain data elements were causing confusion among companies required to complete the Market Conduct Annual Statement (MCAS), and noted that inconsistency seems to exist regarding what regulators are looking to learn from the data and their approach to gathering it.

Regarding technology and the collection of MCAS data, they said they were pleased that the new Market Information Systems (D) Task Force was: 1) planning to oversee the automation of processes developed by the other market working groups to create a centralization of the data collection process; 2) considering the development of the components of a market accreditation program; 3) considering inclusion of MCAS in the program; and 4) devoting resources and personnel to getting the program up and running. They also supported the Market Analysis Priorities (D) Working Group's decision to expand its charge to address whether market analysis was predictive and effective in identifying marketplace issues.

Ms. Manna and Ms. Paolina presented industry survey data from 96 companies, in a number of states where auto and homeowners insurance is written, and indicated that there were data in several areas that were problematic and costly to present, including 1) when suits (legal actions) were opened and closed; 2) when claims were open and closed; and 3) the median days to final payment. They stated that this was because the data were linked to criteria that were unclear, not required elsewhere and there was no regulatory follow-up inquiry. They also found that the approaches and definitions were too inconsistent to allow true comparison among insurers, inconsistent regulatory interpretation and review, information difficult and costly to provide, and uncertainty among insurers as to what regulators were looking for in asking for the data.

They noted two general themes in their commentary: 1) definitions; and 2) differences in company practices. With respect to legal suits and claims, they noted a lack of definition in whether to provide data based on the number of claimants or parties or count based on coverages. They noted that the trigger for timing was unclear as to whether to count lawsuits when they were initiated or when a carrier was brought into the lawsuit. They stated that company practices differed with respect to how they captured counted and stored information, which posed difficulties in providing information. Ms. Manna and Ms. Paolina also claimed uncertainty in several areas — including what regulators mean, how insurers should review, legal interpretation differences and how they would impact ratios along with threshold levels for claim volume — as factors that would cause difficulties with complying.

Ms. Manna and Ms. Paolina concluded their presentation by recommending a slow, cautious progression on market conduct issues consistent with a well understood methodology, where all parties could comprehend the big picture. They pointed to symposium and information sessions, such as one held by Pennsylvania, on market conduct issues as a way to reach out to the industry and share information and understanding as an example of needed measures. They suggested finishing outstanding tasks, improving existing data elements, implementing MCAS technology and developing market conduct accreditation before moving forward to get continued industry support.

2. Goal of NAIC/Industry Liaison Committee

Commissioner Voss posed the question to industry participants and audience attendees about what they wanted to accomplish through this Committee and what its overall goal should be. She emphasized the desire for constructive feedback from interested parties and, if not, possibly dissolving this Committee. Daniel Schwarcz (University of Minnesota Law School) suggested more dialogue by including consumer perspectives in the meetings. Robert Detlefsen (National Association of Mutual Insurance Companies—NAMIC) concurred that cross-fertilization might be a good idea. Commissioner Voss asked participants to provide comments on this issue.

Having no further business, the NAIC/Industry Liaison Committee adjourned.