Market Analysis ~ September Series

Presented by:
The Pennsylvania Insurance Department

September 16, 2010
8 a.m. to 3 p.m.
Property & Casualty focus

September 30, 2010
8 a.m. to 3 p.m.
Life, Accident & Health focus

Temple University Harrisburg Conference Center
234 Strawberry Square, Harrisburg, PA 17101
www.temple.edu/harrisburg
Program Overview ~ Setting the Stage

Ron Gallagher, Deputy Insurance Commissioner
rgallagher@state.pa.us

- Welcoming Comments and Useful Information
- Scanning Today's Program
- Brief Overview of the Department
- Brief Overview of the PA Market
- PA Complaint Overview
Our Sponsors:

The Insurance Federation of Pennsylvania, Inc.

PA Association of Mutual Insurance Companies
Who is in the audience today?

(as of 9/24/10)

- 28 Carriers
- Legislative Staff
  - House of Representatives
  - Senate Banking Committee
- 7 Law Firms
- 1 Trade Groups
- Maryland Insurance Administration
- PA Insurance Department Presenters, Support Staff and Legal Counsel
### Scanning Today’s Program:

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
<th>Presenter/Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00</td>
<td>Registration</td>
<td></td>
</tr>
<tr>
<td>8:30</td>
<td>Setting the Stage &lt;br&gt; <em>Ron Gallagher</em>, Deputy Commissioner for Market Regulation</td>
<td></td>
</tr>
<tr>
<td>9:00</td>
<td>“Undressing” Market Analysis &lt;br&gt; <em>Jeff Arnold</em>, Market Analysis</td>
<td></td>
</tr>
<tr>
<td>10:00</td>
<td>The “411” for Carriers and Consultants &lt;br&gt; <em>Cindy Fillman</em>, Director, Market Analysis and Education</td>
<td></td>
</tr>
<tr>
<td>10:30</td>
<td>Morning Break</td>
<td></td>
</tr>
<tr>
<td>10:45</td>
<td>Market Actions - A Year in Review &lt;br&gt; <em>Chris Monahan</em>, Director, Bureau of Market Conduct</td>
<td></td>
</tr>
<tr>
<td>11:15</td>
<td>Morning Wrap-up/Questions</td>
<td></td>
</tr>
<tr>
<td>11:45</td>
<td>Lunch (on your own)</td>
<td></td>
</tr>
<tr>
<td>1:00</td>
<td>Walk in the Regulator's Shoes &lt;br&gt; Participate in a workshop and conduct a market regulation committee session</td>
<td></td>
</tr>
<tr>
<td>2:00</td>
<td>Afternoon Wrap-up/Questions</td>
<td></td>
</tr>
<tr>
<td>2:30</td>
<td>Roundtable Discussion with Deputy Commissioners</td>
<td></td>
</tr>
</tbody>
</table>
Overview of the PA Market:

- $81 billion in Annual Premium
  - 5th Largest Market in US
  - 12th Largest Market in World

- 288 Domestic carriers

- 1,869 licensed carriers

- 181,327 licensed producers
  - 72,301 residents
  - 109,026 non-resident

- $41 million to GF annually (approx)

- $18.5 million budget annually (approx)

- 220 positions (approx on regulatory only)
Overview of the PA Market ~ State Budget:

<table>
<thead>
<tr>
<th>State</th>
<th>2010</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>$556,976,000</td>
<td>1</td>
</tr>
<tr>
<td>California</td>
<td>$240,051,000</td>
<td>2</td>
</tr>
<tr>
<td>Florida</td>
<td>$114,423,066</td>
<td>3</td>
</tr>
<tr>
<td>Texas</td>
<td>$102,547,440</td>
<td>4</td>
</tr>
<tr>
<td>Ohio</td>
<td>$94,830,371</td>
<td>5</td>
</tr>
<tr>
<td>Kentucky</td>
<td>$40,532,900</td>
<td>6</td>
</tr>
<tr>
<td>West Virginia</td>
<td>$40,473,933</td>
<td>7</td>
</tr>
<tr>
<td>North Carolina</td>
<td>$29,863,635</td>
<td>8</td>
</tr>
<tr>
<td>Louisiana</td>
<td>$29,387,018</td>
<td>9</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$29,198,000</td>
<td>10</td>
</tr>
<tr>
<td>Michigan</td>
<td>$29,020,800</td>
<td>11</td>
</tr>
<tr>
<td>Maryland</td>
<td>$27,361,093</td>
<td>12</td>
</tr>
<tr>
<td>Virginia</td>
<td>$26,256,198</td>
<td>13</td>
</tr>
<tr>
<td>Delaware</td>
<td>$25,087,000</td>
<td>14</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$24,828,742</td>
<td>15</td>
</tr>
<tr>
<td>Washington</td>
<td>$23,182,000</td>
<td>16</td>
</tr>
<tr>
<td>Illinois</td>
<td>$22,619,000</td>
<td>17</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td><strong>$21,807,000</strong></td>
<td><strong>18</strong></td>
</tr>
<tr>
<td>Alabama</td>
<td>$20,404,588</td>
<td>19</td>
</tr>
<tr>
<td>Arizona</td>
<td>$19,439,700</td>
<td>20</td>
</tr>
</tbody>
</table>
## Overview of the PA Market:

### States in Descending Order of 2008 Premium Volume

<table>
<thead>
<tr>
<th>State</th>
<th>2008</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$220,922,831,947</td>
<td>1</td>
</tr>
<tr>
<td>New York</td>
<td>$150,859,397,709</td>
<td>2</td>
</tr>
<tr>
<td>Florida</td>
<td>$105,328,277,735</td>
<td>3</td>
</tr>
<tr>
<td>Texas</td>
<td>$99,037,673,043</td>
<td>4</td>
</tr>
<tr>
<td><strong>Pennsylvania</strong></td>
<td><strong>$81,078,728,038</strong></td>
<td><strong>5</strong></td>
</tr>
<tr>
<td>Illinois</td>
<td>$59,598,002,201</td>
<td>6</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$59,467,162,770</td>
<td>7</td>
</tr>
<tr>
<td>Ohio</td>
<td>$55,366,587,161</td>
<td>8</td>
</tr>
<tr>
<td>Michigan</td>
<td>$50,998,104,902</td>
<td>9</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$43,551,960,738</td>
<td>10</td>
</tr>
</tbody>
</table>
Overview of the PA Market:

Groups which account for 95.05% of the Total A & H Direct Premium in PA 2009

<table>
<thead>
<tr>
<th>Health Care Groups</th>
<th>Complaint Index</th>
<th>Market Share (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna</td>
<td>0.81</td>
<td>5.61</td>
</tr>
<tr>
<td>United Health</td>
<td>0.03</td>
<td>3.07</td>
</tr>
<tr>
<td>Highmark</td>
<td>0.31</td>
<td>30.81</td>
</tr>
<tr>
<td>Independence Blue Cross</td>
<td>0.32</td>
<td>28.35</td>
</tr>
<tr>
<td>Coventry Corp</td>
<td>0.53</td>
<td>4.86</td>
</tr>
<tr>
<td>Geisinger</td>
<td>0.16</td>
<td>3.1</td>
</tr>
<tr>
<td>Capital Blue Cross</td>
<td>0.49</td>
<td>6.01</td>
</tr>
<tr>
<td>Hospital Serv Assn of NEPA</td>
<td>0.71</td>
<td>2.37</td>
</tr>
<tr>
<td>UPMC Health Systems</td>
<td>0.14</td>
<td>8.47</td>
</tr>
<tr>
<td>Health Partners of Philadelphia</td>
<td>0.01</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Note: The 2009 market share information came from the NAIC as of May 4, 2010.
Overview of the PA Market:

Groups which account for 50.46% of the Total Life Direct Premium in PA 2009

Note: The 2009 market share information came from the NAIC as of May 4, 2010.
PA Complaint Overview:

Total Assistance
(Complaints, Phone calls, Hotline, Internet Requests, Walk-ins)

Year

No. of Complaints

Cumulative Total

0 20,000 40,000 60,000 80,000 100,000 120,000
0 20,000 40,000 60,000 80,000 100,000 120,000

Quarter

1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr.

2008 2009 2010

2008 2009 2010

2008 2009 2010

2008 2009 2010

2008 2009 2010

2008 2009 2010

95,694 107,023

27,656 27,803

22,176 25,628

21,893 27,432

23,969 26,160

95,694 107,023

27,656 27,803

22,176 25,628

21,893 27,432

23,969 26,160

PA Complaint Overview:
PA Complaint Overview:

### Assistance: Internet Requests

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Qtr.</th>
<th>2nd Qtr.</th>
<th>3rd Qtr.</th>
<th>4th Qtr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>780</td>
<td>1,021</td>
<td>832</td>
<td>740</td>
</tr>
<tr>
<td>2009</td>
<td>1,021</td>
<td>866</td>
<td>806</td>
<td>905</td>
</tr>
<tr>
<td>2010</td>
<td>845</td>
<td>825</td>
<td>4,000</td>
<td>3,500</td>
</tr>
</tbody>
</table>

Cumulative Total

- 2008: 832
- 2009: 1,697
- 2010: 5,436
PA Complaint Overview:

Assistance: Phone Calls

Year

2008 2009 2010

No. of Complaints

Cumulative Total

Quarter

1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr.


2008 2009 2010

0 10,000 20,000 30,000 40,000

19,405 20,080 18,570.0 18,619 15,622 18,619 15,090 15,622 18,619

0 20,000 40,000 60,000 80,000

19,465 17,519 20,644 18,619 15,090 18,570.0 15,622 20,080 19,405

0 20,000 40,000 60,000 80,000

Quarter
PA Complaint Overview:

Total Assistance: Hotline

Year

2008 2009 2010

No. of Complaints

Cumulative Total

0 2,000 4,000 6,000 8,000 10,000

Quarter

1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr.

2008 2009 2010

1,800 1,952 1,614 1,719 1,722 1,690 1,653 2,158

1,7735

6,789 2,393
PA Complaint Overview:

Assistance: Walk-ins

Year

2008 2009 2010

No. of Complaints

Cumulative Total

Quarter

1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr.

2008 2009 2010

Year

2008 2009 2010

No. of Complaints

Cumulative Total

Quarter

1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr.

2008 2009 2010
PA Complaint Overview:
Accident and Health Complaints

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Qtr.</th>
<th>2nd Qtr.</th>
<th>3rd Qtr.</th>
<th>4th Qtr.</th>
<th>Cumulative Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,310</td>
<td>2,629</td>
<td>5,285</td>
<td>0</td>
<td>8,214</td>
</tr>
<tr>
<td>2008</td>
<td>1,532</td>
<td>1,017</td>
<td>1,400</td>
<td>1,358</td>
<td>6,698</td>
</tr>
<tr>
<td>2009</td>
<td>1,441</td>
<td>1,671</td>
<td>1,343</td>
<td>1,287</td>
<td>5,669</td>
</tr>
</tbody>
</table>

Quarterly complainations and cumulative totals are shown for the years 2007 to 2009.
Accident and Health: Complaints Category
2009

<table>
<thead>
<tr>
<th>Category</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims Handling</td>
<td>763</td>
<td>666</td>
<td>648</td>
<td>532</td>
</tr>
<tr>
<td>Marketing and Sales</td>
<td>75</td>
<td>72</td>
<td>46</td>
<td>59</td>
</tr>
<tr>
<td>Policyholder Services</td>
<td>483</td>
<td>211</td>
<td>245</td>
<td>373</td>
</tr>
<tr>
<td>Underwriting</td>
<td>226</td>
<td>226</td>
<td>245</td>
<td>298</td>
</tr>
</tbody>
</table>

No. of Complaints
Life Complaints

No. of Complaints

Cumulative Total

Quarter

Year

2007 2008 2009

1st Qtr. 2nd Qtr. 3rd Qtr. 4th Qtr.

0 500 1,000 1,500

382 503 594 391 449 452 544 519 456 423 475 266

0 500 1,000 1,500 2,000

1,740 1,946 1,768
Life Complaints: Total Complaints by Category
2009

<table>
<thead>
<tr>
<th>Category</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims Handling</td>
<td>114</td>
<td>39</td>
<td>38</td>
<td>45</td>
</tr>
<tr>
<td>Marketing and Sales</td>
<td>80</td>
<td>70</td>
<td>74</td>
<td>41</td>
</tr>
<tr>
<td>Policyholder Services</td>
<td></td>
<td>75</td>
<td>57</td>
<td>29</td>
</tr>
<tr>
<td>Underwriting</td>
<td></td>
<td></td>
<td></td>
<td>42</td>
</tr>
</tbody>
</table>

No. of Complaints
Market Regulation Committee:

**Background**
- Multidisciplinary Analysis
- Decides on course of action regarding continuum
- Reviews Level 1 Analysis, Complaint Analysis, Product Filings, Financial Health
- Meets 6-9 times annually
Market Conduct Examinations:

2008 Market Actions
Total Projects = 94

- Market Conduct Exams: 31%
- Continuums: Interrogations, Phone Calls, Meetings: 14%
- Studies/Education Reviews: 55%
Market Conduct Examinations:

2009 Market Actions
Total Projects = 152

Market Conduct Exams: 17%
Oversight Compliance Reviews: 3%
Continuums: Interrogations, Phone Calls, Meetings: 22%
Studies/Education Reviews: 58%
“Undressing” Market Analysis ~
Overview of baseline, market conduct annual statement (MCAS), Level 1 data

Jeffrey Arnold, Market Analysis Examiner
jearnold@state.pa.us
“Undressing” Market Analysis Overview:

- Baseline Analysis
- Market Conduct Annual Statement
- Level 1 Review
Baseline Analysis:

- Uses data as a benchmark from which deviations and comparisons are measured

- Systematic process whereby basic parameters are used to evaluate the entire marketplace

- Used to identify companies that may require a more detailed and thorough analysis
Baseline Analysis:

- Private Passenger Auto
- Homeowners
- Individual Life
- Individual Annuity
- Group Life
- Group Annuity

- Accident & Health
- Group Accident & Health
- Credit
- Medicare Supplement
- Long Term Care
Baseline Analysis:

- Market Analysis Prioritization Tool (MAPT)
- Select companies with over $100,000 in direct premiums written
- Select specific information from the report to conduct baseline analysis
Consumer Complaint Data:

- Measures a company’s performance, in terms of complaints, against another company’s in the same market

- Measures changes in a company’s complaint performance over the analysis period

- Complaint ratios are based on a company’s specific information and provides a ratio of confirmed complaints per $1,000 of premium

- Complaint ratios are needed for each company to calculate the complaint index

- Measures a company’s performance relative to other companies in the same market

- The average complaint index is always 1.0 for a market for analysis purposes
Premium Volume:

- Find companies with significant fluctuations in premium volume
- Companies should be identified with dramatic growth (33% or more)
- Companies should be identified with dramatic decline (10% or more)
Reserves:

- Compare changes in losses and changes in reserves
- Identify companies with a spike in reserves without a corresponding increase in losses paid
- Losses and reserves should be moving in the same direction at a similar rate
Loss Ratios:

- Identify companies with loss ratios that are significantly higher or lower than other companies in the same market
- Identify unusual trends or year to year variations
- Private passenger auto and homeowners
Defense Costs:

- Determine if companies have had a significant change in defense costs from year to year
- Determine whether defense costs are moving in correlation to direct losses and premium volume
- Defense costs should be rising relative to increases in premium volume and losses
IRIS Ratios:

- Insurance Regulatory Information System (IRIS)
- Tool designed to assist insurance departments in monitoring the industry’s financial condition
- Identify potential financial difficulties
- There is a separate series of IRIS ratios for P&C and L&H companies
- IRIS ratios are a preliminary screening tool
- IRIS ratios outside the pre-established norm do not necessarily indicate an adverse financial condition
- The IRIS ratio merely provides a signal to follow-up to determine the cause of the changes in the company measured by the ratio or ratios in question
<table>
<thead>
<tr>
<th>P &amp; C</th>
<th>L&amp;H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Premium to Surplus</td>
<td>Net Change in Capital and Surplus</td>
</tr>
<tr>
<td>Net Premium to Surplus</td>
<td>Gross Change in Capital and Surplus</td>
</tr>
<tr>
<td>Change in Net Writings</td>
<td>Change in Premium</td>
</tr>
<tr>
<td>Liabilities to Liquid Assets</td>
<td>Change in Product Mix</td>
</tr>
</tbody>
</table>
Market Conduct Annual Statement (MCAS):

The Market Conduct Annual Statement (MCAS) is a uniform method for states to collect key data regarding:

- Individual Life cash and non-cash value products
- Group Life cash and non-cash value products
- Individual fixed and variable annuities
- Private Passenger Auto and Homeowners

(health insurers do not provide MCAS data)
Market Conduct Annual Statement:

- Regulated entities may download instructions and a data collection program from the NAIC.

- Allows state regulators to compare and contrast entity-specific results with the remainder of the industry regarding such issues as:
  - Replacements
  - Nonforfeitures
  - Complaints
  - Life Insurance Face Values
  - Cancellations
  - Claims taking longer than 60 days to finalize

*(health insurers do not provide MCAS data)*
Market Conduct Annual Statement:

- Call Letter is sent by the NAIC with instructions on how to load data

- Company sends data to Insurance Department to be loaded into Database

- Certificate of Compliance

- Data Integrity checks are performed to ensure data is correct (20% variance in premium)

(health insurers do not provide MCAS data)
Market Conduct Annual Statement:

- Statewide averages are viewed
- Company data is viewed to determine if there are company ratios that exceed the statewide averages
- Company report cards are developed and sent to companies
- Company outliers are identified
- Outliers are analyzed and compared with companies identified as possible outliers through baseline analysis
- Identify companies that may need to have a Level 1 Review conducted

*(health insurers do not provide MCAS data)*
MCAS does not pertain to Accident and Health Insurance
Level 1 Review:

- The Division of Market Analysis uses the Level 1 review as a tool to learn more about a company’s:
  - Operations
  - Financial Ratios
  - Special Activities (SAD)
  - Regulatory Actions
  - Examinations
Level 1 Review:

- Market Initiative Tracking System (MITS)
- Premiums
- Market Share
- Resisted or Unpaid Claims
- Complaints
- Market Conduct Annual Statement
- Conclusion
Operations:

- Significant changes in officers, directors or trustees over last 3 years
- Changes in company’s organization, management or operations
- Mergers or consolidations
- Revocation of Certificates of Authority, licenses or registration
- Change in state of domicile
Financial Ratios:

- Review RBC ratios for the last 5 year period
- Has the company’s RBC ratio triggered any action level events or has the RBC ratio significantly declined during the period
- Defense costs should be rising relative to increases in premium volume and losses
Level 1 Review:

- Company Action
- Regulatory Action
- Authorized Control Level
- Mandatory Control Level
Special Activities:

- Entries in the NAIC’s Special Activities Database (SAD) of substantive concern over past 5 years
- Market Activities
- Legal Actions
Regulatory Actions:

- Substantive regulatory actions
- Reasons for actions
- Patterns
- High dollar penalties
Examinations:

- Review Exam Tracking System (ETS) summary
- More than 3 exams in past 12 months
- Substantive concerns
- Patterns
- Exam triggers
Premiums:

- Review company’s direct premium reported on a national and state basis

- Has premium increased or decreased by 33% in any single year during last 5 years

- Is company keeping up with growth (claims staff)

- Why is there a decrease in premiums (solvency)
U.S. Market Share:

- Significant Changes in market share for state under review over last five years
- Specific line of business
Loss and Expense Ratios:

- For the lines of business under review in all jurisdictions, are loss and expense ratios unusually high or low as compared to industry averages?

- In the state and lines of business under review, are loss and expense ratios unusually high or low as compared to industry averages?
Resisted or Unpaid Claims:

- Review Premium written
- Direct defense and cost containment expenses paid
- Direct Losses Incurred
- Industry averages over last 5 years
Complaints:

- Significant changes in confirmed Complaint Index current year plus four years
- Significant changes in complete Complaint Index current year plus four years
- Review 5 year complaint report
Market Conduct Annual Statement:

- Does a state participate?
- Applicable to line of business under review?
- Identified as outlier?
- What Schedules is company considered an outlier? (PPA, HO, ILCVP, ILNCVP, GL, IFA, IVA)
- Statewide average comparisons (Ratios of concern) (MCAS)
Conclusion:

- What is recommended for the next step upon completion of the Level 1 review?
  - Direct contact with the company
  - Investigation is scheduled
  - Examination is scheduled
  - Enforcement Action may be scheduled

- Contact the Collaborative Action Designee (CAD) of other states with similar concerns
- Proceed with another option on the continuum of regulatory responses (develop letter to company, phone call, conference call, or meet with company)
- No further analysis is necessary
- Level 2 is scheduled
COGNOS Reports:

- An internal report that shows confirmed complaints and/or enforcement referrals for a specified window of time for a company
**Reporting:**

Reports are developed from a combination of findings from:

- Baseline Analysis
- Market Conduct Annual Statement
- Level 1 Review
- COGNOS Report
Reporting:

Findings are presented to the Market Regulation Committee

- Deputies and Directors of the various program areas of the Insurance Department

- Action to be taken
  - Market Conduct Exam
  - Monitor through future analysis
  - Continuum through a meeting
  - Continuum through letter or phone call
  - Other
The “411” for Carriers and Consultants

Cindy Fillman, Director, Bureau of Market Analysis and Education

cfillman@state.pa.us

&

Christopher Monahan, Director, Bureau of Market Conduct

cmonahan@state.pa.us
Informing your Regulator:

- Educational Reviews
- Studies
- Questionnaires
Educational Review - A Case Study:

- Act 62 - Autism Mandate
- Initial letter - expectations
- Reports
- Many interventions
- Follow up reports - to inform legislative report
Studies-climate Change:

- Initial letter-expectations
- Reassurance
- Full disclosure
- Purely educational
- What PA did right
Questionnaires-Healthcare Reform:

- Initial letter-expectations

- Questionnaires-not mandatory but detailed. Usually in the insurers interest to share information.

- Informs policy and potentially legislation
Division of Education:

Healthcare Reform

- Grant Applications
- High Risk Pool
- Exchange
- Consumer Assistance Program

Other Policy Issues

- Climate Change
- Autism
- Title Insurance
Market Analysis ~ A Year in Review

Christopher Monahan, Director, Bureau of Market Conduct
cmonahan@state.pa.us
Baseline Analysis:

Nine lines of insurance and 1,283 insurance companies were analyzed through baseline analysis from 2008 data. Baseline analysis included review of:

- 214 private passenger automobile insurers
- 166 homeowners insurers
- 56 long-term care insurers
- 174 individual accident and health insurers
- 189 group accident and health insurers
- 266 individual life and annuities insurers
- 119 group life and annuities insurers
- 62 Medicare supplement insurers
- 37 credit insurers
Baseline Analysis:

Baseline analysis scoring includes the use of:

- Division of Market Analysis Scoring Model
- NAIC Market Analysis Prioritization Tool (MAPT)
- MCAS Scoring Model

- All three scoring models or tools are used to create aggregate scores for all companies in baseline analysis process
- Scores are used as primary tool to select outliers
Level 1 Analysis:

132 outliers from baseline analysis also underwent level 1 analysis in 2008. This is up from last year when 125 companies underwent Level 1 analysis for 2007 data. The number of companies undergoing Level 1 analysis for each line of insurance looks like this:

- 28 for long-term care and/or Medicare supplement insurance
- 52 companies for private passenger automobile and/or homeowners lines
- 29 companies for individual and/or group life and annuities lines
- 20 for individual accident & health and/or group accident & health
- 3 companies for the credit insurance

NAIC mandates require PA to conduct a minimum of 40 level 1 reviews each data year and so, PA well exceeded its minimum requirement.
Market Regulation Committee:

From the 132 companies undergoing Level 1 analysis, a total of 68 of them rose to the level of being presented during 6 different MRC meetings over the past nine months.
Market Regulation Committee:

The following summarizes the dispositions of the 68 companies presented to MRC based on 2008 data findings:

- 26 companies monitored through future market analysis projects
- 14 companies had meeting scheduled with the Department to gain more information and understanding about issues of concern
- 13 companies were contacted through interrogatories or phone calls to gain more information and understanding about issues of concern
- 6 companies needed us to follow-up with regulators from other states to better understand actions and initiatives involving the companies
- 6 companies had target market conduct examinations called
- 2 companies had suspended market conduct examinations re-opened
- 1 company had a comprehensive market conduct examination called
Market Conduct Examinations:

During 2009, 48 market conduct examinations were closed resulting in:

- $1,063,112 in penalties
- $1,119,350 in restitution to PA consumers

The number of market conduct examinations called by the Department has been declining over the past three years.
## Market Conduct Examinations:

### 3 Year Overview of Exams

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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</thead>
<tbody>
<tr>
<td><strong>Exams Opened</strong></td>
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<tr>
<td>P &amp; C</td>
<td>43</td>
<td>24</td>
<td>14</td>
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<tr>
<td>L &amp; H</td>
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<td><strong>Exams Closed</strong></td>
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<tr>
<td>P &amp; C</td>
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<tr>
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<td><strong>Total Exams Closed</strong></td>
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<td>48</td>
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</tbody>
</table>
Market Conduct Examinations:

2008 Market Actions
Total Projects = 94

- Market Conduct Exams: 31%
- Continuums: Interrogations, Phone Calls, Meetings: 14%
- Studies/Education Reviews: 55%
Market Conduct Examinations:

2009 Market Actions
Total Projects = 152

- Market Conduct Exams: 17%
- Continuums: Interrogations, Phone Calls, Meetings: 22%
- Studies/Education Reviews: 58%
- Oversight Compliance Reviews: 3%
Morning Wrap-up ~ Questions
Lunch
Walk in the Regulator’s Shoes
Market Regulation Committee:

- Deputy for Product Regulation
- Bureau Director for Product Type
- Deputy for Financial Regulation
- Market Analysis Staff
- Director, Market Analysis & Education
- Market Analysis Chief
- Deputy for Market Regulation
- Director, Consumer Services
- Director, Market Actions
- Product Area, Division Chief, Market Actions

**Background**

- Multidisciplinary Analysis
- Decides on course of action regarding continuum
- Reviews Level 1 Analysis, Complaint Analysis, Product Filings, Financial Health
- Meets 6-9 times annually
Afternoon Wrap-up ~ Questions
Roundtable Discussion with Deputy Commissioners
Robert L. Pratter, Acting Pa Insurance Commissioner, rpratter@state.pa.us

Ron Gallagher, Deputy Insurance Commissioner,
Office of Market Regulation rgallagher@state.pa.us

Randy Rohrbaugh, Deputy Insurance Commissioner,
Office of Insurance Product Regulation and Administration
rrohrbaugh@state.pa.us

Steve Johnson, Deputy Insurance Commissioner,
Office of Corporate and Financial Regulation stjohnson@state.pa.us

Cindy Fillman, Director,
Bureau of Market Analysis and Education, cfillman@state.pa.us

Carolyn Morris, Director,
Bureau of Consumer Services, camorris@state.pa.us

Jack Yanosky, Director,
Bureau of Licensing and Enforcement, jyanosky@state.pa.us

Christopher Monahan, Director,
Bureau of Market Conduct cmonahan@state.pa.us