



**Comments of the Center for Economic Justice to the
Market Analysis Procedures Working Group
Response to Industry Trades Letter of 9/19/2018**

September 27, 2017

In this comment, CEJ reviews the supplemental industry trades' opposition arguments for adding Private Flood to MCAS

New Industry Argument in Opposition:

The Annual Statement data on private flood is sufficient to allow regulators to monitor the market.

Summary of CEJ's Rating of Argument

Originality: 0 out of 10

Factual Accuracy: 5 out of 10

Relevance: 1 out of 10

Overall: We found the argument to be uninspired and look forward to greater creativity in the future.

Detailed Review

Originality: We gave the argument a zero for originality. "You already collect enough data" has been overused and is now a tired argument. Some of Industry's opposition arguments in the July 18, 2017 letter were much more creative.

Factual Accuracy: We gave industry some points here because the Annual Statement does, in fact, now include data on private flood as a separate line on the state page with data elements for premium, losses, reserves, claim settlement expense, commissions and taxes/licenses and fees. As a separate line of business, private flood also shows up in the insurance expense exhibit (nationwide expenses allocated to various expense categories)

A review of the homeowner's MCAS – to which private flood would be added or from which private flood MCAs would be modeled shows:

16 interrogatories
18 data elements related to claim settlements
4 data elements related to suits
11 data elements related to sales and underwriting

Of these 49 interrogatories and data elements, there is one that overlaps with Annual Statement – number 42 – direct premium written. The remaining 48 questions or data items are unique information for market analysis.

We gave industry 5 out of 10 because the statement about Annual Statement data for private flood is accurate, but misleading.

Relevance: We gave industry 1 out of 10 here because Annual Statement data is used for market analysis to supplement MCAS data.

The argument about Annual Statement data in lieu of MCAS is, however, almost wholly irrelevant for two reasons. First, MCAS data is unique – different from the Annual Statement data – and designed specifically for market analysis and market regulation as opposed to primarily financial regulation purposes of the Annual Statement. The unique nature and role of MCAS is demonstrated by the fact that 48 of 49 questions and data elements in the MCAS are not found in the Annual Statement.¹

Second, regulators long ago determined that Annual Statement data was not sufficient for market analysis and that additional data was needed for market analysis. If Annual Statement data were sufficient for monitoring the market, there would be no need for a homeowners or auto or life or annuity or LTC MCAS.

Overall, we found industry's initial opposition comments to be a bit more inspired than the most recent objection. Although we find this latest effort disappointing, we look forward to future arguments against any new MCAS data collection.

¹ We note that the overlap of the one data element is intentional – to provide an opportunity to reconcile MCAS data with another published source.