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# Centralized Market Conduct Data For Consumers

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## Market Conduct Data for Consumers

- Consumers currently have difficulty distinguishing insurers based on their treatment of policyholders.
  - As a consumer advocate, one of the most common questions I hear is "Is company X any good? Or should I be careful of doing business with them?"
  - This creates a knowledge gap that is not being filled.
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## Market Conduct Data for Consumers

- The only exposure most consumers have to market conduct information comes from occasional news reports, which can involve sensationalism.
  - News reports tend to focus on lone cases of egregious conduct, creating a potentially skewed perspective among consumers.
  - Because it is not easy to differentiate between insurers based on their market conduct record, all insurers get painted with the same brush.
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## Market Conduct Data for Consumers

- It is not good for the industry, or insurance regulators, to foster the notion that all insurers are bad actors - yet this is precisely what has happened.
  - The fear that some data or complaint information will be distorted in an unfavorable way should not be motivating the industry to oppose making the data public.
  - There is no credible reason that market conduct information, such as MCAS reports, should not be made available to public.
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## Market Conduct Data for Consumers

- Businesses operate in a competitive system. This should include customer relationships. If we do not, the market is failing.
  - Insurers and regulators should be eager to see market performance ratings made available to the public.
  - Companies that provide good customer service will succeed and grow, while poor performers will languish. This is how it should be.
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## Market Conduct Data for Consumers

Why is better data collection and disclosure necessary?

Because the current patchwork of information is confusing and hard to understand. As an example, I have taken 2 companies (both competing in the same lines of business), and compared the publicly available market conduct information from a variety of sources on both.

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## Market Conduct Data for Consumers

	<b>Company A</b>	<b>Company B</b>
<i>Assets</i>	\$25.1 Billion	\$13.8 Billion
<i>Premiums</i>	\$2.4 Billion	\$3.4 Billion
<i>Surplus</i>	\$1.7 Billion	\$775 Million
<i>CIS Life Complaint Ratio</i>	0.26	6.22
<i>CIS Life Insurance Complaints</i>	23	114
<i>Common Complaints</i>	Delay	Delays, Denials, Misrepresentation, Cancellation, Suitability
<i>State 1 - Justified Complaints*</i>	0.53	21.53
<i>State 1 - Complaint Index</i>	0.28	11.45

\* The justified complaint ratio in State 1 based on the number of justified complaints per 100,000 policies or exposures.

# Market Conduct Data for Consumers

	<b>Company A</b>	<b>Company B</b>
State 2 Complaint Ratio	2.61	7.6
State 3 Complaint Ratio*	0	0.07
State 4 Complaints per Mill.	0	0.28
State 5 Complaint Index	2	10.31
State 6 Complaint Ratio	0.1	2.04
State 7 Complaint to Premium	0.06	0.41

\*State 3 only provides Complaint Ratios for companies with a premium volume of at least \$1 million, 5 or more complaints, and a complaint ratio above the average.

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# Market Conduct Data for Consumers

## Observations

- States use a variety of methods to compare complaint performance:
    - Justified Complaints;
    - Complaint Index;
    - Complaint Ratio;
    - Complaints per Million; and
    - Complaints to Premium.
  - The definition of terms varies from state to state, even among states that use identical terms like “Complaint Index.”
  - A consumer who does research in one state may reach a conclusion about an insurer that is very different from a consumer based in another state. For example, a consumer who looks up complaint information in State 2 might conclude that Company B has 3 times as many complaints as Company A, but one who reviews complaint information in State 1 might conclude that Company B has over 20 times as many relative complaints as Company A. This is a substantial difference.
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# Market Conduct Data for Consumers

- A number of states only provide Complaint Indexes or Ratios for a few select companies, based on premium volume and/or whether they have a higher than average Complaint Ratio. However, this hinders consumers who are trying to choose which insurers they want to do business with.
  - Often, a consumer does not know what the “average” Complaint Index number is, and therefore will not be able to tell if a particular company is barely above the average, or way above.
  - Similarly, insurers with excellent market conduct records will not be identified as being well below the average Index number, and will receive no credit for their good record.
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# Market Conduct Data for Consumers

## Company B's Market Conduct Exam Record

- State 1 Examination Report – Examiners reviewed a total of 2,375 individual claim file numbers, from 80 policy files, and identified 518 alleged claims handling violations - settlement offers that were unreasonably low; failing to pay accepted claims within 30 days; failing to provide clear explanation of benefits or of computation of benefits; and failing to provide in writing the reasons for the denial of a claim including the factual and legal bases for each reason given.
  - State 6 Summary Order – The Commissioner noted that Company B's multiple failures to acknowledge receipt of claims, to promptly investigate claims, to affirm or deny claims and to effectuate prompt and fair claims settlement practices were committed with such frequency as to establish a business practice.
  - Multi-State Exam – Examiners noted Company B did complete claim investigation within 30 days in 63% of paid claims files; did not pay or deny claims within required time frame 52% of the time in Paid Claims files; and that the Company failed to maintain complete and accurate complaint data.
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# Market Conduct Data for Consumers: Recommendations

Consumers need better access to Market Conduct data that is easily compared and understood. This will help insurers with good market conduct practices, such as Company A, which outperformed Company B on all Complaint comparisons. The NAIC should play a pivotal role in the process by:

- Making Market Conduct Annual Statement data available to the public and consumer intermediaries.
  - Expanding the Consumer Information Source to include additional information, including:
    - Links to the Complaint information page of each state insurance department.
    - A summary of the differences between the Complaint information published by each state.
    - Copies or links to Market Conduct Exam Reports, Enforcement Actions or other Orders issued by regulators against insurance companies.
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