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Regulatory insurance intelligence: Understanding rate filing average days to approval - 2024 Q1

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The U.S. insurance regulatory environment is complex and difficult to navigate, even for experienced professionals. Modern analytics can be applied to publicly available insurance product filing data to produce actionable regulatory insurance intelligence that demystifies the insurance regulatory world.

A key metric, called "rate filing average days to approval," is calculated from publicly available data and can aid filers like insurance companies, managing general agents, and others in decision-making and formulating insurance product rollout schedules. This paper discusses rate filing average days to approval for the personal auto and homeowners lines of business in several states, how it is determined, and how it can be used to maximize resources and reduce overall time to market.

This paper has been updated from the version **published** on February 28, 2024. This updated version contains filings through 2024 Q1 and different sets of states.

What is regulatory insurance intelligence?

When we say "regulatory insurance intelligence" we're referring to information and knowledge about the regulations and processes surrounding insurance. This intelligence can be valuable for anyone involved in the admitted insurance market because it can be used to:

- Educate and inform those who are new to the regulatory process or entering a new line of business.
- Develop company strategy for new or improved insurance programs.
- Reduce time to market for new programs.
- Prioritize coverage and rate changes across states to achieve company goals.

What is rate filing average days to approval and why is it important?

When developing or revising insurance products it is important to recognize that the natural and man-made hazards to which people and property are exposed (e.g., wildfires, hurricanes, sinkholes) differ by state, as do the laws, regulations, "desk drawer rules" (i.e., internal rules that a state's Department of Insurance [DOI] may have that are not published), and filing requirements with which companies need to comply to receive state regulatory approval. In addition, the unique political, legal, social, economic, and other issues present in each state (e.g., potential claims fraud, affordability challenges, a recent catastrophic event) influence what each state's DOI focuses on during its regulatory review. All these factors, including DOI staffing, resources, and outsourcing of reviews, contribute to regulatory review times that significantly vary by state and by line of business (LOB).

Rate filing average days to approval are estimates of the average number of days that it takes for a rate filing to be approved by a state DOI once it has been submitted for review. One of the most important use cases of state approval data is to determine where and when to launch new insurance products or to facilitate multistate changes to existing products. To best utilize the rate filing average days to approval metric, a filer must first consider the goals of its product filing.

For example, if the company's goal is to launch a new program as quickly as possible, then the company can identify which states are generally the quickest to complete their reviews. Filing in these states first would allow the company more time to start collecting exposure and loss experience data once the product has gone live. This data can then be used to fine-tune the product before entering more rigorously regulated states. Filing a tested and proven product in states with longer expected approval times can save the company time in the future because any adjustments to the new program filing are subject to the same longer state regulatory approval times. In addition to having a more tested and proven product before filing in states with longer approval times, a company filing first in states with shorter approval times will be able to collect policy premium earlier and test whether its insurance product is attracting the targeted policyholders. This could allow companies, especially startups, the opportunity to better forecast whether their insurance programs will be profitable and, if so, what funds are needed to pursue the next phase of filings.

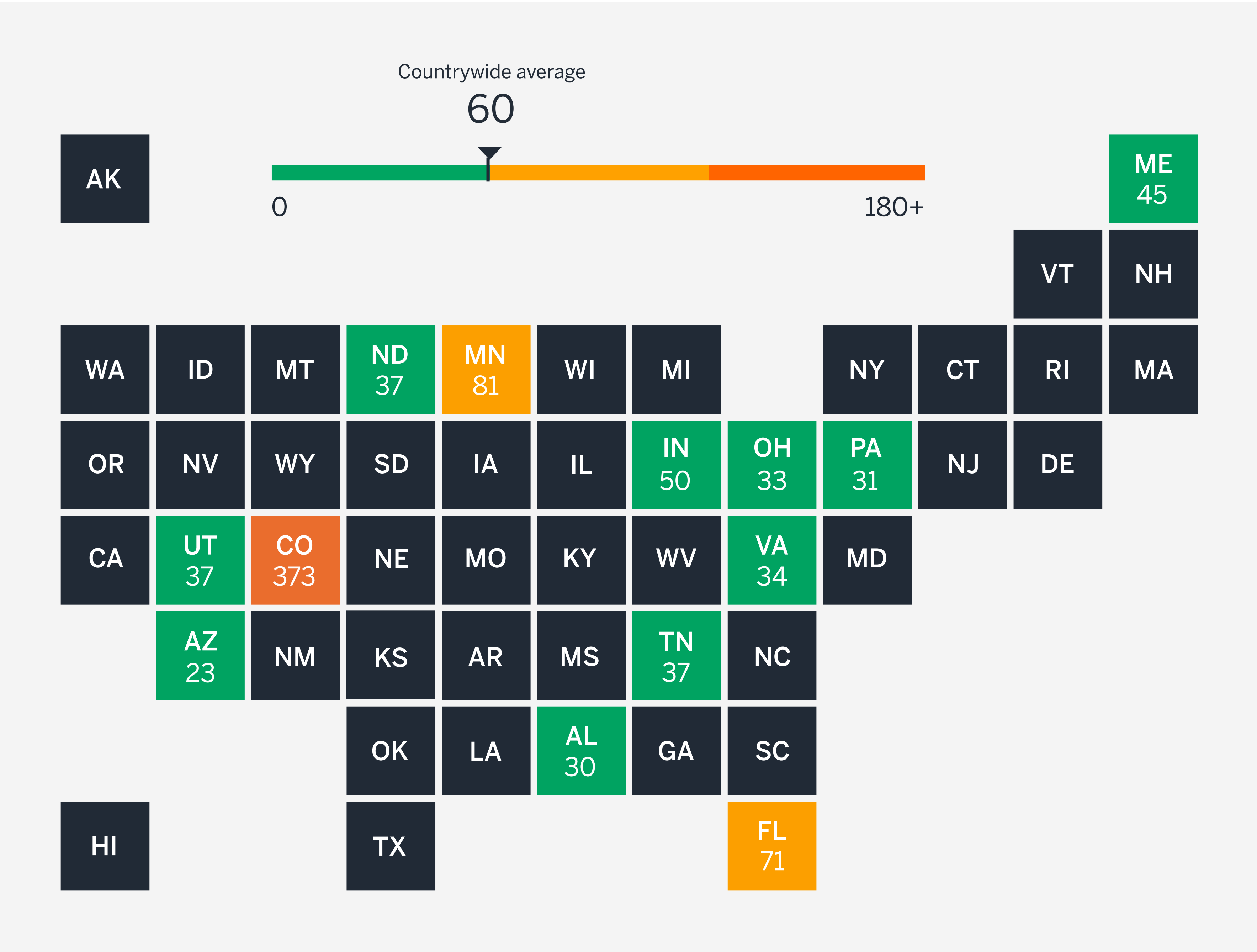
Alternatively, if the company's goal is to launch a new program across all states at approximately the same time, it may choose to prioritize filings for states that generally have longer review times. This allows regulators in these states more time to complete their reviews, while the remaining state filings are being prepared and submitted for approval. Further, states that have longer review times are generally more rigorously regulated and require more filing support, so preparing additional support for the first several states can lead to efficiencies when filing in future states. These more rigorous states may also require changes in the program that can be implemented countrywide. Therefore, by starting in the rigorous states, the company may have the option to adjust its countrywide filing material instead of having state-specific filing material. A consistent countrywide product would make programming the insurance product easier on the company.

It is important that filers are aware of and stay up to date on state-specific laws, regulations, guidelines, and other rules enforced by each DOI, so that the filer can prepare filings that meet each DOI's expectations. This preparation facilitates more efficient regulatory filing reviews by the DOIs, informs company go-to-market strategies, and aligns stakeholder expectations. Submitting filings that overlook state-specific requirements may result in more DOI questions (in the form of objections) or outright disapproval of the filing, which will extend regulatory review times and challenge the company's overall project timelines and goals. Overlooking state requirements may also result in future fines resulting from market conduct examinations finding noncompliance with a state requirement even after a filing has been approved.

Analysis results: Private passenger auto rate filings

The results of the analysis are summarized on the following heat maps. Figure 1 is a heat map of the rate filing average days to approval for private passenger auto (PPA) rate filings approved from 2019 through March 31, 2024, for selected states.

Figure 1: Private passenger auto rate filing average days to approval by state



The table in Figure 2 summarizes private passenger auto rate filing average days to approval for each selected state by calendar year in which the rate filing was approved. The “Countrywide” row includes all states across the country, including those not shown in each figure, and is used to calculate how many days each state differs from the countrywide (CW) average.

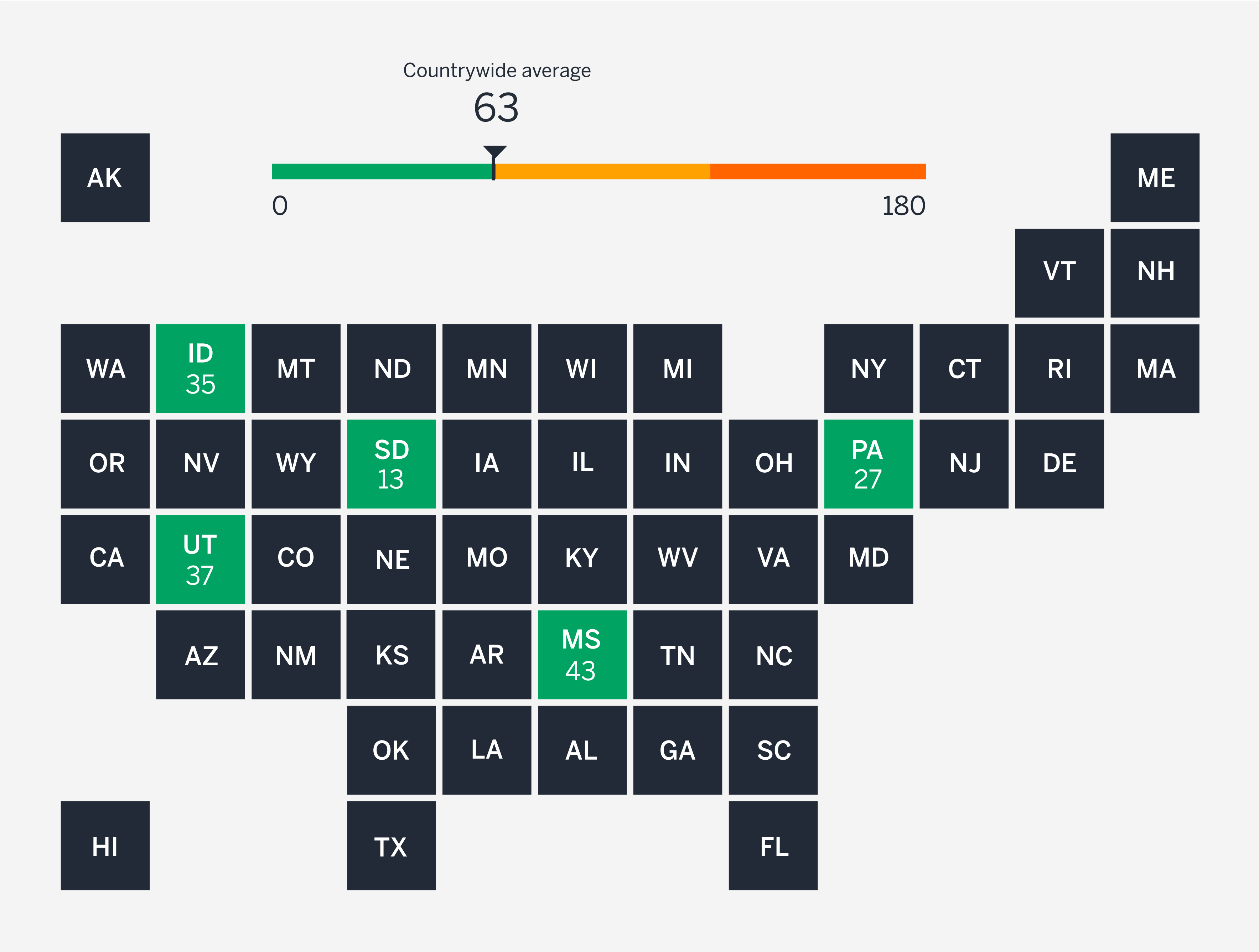
Figure 2: Private passenger auto rate filing average days to approval by approval year

State	2019	2020	2021	2022	2023	2024	Avg	Difference from CW
Alabama	20	20	26	37	39	38	30	-30
Arizona	27	24	35	14	19	27	23	-37
Colorado	317	443	590	350	207	238	373	313
Florida	74	76	59	60	77	107	71	11
Indiana	26	24	146	42	39	20	50	-10
Maine	34	21	49	51	62	86	45	-15
Minnesota	65	54	80	52	132	100	81	21
North Dakota	49	21	25	37	48	48	37	-23
Ohio	26	24	35	37	40	50	33	-27
Pennsylvania	24	19	30	33	45	60	31	-29
Tennessee	38	15	34	40	48	59	37	-23
Utah	31	32	45	40	38	27	37	-23
Virginia	35	31	29	33	41	44	34	-26
Countrywide	51	49	75	57	64	72	60	

Analysis results: Homeowners rate filings

Figure 3 is a heat map of the rate filing average days to approval for homeowners (HO) rate filings approved from 2019 through March 31, 2024, for a different set of selected states.

Figure 3: Homeowners rate filing average days to approval by state



The table in Figure 4 summarizes rate filing average days to approval for each selected homeowners state by calendar year in which the rate filing was approved and includes the difference of approval days from the countrywide average.

Figure 4: Homeowners rate filing average days to approval by approval year

State	2019	2020	2021	2022	2023	2024	Avg	Difference from CW
Idaho	52	41	29	14	39	51	35	-28
Mississippi	42	40	37	46	48	38	43	-20
Pennsylvania	21	23	26	28	33	38	27	-36
South Dakota	4	12	9	2	36	20	13	-50
Utah	32	34	41	47	34	26	37	-26
Countrywide	52	60	72	62	65	71	63	

The averages for each approval year may be used to understand whether a state is trending toward shorter or longer review times. Additionally, each state's difference from countrywide may be used to indicate whether a state generally takes more time than average, illustrated by a positive value, or less time than average, illustrated by a negative value.

Methodology

Electronic copies of historical Private Passenger Auto[1] and Homeowners[2] regulatory filings approved from 2019 through March 31, 2024, were downloaded on May 2, 2024, for each state and jurisdiction. Each downloaded document contained information about the filing, including the filing number, filing submission date, filing approval date, line of business, type of insurance (TOI), filing company, filing status, and filing type.

The filing type depends on whether the filing contains the following information:

- Rate: Proposed program rates, including changes that impact policyholder rates.
- Rule: Proposed rules about how the policy risk is classified and the premium is calculated.
- Form: Proposed policy contract forms.

Some states require insurance program rates, rules, and forms to be submitted together in a single filing, whereas other states allow the rates, rules, and forms to be submitted via separate filings for each. Accordingly, the filing type field may be a combination of several filing types (e.g., rate/rule/form, rule/form). In addition, some states include other types of information to be filed under state-specific filing types (e.g., the California "new program" filing type). The content of the filing type field was used to identify whether or not each filing included a rate component. Filings that included a rate component were categorized as a "rate filing" for the purposes of this analysis. For example, if the filing type was "new program," "rate/rule," or "rate/rule/form," then it was categorized as a rate filing.

The content of each filing's approval date and filing status fields was used to determine whether the filing was an approved filing. For each approved filing, the number of days from the filing submission date to the filing approval date was calculated as days to[3] approval and the approval year is the calendar year corresponding to the approval date.

The line of business, state, and additional information about the filing were recorded in a manner that the filings could be grouped and sorted into cohorts. The average of the days to approval for all rate filings in each cohort was then calculated as the rate filing average days to approval.

Conclusion

The data presented in Figures 1 through 4 can be used to estimate timelines and inform a program filing schedule for product changes or expansion into new states or lines of business. For example, if the filer's goal is to implement a rate change across several states at the same time, before having access to the information in Figure 3, then the insurer could unknowingly start to submit filings in faster-to-review states such as Alabama, Arizona, and Pennsylvania. The rate filings in these states are likely to be approved over the next month, while the submission of filings in longer-to-review states would just be starting. This could result in the longer-to-review states, such as Colorado, Florida, and Minnesota, taking an additional two to 12 months after the first batch of states, resulting in a total of 13 months to get all the states in Figure 3 approved.

Instead, the filer could review the data in Figure 3 and determine that rolling out the rate change across all the states listed may be completed a month quicker by filing in the longer-to-review states first. The remaining states can then be filed while the first set of states are reviewing. This would result in every state in Figure 3 getting approved within 12 months from the first filing submission. Further, the longer-to-review states are often the larger premium volume states, such as Florida, so this approach may also move toward the company's profitability targets quicker. It is important to realize this strategy may not work best for all companies, so considering a company's goals is crucial when selecting the order of states to file in.

The data presented in Figures 1 through 4 can also be used to see whether a company should encourage legislative change to have rate filings approved. For example, the average PPA rate filing in Colorado takes 373 days from initial filing to approval. With the gap between filing submission and filing approval being greater than a year, it can be determinantal not only for companies trying to enter the auto insurance market but also for existing companies that are not able to adequately adjust their rates after the initial filing has been approved.

While it is possible that individual filing reviews could be longer or shorter than the historical averages, having information to optimize the order of filing submissions can be used by filers to gain efficiencies, reduce time to market, respond to market demands and evolving risk, and provide a competitive advantage. The information about filing review times can also be used to inform company stakeholders so that they can align schedules and expectations for a successful implementation that supports company growth, profitability, budgeting, resource allocation, and other initiatives.

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[1] PPA filings included the following types of insurance: personal auto combinations, private passenger auto, motorcycle, recreational vehicle (RV), and other auto.

[2] HO filings included the following types of insurance: homeowners sub-TOI combinations, condominium, mobile homeowners, owner-occupied, tenant, and other homeowners.

[3] Each DOI has its own way of indicating that filings are approved for use. The following are examples of disposition statuses that are considered approved for the purposes of this analysis: acknowledged, approved, file and use, filed, recorded effective as submitted, reviewed, etc.

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