AGENDA

1. Review Life Market Conduct Annual Statement (MCAS) Survey Results and Discuss Possible Edits to the Blanks and Data Call and Definitions—Rebecca Rebholz (WI)
   a. Level of Granularity
   b. Changes to Data Elements and Definitions
      i. Data Elements That Are Not Useful
      ii. Data Elements to Add or Modify
      iii. Interrogatory Modifications
      iv. Any Other Updates

2. Review Annuity MCAS Survey Results and Discuss Possible Edits to the Blanks and Data Call and Definitions—Rebecca Rebholz (WI)
   a. Level of Granularity
   b. Changes to Data Elements and Definitions
      i. Data Elements That Are Not Useful
      ii. Data Elements to Add or Modify
      iii. Interrogatory Modifications
      iv. Any Other Updates

3. Discuss Any Other Matters Brought Before the Working Group—Rebecca Rebholz (WI)

4. Adjournment
Life MCAS Survey Notes:

1. Possible changes to granularity of reporting
   Choices sorted by percentage of responses
   
   Individual Universal Life Insurance  87.50%
   Individual Pre-Need / Funeral / Final Expense Life Insurance  81.25%
   Individual Variable Life Insurance  81.25%
   Individual Variable Universal Life Insurance  81.25%
   Individual Whole Life Insurance  68.75%
   Individual Equity Indexed Life Insurance  68.75%
   Individual Term Life Insurance with no Cash Value  56.25%
   Other Individual Life Insurance with no Cash Value  43.75%
   Other (please specify)  12.50%

   Other:
   a) preneed contracts and other types of life insurance contracts - These categories are not mutually
      exclusive. For instance, equity indexed universal life insurance is likely a subset of universal life
      insurance and could be reported under both lines. We need to make sure these are defined so
      that there is no double counting.
   b) Credit/Other with no cash value

   Additional Comments:
   a) separate out the Final expense/pre-need/funeral from other life insurance - because of the
      possible volatility that could occur in the marketplace, separating out those tied to the market
      would also be recommended, variable and equity indexed products.
   b) Endowments - Some consideration should likely be given to the product matrix and the financial
      annual statement. Whatever changes are considered should also consider how to make the lines
      of business comport between these two documents.
   c) These policies tend to have post underwriting verses initial underwriting. It might be helpful to
      identify those policies and look at denied claims etc.

2. Possible changes to MCAS Data Elements
   Current data elements that are not useful:
   a) We do not use the rankings much, although those are not data elements submitted by the
      companies, they do display on the MAPT full reports. Also the national data is helpful if we are
      reviewing a domestic, but overall we put more weight on criteria that is state specific.
   b) Surrenders broken out by year, is useful if we also knew if surrender fees were applicable.

   Data elements that could be added or modified to make the Life MCAS more useful:
   a) It would be nice to add percentage change on business written for that line of business between
      the three years, as it can help analysts easily identify aggressive movement within a line. Could
      we add calculated columns for % change of premiums written in the state to the MCAS MAPT
      reports?
   b) There is no definition of inforce and it may be subject to different interpretations. For example,
      we have noticed variances based on issue date or effective date.
   c) Under both ICVP and INCVP sections: Definition of Policies/Contracts Applied for - might be
      helpful to include not-taken policies (which should be formal offers) in the definition. Currently it
states apps that are a formal offer or formal declination. However, I’ve had confusion with companies reporting data and not including not-taken policies.

d) Under both ICVP and INCVP sections: include a subcategory capturing the # of policies that were not taken. That may provide a more accurate picture of the companies conduct.

e) Under both ICVP and INCVP sections: In addition to the current Death Claims Denied, Resisted or Compromised during the period and Number of Death Claims Denied during the period, which occurred within the contestability period, add more data elements such as: Number of Death Claims Denied, Resisted or Compromised for material misrepresentation. Number of Death Claims Denied where policies were rescinded. Number of Resisted claims remaining open and in force beyond 1 year.

f) Under ICVP: Number of policies during the year in nonforfeiture status that is involuntarily (by consumer) terminated during the year.

g) Under ICVP: Number of policies during the year in non-forfeiture status that voluntarily (by consumer) surrenders the policy prior to the end of the policy term. I’ve seen many complaints relating to extended term insurance which is the most common non-forfeiture option offered by insurers, didn’t know if other states were experiencing the same thing.

h) Perhaps add a line to the MCAS for number of policies surrendered where a surrender fee was applied. Policy lapses would be a useful add. This could highlight some billing issues, or concerns when a company merges and the policyholder is not aware of new company name when a withdrawal from their bank goes through, or billing envelopes change etc. Unfair or deceptive lapse notice concerns could also be identified.

Other information that should be collected in the Life MCAS Interrogatories:

a) It is recommended to request if the company utilizes a TPA for the line of business, the name(s) of the TPA and what the TPA does (claims administration, customer service, EFT’s, sales, marketing, etc.) If a problem (software, data breach, etc.) was identified with a specific TPA, it would be easier to identify which companies utilize that TPA.

b) We find that most companies do not have comments about being a potential outlier because they do not have any basis for comparison to state and national averages at the time of their filing.

a) In addition to the ratios created by the NAIC for reviewing the scorecards. I also use the following ratios to compare companies: 1. # of policies surrendered during the period compared to # of in force policies at the end of the PY period. 2. # of denied death claims during the contestability period compared to Death claims denied, resisted or compromised during the period. 3. # of free looks during the period compared to policies applied for during the period 4. # of policies applied for during the period compared to # of policies issued during the period.

b) I support the efforts to incorporate illustration certification fields.

1. Additional Life MCAS Comments:

a) The calculation of the ratio 4 for policies surrendered under 10 years is not a proven ratio, however the underlying data broken out by under two years from issuance and 2-5 years from issuance could be a better indicator of potential issues as that is when most consumers (especially with annuity products) would incur fees (surrender and other fees.) Perhaps change this ratio to be surrenders under 5 years from issuance to all surrenders and another ratio that looks at surrenders under 2 years from issuance to all surrenders. Also, see the comment above about recommending a calculation for percentage change in premiums written for the line of business for the last three years as part of the MCAS MAPT. Ratio 3 (Policies surrendered to policies issued) for individual life should be recalculated or reported differently as it often produces outliers based on companies not issuing a lot of policies within the state.
b) It may be beneficial to capture information on MCAS related to contract state and state of residence.
   a) MCAS guide that offers suggestions on what each ratio may indicate and what might be an acceptable deviation from the standard ratio.
   b) Maybe additional dialogue on blanks and interrogatories if tracked by type of life insurance (e.g., credit/final expense) to make the blanks more meaningful
Annuity MCAS Review Notes:

1. Possible changes to granularity of reporting

Choices sorted by percentage of responses

<table>
<thead>
<tr>
<th>Product Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Equity Indexed Annuities</td>
<td>100.00%</td>
</tr>
<tr>
<td>Individual Variable Annuities</td>
<td>90.00%</td>
</tr>
<tr>
<td>Individual Immediate Fixed Annuities</td>
<td>80.00%</td>
</tr>
<tr>
<td>Individual Deferred Fixed Annuities (other than Qualified Longevity Annuities)</td>
<td>80.00%</td>
</tr>
<tr>
<td>Individual Qualified Longevity Annuities</td>
<td>80.00%</td>
</tr>
<tr>
<td>Individual Fixed/Variable Annuities</td>
<td>70.00%</td>
</tr>
<tr>
<td>Individual or Group Contingent Deferred Annuities</td>
<td>70.00%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

Other:

a) we have seen a company consider annuities issued to individuals under a trust created by a company as group contracts. We suggest that we find some way to make sure these type of annuities are captured in the individual MCAS data, since the sale occurred to individuals.

Additional Comments:

a) Is there concern in collecting group contingent deferred annuities? (Could this be perceived as expanding from the individual to group annuities products when MCAS has previously only focused on individual annuities? (Technically group annuities were part of the initial pilot for MCAS but were then eliminated at one point.)

b) It would be helpful to know more about the other types of products and how much consumer harm or what types of complaints are generated by those products.

c) The more granular the better as long as this level of specificity remains large enough to be worthwhile to use.

2. Possible changes to MCAS Data Elements

Current data elements that are not useful:

a) We do not rely too much on the rankings within the MCAS MAPT which is a calculation and not really considered a data element the companies report. The same thing goes for the number of zero rankings. Although the national data is nice to have, especially if it is a domestic, we generally look more at the state specific data.

b) Surrender totals are not useful unless we know if there were applicable surrender fees applied to the surrender. Many annuity products have adjusted surrender periods, or surrender periods that can be selected by the owner/annuitant. Knowing that the company had a high number of surrenders between 6-10 years may not be as meaningful.

Data elements that could be added or modified to make the Annuity MCAS more useful:

a) Would it be possible to either further define internal vs. external replacements or perhaps create an internal, external and a sister company external? The reason is that from a consumer perspective, there is no difference between when a policy is replaced externally or from an external sister company, consumers still incur the potential to pay surrender fees, new commissions, etc. A sister company external (feel free to rename) would be technically within the
same group of companies, but a different company within that group. This could be an indicator of churning.

b) we recommend a definition for inforce.

c) Elements regarding surrender charges imposed may be helpful.

d) Number of Death Claims Closed With Payment, During the Period, within 30 Days Number of Death Claims Closed With Payment, During the Period, within 31-60 Days Number of Death Claims Closed With Payment, During the Period, Beyond 60 Days

e) Add a line requesting number of contracts surrender where a surrender fee was assessed. (See rationale in question 14 response.)

Other information that should be collected in the Annuity MCAS Interrogatories:

a) Request if the company utilizes a TPA for the line of business, the name(s) of the TPA and what the TPA does (claims administration, customer service, EFT’s, sales, marketing, etc.) If a problem (software, data breach, etc.) was identified with a specific TPA, it would be easier to identify which companies utilize that TPA.

Additional Comments:

a) The calculation of the ratio for policies surrendered under 10 years is not a proven predictor of potential concerns, however the underlying data broken out by under two years from issuance and 2-5 years from issuance is valuable as that is when most consumers (especially with annuity products) would incur fees (surrender and other fees.) Perhaps change this ratio to be surrenders under 5 years from issuance to all surrenders and another ratio that looks at surrenders under 2 years from issuance to all surrenders. Also, see the comment above about recommending a calculation for percentage change in premiums written for the line of business for the last three years as part of the MCAS MAPT.

b) It may be useful to collect information based upon the contract state and resident state.