

OUR MEETING WILL BEGIN SHORTLY

Welcome to the 2021 Mortality Data Collection Kick-off Call

April 21, 2021

- ✓ All attendees will be muted throughout the presentation.
- ✓ Please use the “Q&A” for questions and send to all panelists. Questions will be addressed at the end of the presentation.
- ✓ This webinar is being recorded and will be made available on the NAIC website.
- ✓ For technical help, please contact the NAIC Technical Support Team at MeetingTechHelp@naic.org or 866-874-4905



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INSURANCE COMMISSIONERS

2021 Mortality Data Collection Kick-off Call

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April 21, 2021



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Agenda

- Data collection timeline
- Exclusions and exemptions
- Setting up secure and confidential access
- Data submission requirements and process
- Pitfalls to avoid
- Resources on the NAIC website
- NAIC data validity and reasonability checks
- Communication with companies
- Topics for future meetings

2021 Experience Data Collection Timeline

Now

Companies may: 1) request exemptions or communicate exclusions (ongoing until 9/30/21), 2) review training materials, and 3) prepare submissions

Q2, 2021

Call for companies to submit data for 2018 and 2019 observation years using 2020/2021 *Valuation Manual* requirements. As of 4/1/21, we are expecting to collect data from 127 companies, representing approximately 90% of industry claims.

9/30/21

Deadline to submit data using the Regulatory Data Collection (RDC) tool. Automatic feedback on form and format data exceptions will be provided upon submission. Additional feedback will be provided within 30 days based on actuarial review.

12/31/21

Deadline for companies to make corrections

5/31/22

NAIC to submit aggregate experience data to SOA

Exemptions

- VM-51 Section 2.C states that additional exemptions may be granted by the NAIC where appropriate, following consultation with the domestic regulator. For example, a large proportion of the company's business may be out of scope (Simplified Issue, Guaranteed Issue, COLI, etc.), but there is a small amount that is in scope.
- Hardship exemptions may apply for some companies with legacy systems used for older policies.

Please contact the NAIC at experience_reporting@naic.org as soon as possible if you plan to request any exemptions.

Hardship Exemptions: VM-51 Section 2.E

Policies issued before 1/1/1990

- Companies may certify that submitting data presents a hardship due to fields not readily available in their systems/databases or legacy computer systems that continue to be used for older issued policies and differ from computer systems for newer issued policies.

Policies issued on or after 1/1/1990

- If policies are excluded, companies must:
 - Document the percentage that the face amount of policies excluded are relative to the face amount of submitted policies issued on or after Jan. 1, 1990; and
 - Certify that this requirement presents a hardship (for same reasons noted in left box).

Exclusions

- A group of affiliated companies may exclude affiliates with less than \$10 million in direct individual life premium provided the premium for the rest of the group remains above \$50 million. **We are encouraging groups to take advantage of this exclusion.**
- Companies whose entire block of individual life business is out of scope (Simplified Issue, Guaranteed Issue, COLI, etc.) are excluded from this data collection.

Please contact the NAIC at experience_reporting@naic.org as soon as possible if you plan to claim an exclusion.

Setting up Secure and Confidential Access - RDC

Email experience_reporting@naic.org to request access to the RDC Tool for a company administrator.

- The request should include the company administrator's name and email address.

Company administrator needs to establish authorized users of the RDC Tool in order to submit data files to the NAIC. The company administrator will also be responsible for adding additional users needing access and for removing users who have left the company or no longer need access.

- Instructions for setting up authorized users can be found on the PBR website (https://content.naic.org/pbr_data.htm).
- We will also be walking through this process in a future WebEx meeting.

Setting up Secure and Confidential Access - FTP

In order to facilitate communications regarding confidential company data, the NAIC will be setting up a secure FTP site for each company.

There will be one account set up for each company. We are planning to assign the company's RDC administrator as the user for that account.

It will be the company's responsibility to notify the NAIC of a change in the RDC/FTP company administrator.

Data Submission Requirements

1. Experience data for all policies in force or issued during calendar year 2018 with terminations that were incurred in 2018 and reported before 7/1/2019, excluding rescinded policies
2. Experience data for all policies in force or issued during calendar year 2019 with terminations that were incurred in 2019 and reported before 7/1/2020, excluding rescinded policies

Notes:

- Items 1 and 2 must be provided in separate submissions.
- There must be only one company per submission.
- The data must be provided in a comma delimited csv file.
- Items 1 and 2 will need to be submitted via the RDC Tool. A click-agreement will need to be executed each time a user enters RDC.

Data Submission Requirements (continued)

3. Control Totals, as required by VM-50 Section 4.B.2
4. Reconciliation between submitted data and financial data, as required by VM-50 Section 4.B.3

Notes:

- The NAIC has developed templates that may be used for items 3 and 4, and these can be found on the NAIC website. Use of the NAIC's templates is optional. Companies may submit items 3 and 4 in another format, if desired.
- Each data submission must be accompanied by control totals and a reconciliation. Submissions will be rejected if they do not include these.
- The control totals and reconciliation should be submitted using the FTP site set up for the company.

Data Submission Requirements (continued)

5. Preferred Class Structure Questionnaire (VM-51 Appendix 1)
6. Mortality Claims Questionnaire (VM-51 Appendix 2)
7. Additional Plan Code Form (VM-51 Appendix 3)

Notes:

- Separate templates for items 5-7 are provided on the NAIC website.
- Item 7 is only required if the company has additional plan codes for products in addition to those shown in Appendix 4, Item 19.

Data Submission Requirements (continued)

8. Responses to communications from the NAIC

VM-50 Requirements:

- After notification of syntax errors and missing data elements, companies are required to respond to the NAIC by submitting a corrected data file (VM-50 Section 4.B.1)
- Companies must respond to data exceptions identified by the NAIC as “critical” (VM-50 Section 4.B.11)
- Companies shall acknowledge and respond to reasonability queries from the NAIC. Corrections for critical indications shall be provided or, when a correction is not feasible, the extent and nature of the error shall be reported to the NAIC. (VM-50 Section 4.B.13)
- When the NAIC determines that the cause of an edit exception could produce systematic errors, the company must correct the error and respond in a timely fashion (VM-50 Section 4.A.3). Errors of a consistent nature are referred to as “systematic” (VM-50 Section 4.B.6).

Data Submission Process

Requirement	Submission Method
Data files (Items 1, 2)	<p>RDC Tool</p> <ul style="list-style-type: none">• A click-agreement will need to be executed each time a user enters RDC.• Only authorized users identified by the company's administrator will be able to access the company's RDC submissions.
Control Totals and Reconciliation (Items 3, 4)	<p>FTP</p> <ul style="list-style-type: none">• These items should be provided immediately after submitting the data file via RDC. Data submissions will not be accepted without these.
Questionnaires (Items 5-7)	<p>FTP</p> <ul style="list-style-type: none">• These only need to be provided with the initial submission of item 1, unless the responses would be different for Item 2.
Responses to NAIC communications (Item 8)	<p>FTP</p> <ul style="list-style-type: none">• Other than at data file submission, please email the NAIC when you post documents to your FTP site.

Pitfalls to avoid

- Not using the VM-51 Appendix 4 Mortality Data Elements and Format
 - Note that the New York Data Call has different requirements, so the same file cannot be used for both NY and NAIC submissions. Examples:
 - There are plan codes included in the NY data that are not part of VM-51
 - Different data codes for the underwriting requirements
 - NY has two additional data elements
 - The data needs to be submitted to the NAIC using a comma delimited csv file. NY and KS may have allowed other formats.

Pitfalls to avoid

- Duplicate records

- Data element items 1-4 from VM-51 Appendix 4 (NAIC Company Code, Observation Year, Policy Number, and Segment Number) define a unique record. Any duplicate records will be flagged by the NAIC and communicated back to the company.
- If the company submits data more than once in order to make corrections, please check that the file does not contain old records.

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Pitfalls to avoid

- Multiple companies in the same file
 - Companies should submit only their own direct written business and should not include assumed business from any company. Note: This may differ from the approach some companies used for the Kansas data calls.
 - Groups of affiliated companies must use a separate file for each company subject to the data call. Also, do not provide data for any affiliates not selected for the data call. Data should not be provided for any company that has been approved for exemption or exclusion.
 - RDC confirms that the submitter is authorized for the company code, and checks that only one company code is used throughout the file. If either of these checks fail, the data submission will be rejected by RDC.
- Multiple observation years in the same file
 - The data for the 2018 and 2019 observation years should be submitted in separate files. Within RDC, there will be separate menu options for each observation year.

Pitfalls to avoid

- Inconsistent policy number encryption
 - VM-51 states that any unique identifying number can be used instead of a policy number for privacy reasons
 - If a policy number is encrypted, use that same encrypted number for every data submission.
- Changing segment numbers
 - The segment number for a given coverage must remain consistent from year to year.
 - If a rider terminates and subsequently drops out of the data file, do not renumber the segments.

The NAIC is required to compare year-over-year data, so consistency in these fields is needed.

Resources on the NAIC Website

https://content.naic.org/pbr_data.htm (Go to the VM-50/VM-51 Experience Reporting section)

Companies may use the following resources to prepare for their submissions:

- Email Account to send questions: experience_reporting@naic.org
 - Please send all questions to this group account rather than to individuals at the NAIC. Questions will be answered faster using this method.
- FAQ
- Training webinars
 - A recorded webinar was prepared in 2019 for the 2020 data collection, which was later delayed to occur in 2021. Much of the recording is still relevant, but some information is out of date. An errata to the recording is now available as well as a separate set of updated slides.
 - This kick-off meeting and future webinars will be recorded and posted to the NAIC website
- VM-51: Instructions, Questionnaires, and File Formats (extracted from Valuation Manual)

Resources on the NAIC Website (continued)

https://content.naic.org/pbr_data.htm (Go to the VM-50/VM-51 Experience Reporting section)

- Submission Templates
 - Control Totals
 - Reconciliation between submitted data and financial data
 - Preferred Class Structure Questionnaire
 - Mortality Claims Questionnaire
 - Additional Plan Code Form
- RDC Instructions for data submission

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Resources on the NAIC Website (continued)

https://content.naic.org/pbr_data.htm (Go to the VM-50/VM-51 Experience Reporting section)

- Policy for data submission by a reinsurer or third-party administrator
- List of data validations and reasonability checks the NAIC will perform. Companies may use these to help ensure the quality of their submissions.
- Company administrator instructions for RDC and FTP (to be provided shortly)
- Data Dictionary (to be provided shortly)

NAIC Data Validity and Reasonability Checks

VM-50 Section 4.B.3: **Validity checks** are designed to identify:

- a. Improper syntax or incomplete coding
- b. Data elements containing codes that are not contained within the set of possible valid codes
- c. Data elements containing codes that are contained within the set of possible valid codes but are not valid in conjunction with another data element code
- d. Required data elements that are not populated

VM-50 Section 4.B.8: At a minimum, **reasonability checks** will include:

- a. An unusually large percentage of company data reported under a single or very limited number of categories
- b. Unusual or unlikely reporting patterns in a company's data
- c. Claim amounts that appear unusually high or low for the corresponding exposure
- d. Reported claims without corresponding policy values and exposures
- e. Unreasonable loss frequencies or amounts in comparison to ranges of expectation that recognize statistical fluctuation
- f. Unusual shifts in the distribution of business from one reporting period to the next.

NAIC Data Validity and Reasonability Checks

Identification of Critical Indications

- “Critical indications” are those that, if not corrected or confirmed, would leave a significant degree of doubt whether the affected data should be used (VM-50 Section 4.B.11)
- The NAIC will report “critical indications” to the company with an explanation of the unusual findings and their possible significance. Under the direction of the state insurance regulators, the NAIC will have reasonable flexibility to implement this, and may grade the severity of indications or simply identify certain indications as critical. (VM-50 Section 4.B.11)

Data Scoring System

- Where quality would not appear to be significantly compromised, the NAIC may use records with missing or invalid data if such invalid or missing data do not involve a field that is relevant or would affect the credibility of the report (VM-50 Section 4.B.5)
- For companies with a body of data for a state, line of business, product type or observation period that fails to meet these standards, the NAIC will use its discretion, with regulatory disclosure of key decisions made, regarding the omission of the entire body of data or only including records with valid data

Communication with Companies

1. Cover Letter
2. Data Exception Distributions
3. Submission Summary spreadsheet – high level summary (record counts, rejected record counts, acceptance/rejection of submission)
4. Field Distributions
5. Rejected Record List
6. Detail file of all data exceptions with record identifier

Topics for Future Meetings

A series of meetings will be held to discuss the following topics:

- Data validation and reasonability checks the NAIC will perform
- Walk-through of sample control total and reconciliation templates
- Communications with companies
- Policy for data submission by a reinsurer or third-party administrator
- RDC submission training
- Company Administrator training



Questions?

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