

OUR MEETING WILL BEGIN SHORTLY

Welcome to the
2021 Mortality Data Collection
Training Webinar:
Third-Party Administrator Reporting Process
May 19, 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.
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2021 Mortality Data Collection Training Webinar: Third-Party Administrator Reporting Process

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May 19, 2021



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Agenda

- Background
- Overview
- Scenarios
- APF 2021-06



VM-51 Section 2.B

“The data for this statistical plan is the individual ordinary life line of business. Such business is to include direct written business issued in the U.S., and all values should be **prior to any reinsurance ceded** (emphasis added). Therefore, reinsurance assumed from a ceding company shall be excluded from data collection to avoid double-counting of experience submitted by an issuer and by its reinsurers; however, assumption reinsurance of an individual ordinary life line of business, where the assuming company is legally responsible for all benefits and claims paid, shall be included within the scope of this statistical plan.”

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Background

The language from VM-51 indicates that ceded business is to be included in the data submission for the ceding company. The ceding company is not exempted from the data reporting requirements.

Several companies have contacted the NAIC and indicated they had blocks of business that are administered by a reinsurer or a third-party. Since the direct writing company does not have direct access to the data in those situations, it presents a challenge to compile the data submission.

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Reporting Process Document

The NAIC has compiled a process document to identify the roles and responsibilities for the direct writer and the third-party administrators. This document can be found on our web page.

https://content.naic.org/pbr_data.htm

(Scroll to the VM-50/VM-51 Experience Reporting section)



[VM-51 Mortality Experience Data Collection Frequently Asked Questions](#)

[VM-51 Reporting when Business is Administered by Third-parties](#)

[VM-51: Instructions, Questionnaires, and File Formats \(extracted from Valuation Manual\)](#)

[Control Totals Template](#)

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Direct Writer / Third-Party Administrator Roles & Responsibilities

1. The direct company will have the final responsibility for all data submitted for their company and is ultimately responsible for the quality and completeness of their data.

The data submitted under VM-51 will be used in the analysis and development of industry-wide tables and assumptions. However, according to VM-50, this data can also be used by regulators in the monitoring of companies. For this reason, it is important that we have complete and accurate data for each company.

Direct Writer / Third-Party Administrator Roles & Responsibilities

2. The direct company will be responsible for completing and submitting the reconciliation between the data file and Annual Statement data.

VM-50 Section 4.B.3 requires that a reconciliation be done between the data file and the direct company's Annual Statement data. To ensure that the data submission is complete and includes all in-scope business, this reconciliation will need to reflect a breakdown of blocks of business that are out of scope, any exemptions that have been granted, etc. A third-party is unlikely to have all this information.

Direct Writer / Third-Party Administrator Roles & Responsibilities

3. If there is data being provided from more than one source (e.g. direct company and third-party), the direct company is responsible for consolidating the data files.

All the company's data must be in a single file; partial data files are not allowed. Please note that while a company can resubmit their data file multiple times, each data submission must contain all data for that company.

Analysis of the data, including data validations, are being performed at the direct company level. As a result, the data collection mechanism was not designed to allow for partial data submissions. Also, all data for a direct company must be aggregated in order to perform the required reconciliation to the Annual Statement.

Direct Writer / Third-Party Administrator Roles & Responsibilities

4. All in-scope business must be included in the data file unless the direct company has requested an exemption from the NAIC for specific blocks of business and it has been granted.

The direct company cannot assume that any remaining blocks of business (not administered by a third-party) are automatically excluded, regardless of size. All exemptions must be approved per VM-51 Section 2.C.

VM-51 Section 2.C: “Additional exemptions may be granted by the Experience Reporting Agent where appropriate, following consultation with the domestic insurance regulator...”

Direct Writer / Third-Party Administrator Roles & Responsibilities

5. The entity that submits the data file (direct company or third-party) will also be responsible for submitting the control total file.

The control total file is required by VM-50 Section 4.B.2. The purpose of the control totals is to ensure that the data submission is complete.

Direct Writer / Third-Party Administrator Roles & Responsibilities

6. In the event a third-party is preparing data files for multiple direct companies, separate data files must be prepared for each direct company.

At no time is a third-party administrator to submit another company's business under their own company ID.

The data file must also be coordinated with any other data being submitted by the direct companies. There should be one company and one observation year per data file. This is necessary because analysis of the data, including data validations, are being performed at the direct company and observation year level.

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Scenario 1

Company A has a closed block of business that is 100% ceded to Company B (a reinsurer). Company B is administering the business they assumed from Company A. Company A does not have any retained business that is in-scope.

Since Company B is administering all of Company A's in-scope business, this is a situation where the reinsurer could submit the data file on behalf of the ceding company.

Company A responsibilities:

- Notifies the NAIC that Company B will be submitting the data file on Company A's behalf
- Provides to the NAIC the name & email address of contact at Company B
- Prepares and submits the Reconciliation
- Ultimately responsible for the data submission

Company B responsibilities:

- Prepares and submits data file using Company A's NAIC company code
- Prepares and submits the Control Totals
- Responsible for responding to NAIC questions

Scenario 2

Company A has a closed block of business that is 100% ceded to Company B (a reinsurer). Company B is administering the business they assumed from Company A. Company A has additional retained business that is in-scope.

If Company B prepares the data file for the block they administer, it must be combined with the data file for Company A's retained business. All communication originating from the NAIC will be with Company A. If a question arises on the portion of business Company B administers, it will be up to Company A to contact Company B for a resolution.

Company A responsibilities:

- Coordinates with Company B to receive data file
- Prepares data file for retained in-scope business
- Combines both data files and submits to NAIC
- Prepares and submits the Reconciliation and Control Totals
- Ultimately responsible for the data submission

Company B responsibilities:

- Prepares data file using Company A's NAIC company code
- Sends the data file to Company A for consolidation

Scenario 3

Company A has a block of business that is 50% ceded to Company B (a reinsurer). This is an open block of business and is being administered by Company A.

Since Company A is administering the data, they will be fully responsible for all requirements of the data submission.

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Scenario 4

Company A has direct written business that is in-scope and they have been selected for the data collection. They also have reinsurance assumed business from Company B and Company C. Company A administers the blocks of business that they have assumed from these two companies.

Company A must prepare a data file for their direct written business. They should only prepare data for a ceding company if the ceding company requests that they do so.

Company A:

- Prepares and submits data file for direct written business
- Prepares and submits the Reconciliation and the Control Totals for their data
- Prepares a data file for Company B after being requested to do so – forwards the file to Company B
- Does not prepare a data for Company C because Company C did not request a file

Company B:

- Prepares data file for retained business that is in scope.
- Collects data file from Company A and consolidates it with their retained business
- Submits the data file, the Reconciliation and the Control Totals
- Ultimately responsible for their data submission

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Appendix 4: Mortality Data Elements and Format

ITEM	COLUMN	LENGTH	DATA ELEMENT	DESCRIPTION
1		9	Submitting Company ID	<p>ID number representing the company submitting this file.</p> <p>If the company has an NAIC Company Code, then that code must be used.</p> <p>If the company does not have an NAIC Company Code, the company's Federal Employer Identification Number (FEIN) must be used.</p> <p>If the direct writer is the company submitting the data, items 1 and 2 must contain the same value.</p>
2	1-5	5	NAIC Company Code of the Direct Writer of Business	<p>Your The NAIC Company Code of the company that wrote the business being reported.</p> <p>In the case of assumption reinsurance where the assuming company is legally responsible for all benefits and claims paid, the assuming company is <u>considered to be the direct writer</u>.</p> <p>If the direct writer is the company submitting the data file, items 1 and 2 must contain the same value.</p>
3	6-9	4	Observation Year	Enter Calendar Year of Observation



Questions?

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