



May 12, 2020

Rebecca Rebholz, WI, Chairwoman  
October Nickel, ID, Vice Chairwoman  
Market Conduct Annual Statement Blanks (D) Working Group  
c/o Tressa Smith, Senior Market Analyst  
National Association of Insurance Commissioners  
Via [tesmith@naic.org](mailto:tesmith@naic.org)

RE: MCAS New Life Insurance & Annuities Lines

Dear Mmes. Rebholz & Nickel, and members of the Working Group:

The ACLI deliberated on how best to approach the addition of new life insurance and annuity lines to the Market Conduct Annual Statement (MCAS). It considered four approaches:

- Center for Economic Justice proposals<sup>i</sup>
- [NAIC Regulator Survey Findings](#)
- [Interstate Insurance Compact Standard Lines](#)
- NAIC Financial Statement Lines of Business<sup>ii</sup>

The ACLI concluded to respect the NAIC Regulator Survey Findings as a practical and systematic way to add new Life Insurance and Annuity lines of business to the MCAS.

**Guidance from the NAIC Regulator Survey Findings**

The ACLI recalls that Working Group leadership this year publicly discussed its aspiration to add about two lines of new business to MCAS per year. Regulators informed the NAIC in the survey results that they were most interested in adding the following three life insurance and annuities lines of business in MCAS:

<u>Line</u>	<u>Regulator Responses</u>	<u>#</u>
Individual Equity Indexed Annuities	100%	10
Individual Variable Annuities	90%	9
Individual University Life Ins	87.5%	14

Life and Annuity MCAS Usage Survey, pp. 2 and 14.

Consequently, the ACLI recommends the Working Group and life insurance industry now focus on these three lines as the top candidates for inclusion in the MCAS.

**MCAS Data Collection**

To expedite the addition of life insurance and annuity lines of business to the MCAS, ACLI recommends standardizing basic interrogatories that are the most indicative of conduct

possibly warranting further examination. The ACLI believes the following four categories are the most useful for regulators and all interested parties:

- The number of complaints received by regulators
- The number of complaints received by the insurance company
- The number of policy or contract surrenders with charges
- The number of policy or contract surrenders without charges

ACLI observes that, while there might be more granular data of interest for each line which perhaps might be justifiably requested, it might be desirable to establish a presumption against gathering additional data, at least initially. This is because: (1) additional data imposes additional costs and administrative burdens on each insurance company and (2) more granular data may mislead regulators into misapprehending a company's market or business operation.

With regard to the latter concern, the ACLI came to realize in its evaluation of the Disability Income interrogatories and ratios that companies may focus on a market segment, administer policies or contracts in tailored ways or have a business operation which distinguishes it from other companies but not in ways which should be considered suspicious or problematic. This may be especially true for smaller lines of business with fewer companies participating in the market (though it might also be true for companies competing in a larger, competitive markets).

However, the ACLI recommendation in this regard is not absolute but merely that a presumption against additional interrogatories is established. A regulator or interested party or market development may arise providing justification for gathering additional data beyond the four categories identified above and the most normally useful. In such circumstances there would presumably be due process with the opportunity for industry to argue the presumption be observed or alternatively acknowledge the propriety of additional interrogatories, in which case the industry would work to devise appropriate, granular questions.

Thank you for your consideration.

Sincerely

David Leifer  
American Council of Life Insurers  
Vice President & Associate General Counsel  
(202) 624-2128  
[davidleifer@acli.com](mailto:davidleifer@acli.com)

Rikki Pelta  
American Council of Life Insurers  
Policy Analyst  
(202) 624-2355  
[rikkipelta@acli.com](mailto:rikkipelta@acli.com)

---

<sup>i</sup> Comments of the Center for Economic Justice to the Market Conduct Annual Statement Working Group re Proposed Updates to the Life & Annuity MCAS Blanks (10/23/19).

<sup>ii</sup> The 2019 NAIC Financial Statement Lines of Business for life insurance and annuities were:

**Life Group and Individual:**

Industrial Life  
Whole Life  
Term Life  
Indexed Life  
Universal Life

---

Universal Life with Secondary Guarantees

Variable Life

Variable Universal Life

Credit Life

Other Individual Life

**Annuities Group and Individual:**

Fixed Annuities

Indexed Annuities

Variable Annuities without Guarantees

Life Contingent Pay Out (immediate and annuitizations)

Other Annuities