**VM-51 Mortality Experience Reporting Process**

**when Business is Administered by a Third-Party**

Issue

VM-51 Section 2.3.B states: “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.”

This language from VM-51 indicates that ceded business is to be included in the data submission for the ceding company. This language does not exempt the ceding company from the data reporting requirements. However, the NAIC acknowledges that blocks of business may be administered by a reinsurer or a third party. In those situations, it may be challenging for the direct company to obtain the necessary data to fulfill the data call as defined in VM-51.

Solution

Below, we have outlined roles and responsibilities for each party when data is being prepared by a reinsurer or third-party administrator on behalf of the direct company.

Please note “direct company” refers to the ceding company or the company identified as the direct writer of a block of business; “third-party” refers to an assuming reinsurer or a third-party administrator.

*Data Submission Roles and 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.

In the case where all of a company’s ordinary life business is administered by a third-party, that third-party may submit the data on the direct company’s behalf. However, the data must be identified as belonging to the direct company and not the third-party (i.e. the company code in the file name and company code field must be that of the direct company). In that case, the direct company should provide a contact person from the third-party to the NAIC.

*Rationale:*

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 (sections cited below), this data can also be used by regulators in the monitoring of companies. Because of this, it is important to know what company is legally responsible for a given block of business.

VM-50 Section 1.B.3: “The collection of experience data may assist state insurance regulators, reviewing actuaries, auditors and other parties with authorized access to the PBR actuarial reports to perform reasonableness checks on the appropriateness of principle-based methods and assumptions, including margins, documented in those reports. “

VM-50 Section 1.B.7: “The collection of experience data allows state insurance regulators to identify outliers and monitor changes in company experience factors versus a common benchmark to provide a basis for exploring issues related to those differences. “

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

*Rationale:*

The reconciliation is required by VM-50 Section 4.B.3 (cited below). The reconciliation is to 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 data in-scope, 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 may not have this information.

VM-50 Section 4.B.3: “Each company submitting experience data as required in VM-51 will perform a reconciliation between its submitted experience data with its statistical and financial data, and provide an explanation of differences, to the Experience Reporting Agent.”

Note: The *Valuation Manual* does not specifically state the format of the reconciliation file. The NAIC is planning to provide sample spreadsheets to assist companies in preparing this data.

1. 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 should contain all data for that company. There should be one data file per company per observation year.

*Rationale:*

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 (noted in #2 above).

1. 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.

*Rationale:*

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 (cited below).

VM-51 Section 2.C: “Additional exemptions may be granted by the Experience Reporting Agent where appropriate, following consultation with the domestic insurance regulator, based on achieving a target level of approximately 85% of industry experience for the type of experience data being collected under this statistical plan.”

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

*Rationale:*

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

VM-50 Section 4.B.2: “Each submission of data filed by an insurance company with the Experience Reporting Agent shall be balanced against a set of control totals provided by the company with the data submission. At a minimum, these control totals shall include applicable record counts, claim counts, amounts insured and claim amounts. Any submission that does not balance to the control totals shall be referred to the company for review and resolution.”

Note: The *Valuation Manual* does not specifically state the format of the control totals file. The NAIC is planning to provide a sample spreadsheet to assist companies in preparing this data.

1. In the event a third-party is preparing data files for multiple direct companies, separate data files must be prepared for each direct company. The data file must also be coordinated with any other data being submitted by the direct companies (see item #3 above). At no time is a third party to submit business under their own company ID. There should be one company per data file per observation year.

*Rationale:*

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 multiple companies within one data file.