**VM-51 Mortality Experience Data Collection**

**Frequently Asked Questions (FAQ)**

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**Section A: Company Selection**

**Q1: Now that our company has been selected for VM-51 mortality experience data collection, will we be required to provide data every year?**

Yes, barring circumstances justifying an exemption. It is desirable to have consistency in the group of companies reporting mortality experience data from year to year. This will help in the creation of industry experience tables and monitoring of changes in experience over time.

**Q2: Our company has well over $50 million of direct individual life premium. Why was it not selected to submit mortality experience data?**

VM-51 Section 2.C exempts companies with less than $50 million of direct individual life premium. However, this does not necessarily mean that companies with more than $50 million in premium must submit data. After removing the companies that are exempt, the goal is to achieve a target level of approximately 85% of industry experience data being collected. To do this, we ranked companies from highest to lowest based on claims and selected the number of companies needed to reach the target. The NAIC will review the companies selected each year and will add additional companies if it becomes necessary to achieve the 85% target.

**Q3: Our company is small and has very little life business. Why was it selected to submit mortality experience data?**

VM-51 Section 2.C states: “Companies with less than $50 million of direct individual life premium shall be exempted from reporting experience data required under this statistical plan. This threshold for exemption shall be measured based on aggregate premium volume of **all affiliated companies** [emphasis added] …” Based on this guidance, the initial selection process was done using affiliated groups, i.e. if a group was selected then all companies in that group were selected. The same section of VM-51 also states: “At its option, a group of nonexempt affiliated companies may exclude from these requirements affiliated companies with less than $10 million direct individual life premium provided that the affiliated group remains nonexempt.” This allows groups the option to exclude small affiliates. Contact the NAIC as soon as possible if your group is planning to exclude small affiliates under this provision.

**Q4: What authority does the NAIC have to require this data collection?**

The NAIC has established an Experience Reporting Agent Agreement with the state of Missouri. This collection of mortality experience data is being conducted under their authority.

**Section B: Delay of 2020 Data Collection**

**Q1: Why has the 2020 NAIC Mortality Experience Data Collection been delayed?**

Due to the disruption being experienced by life insurance companies from the COVID-19 pandemic and the significant resources required to provide mortality experience data, the American Council of Life Insurers (ACLI) requested a delay in the 2020 data collection. NAIC staff proposed a one-year delay to the Life Actuarial (A) Task Force. This means that mortality data for the 2018 observation year will not be collected in 2020. The proposal was approved by the Life Actuarial (A) Task Force during its May 7 conference call and then by the Executive (EX) Committee during its May 12 conference call.

**Q2: Will selected companies be expected to submit both 2018 and 2019 data in the 2021 data collection?**

Yes. Data for both the 2018 and 2019 observation years will be collected in 2021. The 2021 data call will occur during the second quarter of 2021 and will require data for both the 2018 and 2019 observation years. Data submissions for both observation years will be due by Sept. 30, 2021. Corrections of data submissions for both observation years will be required by Dec. 31, 2021.

**Q3: Can a company submit its 2018 experience data in 2020 if it is ready?**

No. NAIC staff do **not** plan to review company mortality experience data in 2020.

**Q4: Can companies combine the data for both 2018 and 2019 observation years in one data file submission?**

No. The NAIC’s Regulatory Data Collection (RDC) system is not designed to accept multiple years of data in one file. A separate file is required for each observation year.

**Q5: Can companies combine the data from subsidiaries/affiliates into one data file submission?**

No. The NAIC’s RDC system is not designed to accept combined data files. Each company submitting data is required to submit a separate file and include a reconciliation between the data file and that company’s annual financial statement data.

**Section C: Data Submission**

**Q1: What are the requirements for the actual data file?**

The data file must be a comma delimited text file with .csv extension. **Please Note**: Other file types will not be accepted. There are 46 data elements in each record. Each file must contain data for only one legal entity. The NAIC’s RDC system is not designed to accept combined data files.

**Q2: What is the due date for the data file submission?**

The due date for data submissions under VM-51 is Sept. 30(VM-51 Section 2.D). However, the 2020 data collection has been delayed to 2021.

**Q3: Where can I find the file layout?**

The file layouts and instructions are included in the *Valuation Manual* (VM-51). There is a link to VM-51 on the Principle-Based Reserving (PBR) page on the NAIC website.

**Q4: Is anything else required other than the data file?**

Yes. There are three questionnaires that are included as appendices of VM-51.

* Appendix 1: Preferred Class Structure Questionnaire – required for all companies submitting data.
* Appendix 2: Mortality Claims Questionnaire – required for all companies submitting data.
* Appendix 3: Additional Plan Code Form – only necessary if the company has a product that cannot be adequately described by one of the pre-defined plan types in VM-51 data file item #19. This questionnaire gives the company the ability to define its own plan code for these cases.

VM-50 requires two additional files:

* Control Totals (VM-50 Section 4.B.2).
* Reconciliation to Statistical and Financial Data (VM-50 Section 4.B.3).

The NAIC is currently working on sample templates to assist companies with these requirements.

**Q5: What connection is there between the NAIC data collection and the New York and Kansas data collections?**

The NAIC data collection is separate from the New York and Kansas data calls (although they may be similar). These states have used a third party to gather the data and they have had their own timelines and processes. The NAIC has been informed that Kansas intends to discontinue its data collection. However, New York has indicated that it intends to continue collecting data.

The NAIC data collection is governed by the *Valuation Manual*; specifically, VM-50 and VM-51. The due date for data submissions under VM-51 (VM-51 Section 2.D) is Sept. 30and is submitted using the NAIC’s RDC system. However, the 2020 data collection has been delayed to 2021.

**Q6: Will New York and/or Kansas continue with their own data calls?**

New York has indicated that it will continue to issue its own experience data calls. For more information regarding New York’s data calls, please contact the New York State Department of Financial Services.

The Kansas Insurance Department has indicated that it intends to discontinue its annual mortality experience data call beginning in 2020.

**Please Note**: Each state may implement its own data call and choose a different Experience Reporting Agent. VM-50 Section 6.B.3.b states: “Use of the Experience Reporting Agent by the contracting state insurance departments does not preclude those state insurance departments or any other state insurance departments from contracting independently with another Experience Reporting Agent for similar data required under this *Valuation Manual* or other data purposes.”

**Q7: Will our company have to participate in both the NAIC data collection and the New York data collection?**

Yes, if your company has been selected for the NAIC data collection and is also subject to the New York data collection.

**Q8: Our company is part of a group with several affiliated companies. Can we submit data for all of them in one file?**

No. The NAIC’s RDC system is not designed to accept combined data files. Each company submitting data is required to submit a separate file and include a reconciliation between the data file and that company’s annual financial statement data.

**Q9: Our company has not been selected for data collection. Can we submit our data on a voluntary basis?**

No. The NAIC plans to accept data submissions only from companies selected for data collection.

**Q10: When can our company begin testing the data submission process?**

The NAIC is in the process of upgrading its RDC system. During this time, the NAIC is asking that companies **not** attempt to submit data files. The NAIC will notify all selected companies when the system is ready for testing.

**Section D: Scope of Business Included in VM-51 Mortality Statistical Plan**

**Q1: Why is reinsurance assumed from a ceding company (other than assumption reinsurance) excluded from the mortality statistical plan?**

Reinsurance assumed is excluded to avoid double-counting. Direct writers are responsible for reporting pre-reinsurance amounts.

Assumption reinsurance is included in scope because the reinsurer takes full legal responsibility (i.e., policies have been novated) and the ceding entity no longer reports the business on its books.

**Q2: Our company’s block of business is administered by a reinsurer or a third-party administrator. Can the administrator submit the mortality experience data for us?**

The NAIC has prepared a document outlining the roles and responsibilities of each company regarding the data collection when business is administered by a reinsurer or third-party administrator. This document can be found on the Principle-Based Reserving (PBR) page on the NAIC website.

**Q3: What lines of business are out of scope for this data collection?**

According to VM-51 Section 2.B, out-of-scope business includes: direct written business issued outside the U.S.; reinsurance assumed (other than assumption reinsurance where the assuming company is legally responsible for all benefits and claims paid); simplified issue (SI)/guaranteed issue (GI); worksite; individually solicited group life; direct response; final expense; pre-need; home service; credit life; and corporate-owned life insurance (COLI)/bank-owned life insurance (BOLI)/charity-owned life insurance (CHOLI).

It is essential that companies exclude out-of-scope data. All business that is out of scope must be identified in the reconciliation between the data submission and the annual financial statement data. If a company has a significant amount of business that is out of scope, the company may request an exclusion or exemption from reporting. Contact the NAIC as soon as possible to request an exclusion or exemption.

**Section E: Exclusions and Exemptions**

**Q1: Is there a provision to allow companies with a small amount of life insurance business to be exempted/excluded from the data collection?**

Yes. VM-51 Section 2.C states: “Companies with less than $50 million of direct individual life premium shall be exempted from reporting experience data required under this statistical plan. This threshold for exemption shall be measured based on aggregate premium volume of all affiliated companies …” This means that groups of affiliated companies are automatically exempted if the total premium for the group is less than $50 million for direct individual life premium. During the company selection process, the NAIC takes this threshold into account.

In the event that an affiliated group has more than $50 million of premium as identified above and has been selected for data collection, that group may still exclude affiliated companies with less than $10 million of premium. VM-51 Section 2.C states: “At its option, a group of nonexempt affiliated companies my exclude from these requirements affiliated companies with less than $10 million direct individual life premium provided that the affiliated group remains nonexempt.” Contact the NAIC as soon as possible if your group is planning to exclude small affiliates under this provision.

**Q2: Are there certain types of business that should be excluded from the data collection?**

Yes. According to VM-51 Section 2.B, the following types of business should not be included: direct written business issued outside the U.S.; reinsurance assumed (other than assumption reinsurance where the assuming company is legally responsible for all benefits and claims paid); simplified issue (SI)/guaranteed issue (GI); worksite; individually solicited group life; direct response; final expense; pre-need; home service; credit life; and corporate-owned life insurance (COLI)/bank-owned life insurance (BOLI)/charity-owned life insurance (CHOLI).

See Section D, Question 3 for additional information on excluded business.

**Q3: Our company has a block of business that is administered on a legacy system. Reporting this business would present a hardship for our company due to limited availability of data. Can this business be exempted from data collection?**

Yes. VM-51 Section 2.E gives the following provisions and requirements for hardship exemptions related to legacy systems:

1. For policies issued before Jan. 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.
2. For policies issued on or after Jan. 1, 1990, companies must:
   1. 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
   2. Certify that this requirement 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.

Once the NAIC receives this information, NAIC staff will consult with the domestic insurance regulator to obtain formal approval for the exemption. The company will be notified once the NAIC has received regulatory approval.

**Q4: Are there provisions for a company to exempt all or part of its data for reasons other than legacy system/hardship?**

Yes. VM-51 Section 2.C paragraph 2 states: “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.”

All requests for exemption should be directed to the NAIC as soon as possible.

**Section F: NAIC Data Review Process**

**Q1: What are the company’s responsibilities relating to the quality of data submissions?**

The *Valuation Manual* notes the following responsibilities:

* There can be nothing known to be inaccurate or deceptive in the reporting (VM-50 Section 4.A.2).
* When the NAIC determines that the cause of a data exception could produce systematic errors, the company must correct the error and respond in a timely fashion (VM-50 Section 4.A.3).
* When an error is found that has affected data reported to the NAIC, the company shall report the nature of the error and its likely impact to the NAIC (VM-50 Section 4.A.3).
* Control totals (VM-50 Section 4.B.2) and a reconciliation (VM-50 Section 4.B.3) between the submission and financial statistical data are required.
* Companies must respond to data exceptions identified by the NAIC as “critical” (VM-50 Section 4.B.11).

**Q2: How soon will our company receive feedback on its data submission?**

The NAIC’s RDC system will provide form and format validation results at the time the data is uploaded. Companies will be given the opportunity to abort the data submission and fix any problems before submitting their data.

In addition to the RDC form and format validations, the NAIC will perform reasonability and completeness checks on the data. The NAIC will notify the company within 30 days following the data submission of any possible errors that need to be corrected (VM-51 Section 2.D).

**Q3: Are the criteria on whether to accept a company’s mortality data submission “all-or-nothing”?**

No. A company’s data submission may be accepted in its entirety, accepted partially, or may not be accepted at all. VM-50 Section 4.B.12 states: “The Experience Reporting Agent will use its discretion regarding the omission of data from reports owing to the failure of an insurer company to respond adequately to unusual reasonability indications. Completeness of reports is desirable, but not at the risk of including data that appears to have an unreasonably high chance of containing significant errors.”

**Q4: Will the NAIC communicate whether it is accepting or rejecting data?**

Yes. Companies will have multiple opportunities to receive feedback on their experience data submission. The NAIC’s RDC system will automatically identify form and format exceptions online once a company submits its data. Additionally, NAIC staff will communicate with companies on any critical issues they find during the actuarial review of the company experience data submission. Companies will have until Dec. 31 to make corrections to their data submissions. NAIC staff will let each company know which data (if any) is excluded from experience reports.

**Section G: Data Security**

**Q1: What specific measures is the NAIC taking to protect data?**

* Annually, the NAIC will undertake a Service Organization Controls (SOC) 2 Type 2 external audit covering the Security trust principle in addition to performing a self-assessment of their overall security practices through a Standardized Information Gathering (SIG) questionnaire
* NAIC staff, regulators, insurance company staff and others will be assigned secure login credentials to submit and/or access data based on defined roles for each type of user
* Roles will be reviewed annually by business area managers. Privileged roles (e.g., database, system administrator, etc.) will be reviewed annually by the NAIC’s chief information security officer as part of the NAIC’s annual SOC 2 audit.
* The NAIC promotes data security across the organization by requiring annual mandatory cybersecurity training for all personnel and by instituting industry best practices