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13 November 2017

Maria Ailor, Arizona Department of Insurance, Chairwoman  
NAIC Market Conduct Annual Statement Blanks (D) Working Group  
c/o Tressa Smith, Senior Market Analyst  
via [tesmith@naic.org](mailto:tesmith@naic.org)

RE: Center for Economic Justice Proposal 4/13/17 re 16 New Life & Annuity Categories

Dear Chairwoman Ailor & Members of the Working Group:

Missing from the observations made in the extensive commentary from the ACLI and the Center for Economic Justice (CEJ) is the impact upon regulators of a NAIC acceptance of the proposal to expand from four to 16 the categories of life insurance and annuity data collected from insurance companies. The ACLI here attempts to address the omission.

1. While moving from 4 to 16 product lines will increase the work of the industry, *it will also have a substantial impact on regulatory resources* since data collection *and analysis* efforts could feasibly increase by 4-fold (perhaps more, initially). Are regulators prepared to quadruple their resources to process the data received from the CEJ proposal?

On a related note, if the *frequency* of the data submission is increased (such as a move from annual to quarterly data production), there is again the potential for another 4-fold increase in regulatory resource needs. Just because the number of lines and/or the frequency of the data collection *could be* increased, does not mean it *should be* increased or that there is value in doing so, and the ACLI is resisting the proposed increased in frequency of data collection before another NAIC working group.

- A. The industry should be provided with the regulators' plan for staffing up and supporting such a change in advance of any decision to make changes to the current product lines or the frequency of the data collection. Data for the sake of data provides no value unless someone is going to do something with the data in a timely, and value-added manner.
- B. Quadrupling the number of categories, or the frequency of the submissions, likely will result in more industry questions and the need for regulatory follow-up with the industry. Providing data in the format the regulators desire (not what's native to each carrier's systems and processes) is complicated and often results in the need to extract and tie together data from multiple systems.

An illustration of the situation might be helpful, as follows below.

Today— Existing Individual Life and Annuity categories with annual data production:



If Individual, *current* Life and Annuity categories were expanded to quarterly production:



If Individual Life and Annuity categories were expanded to 16 new categories, with annual data production:



...continued...

If Individual Life and Annuity categories were expanded to 16 new categories and expanded to quarterly production:



2. Will an expansion of the data categories, or in the frequency of the data submitted, result in meaningful information? Today, there is likely sufficient volume, by product line, to draw conclusions that may be statistically valid. Slicing-and-dicing the data into more detailed categories or utilizing more frequent reporting periods could result in conclusions that are not statistically sound. It could also result in greater number of data anomalies unrelated to actual market conduct concerns.
3. MCAS data is only one component regulators can use to identify potential trends. A key resource already exists with the regulators' handling of consumer complaints—often the fastest way to learn of potential market conduct concerns while also gaining detailed insight regarding the specific nature of such concerns.
4. If the number of MCAS categories is increased, or if the frequency is increased, the industry should be provided with the regulators' plan regarding how such changes will benefit and impact the overall market analysis processes, as well as how the overall regulatory approach to and utilization of market analysis will change as a result.

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For the reasons and supporting information provided above and in the ACLI letters of 8/11/17, 10/20/17 and 11/8/17, the ACLI opposes the proposed expansion of product categories for which data elements would be collected for the Life & Annuity Market Conduct Annual Statement. The proponent fails to provide sixteen reasons and supporting information pertinent to each of the new categories proposed for data collection. The NAIC should reject the proposal for failing to meet the requirements of NAIC protocols. The NAIC should also reject the proposal because of the amount of data which will be deposited upon regulators without a clear plan on how it will be processed, by whom, and to what beneficial purpose and effect. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Lovendusky". The signature is stylized with a large initial "M" and a long, sweeping underline that extends to the right.

Michael Lovendusky  
Vice President & Associate General Counsel  
The American Council of Life Insurers