

# Life & Annuity Symposium

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## **Session 16 – Individual Life Study Update**

### **Voluntary and Mandatory Studies**

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# Individual Life Studies

## Voluntary and Mandatory

- Voluntary individual Life SOA studies through 2009
  - Individual Life Experience Studies
  - Valuation Basic Tables and CSO Tables
- Mandatory individual life studies
  - In Valuation Manual for Principles Based Reporting
  - NYDFS initiates mortality study of 2009 data
  - Kansas Insurance Department joins study of 2011 data
- Collaborative Work Between MIB and SOA
  - MIB, compiler for SOA, Supports Voluntary Studies
  - Aggregated mandatory study data to be used by SOA
  - Benefits of mandatory data collection for SOA

# Voluntary and Mandatory Studies

- Similar Trends – Different Numbers
  - Gender
  - Smoking Status
  - Preferred Class Structure
- Regulatory Confidentiality Concerns
  - Statistical Agent giving aggregate data to SOA
  - In process, cannot show numbers in this presentation

# Individual Life Experience Studies From Voluntary to Mandatory

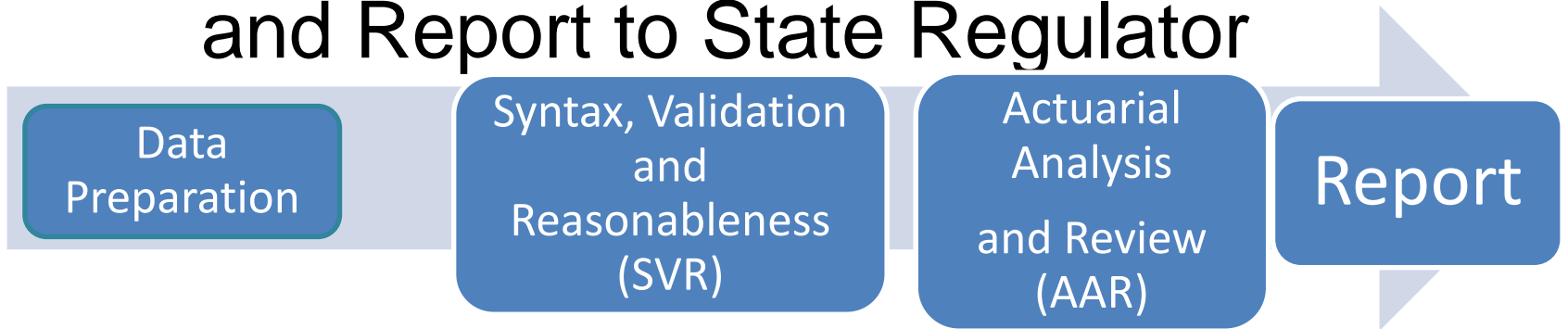
- Principles Based Reserving
  - Companies to use own experience in setting reserves
  - Regulators want oversight of company experience
  
- NAIC's Life Actuarial Task Force
  - Voluntary Individual Life Experience Studies not Focus on Individual Co results
  - Valuation Manual (VM)
    - VM-50
      - Individual company reporting
      - Statistical agent
    - VM-51
      - Data Formats
      - Mandate Fields Needed for PBR

# Individual Life Experience Studies From Voluntary to Mandatory

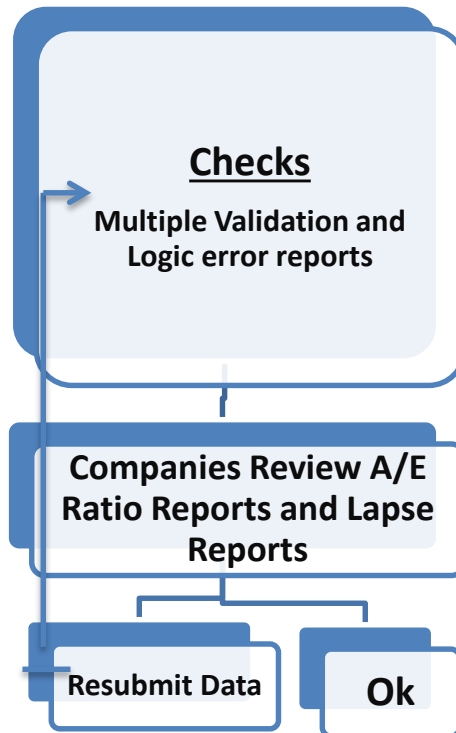
## Implementation of Mandatory Studies

- *VM-50 implementation not yet occurred*
- *Pilot Project initiated by New York – 2009 Calendar Year Data Collected*
  - **Statistical Agent selected by Request for Proposal**
- *Pilot Project joined by Kansas -2011 Calendar Year Data Collected*
  - Impetus to produce nationwide data for SOA studies
- *Confidentiality of Individual Company Data*
  - Individual Company to Statistical Agent and State Regulator Only
  - Aggregate data to SOA
- *Statistical Agent Process*
  - Analyze Individual Company Data and Report to State Regulator

# Process: Analyze Individual Company Data and Report to State Regulator



- VM-51 Mortality and Policyholder Behavior Data Format, Questionnaires
- Supplemental Data Instructions
- Data Submission Instruction Training Video
- MIB LSS Website
- LSSDATA@MIB.COM



- MIB Actuaries review Company Correspondence, Questionnaires and Data Quality Reports
- Prepare Actuarial Analysis Memo with Reports, Communicate with Companies
- A/E Ratio Reports and Lapse Reports to Regulators

# Mandatory Data Calls

## Individual Company Involvement & Response

- Syntax, Validation and Reasonableness Reports (SVR)
  - Returned within 2 weeks of data submission
  - Companies analyze and respond
- Actuarial Analysis and Review
  - Uses data improved by SVR
  - Done by statistical agent
  - Interaction with individual company
- Individual Company wants accurate report sent to regulators

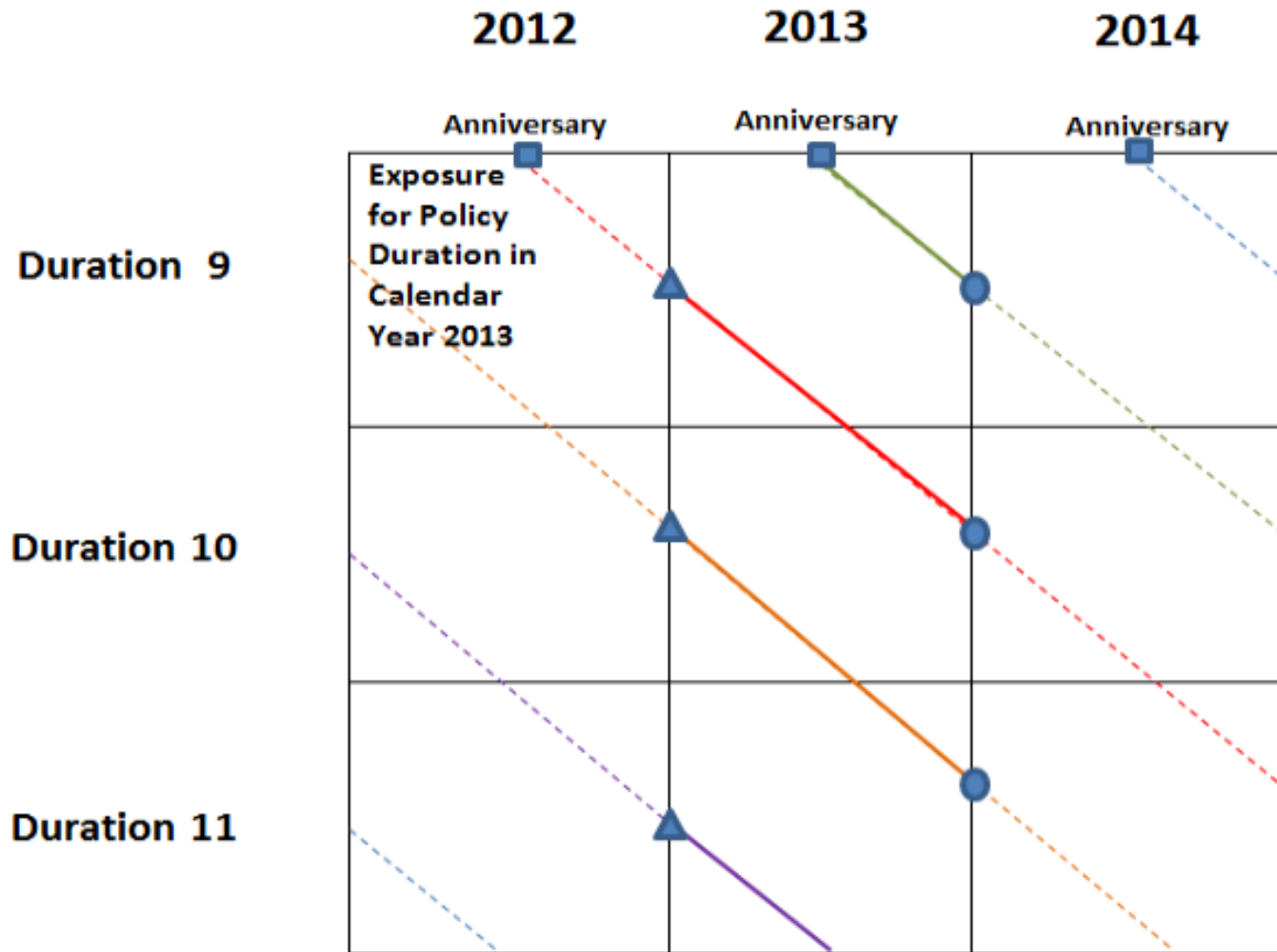
# Regulatory Reports on Calendar Year Basis

## Two Durations within Calendar Year

- **Voluntary SOA Mortality Data used Policy Year Ending**
  - Companies submit policy year exposure over two calendar years
  - Data from two calendar years to produce one policy duration
- **Regulators want all reports on a Calendar Year Basis**
  - Company submits one record for calendar year experience
  - Statistical Agent creates two record from each submitted record
    - Exposure from Beginning of Calendar Year up to Policy Anniversary
    - Exposure from Policy Anniversary through End of Calendar Year
  - **One calendar year record produces exposure for two policy durations**



# Calendar Year Data Submission Exposure for Two Policy Durations Year



# Actual Termination Date & Termination Reported Date

**Submit all non-death terminations occurring in the observation year and reported through June 30th of next calendar year**

**Extremely important to accurately report Non-death Terminations**

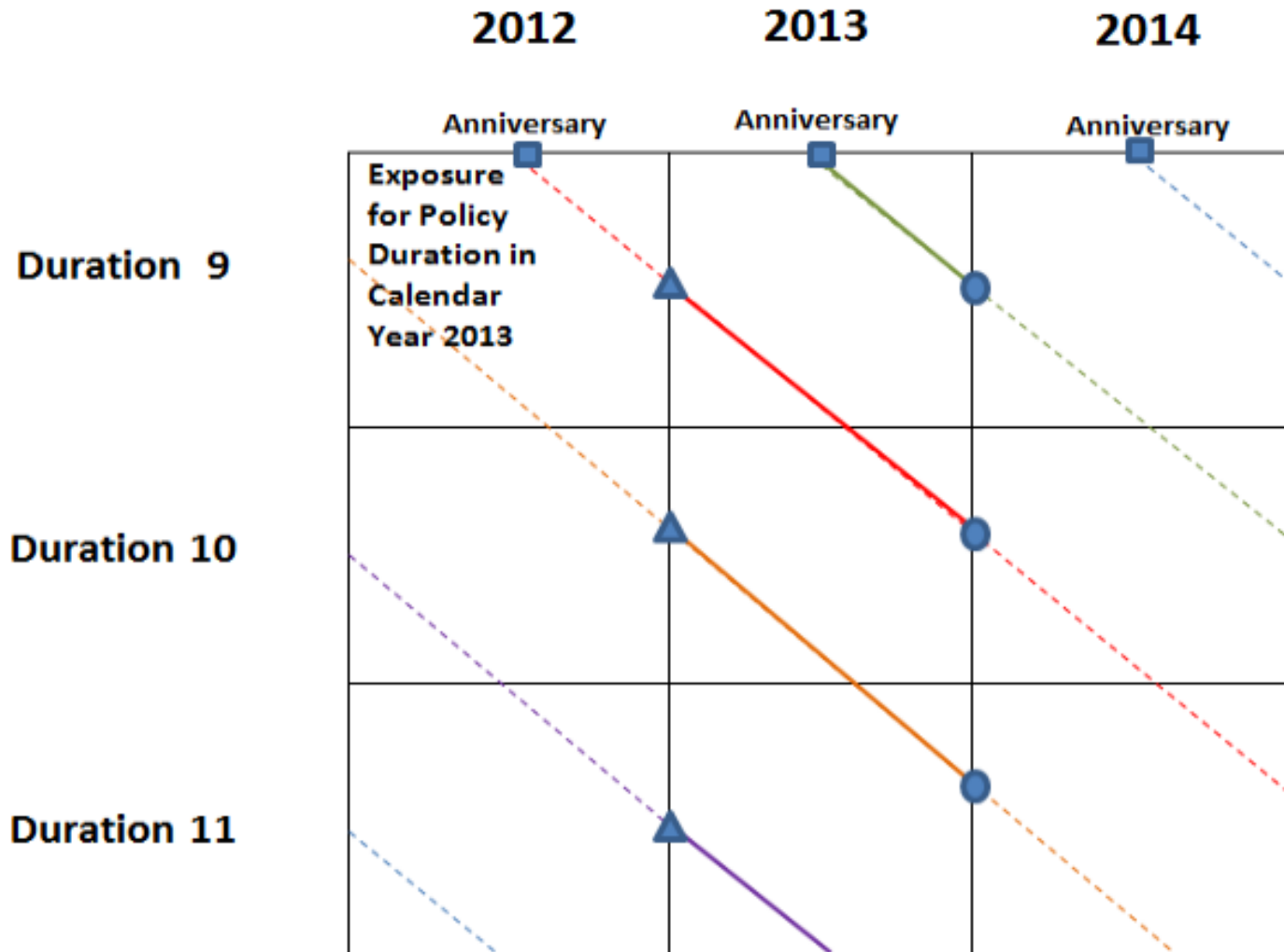
- **Actual Termination Date**
- **Termination Reported Date**

## **Administration Systems Reporting Problems**

- **Do not differentiate Actual from Reported**
  - *Company actuaries assure accurate reporting*
- **Actual Termination Date = Premium Due Date**
  - *Not logical for non-payment of premium = due date of non-paid premium*
  - *One Day Setback*

# One Day Set Back

## Actual Termination Date = Premium Due Date



# Mandatory Data Calls

## Confidentiality and Cost

### Confidentiality:

- Only regulators and statistical agent see individual company results
- Within MIB, only workers on statistical agent see individual co data
- For others, Frankenstein data to create sample companies
- Follow confidentiality rules for PBR
  - *Standard Valuation Law, Section 14, Confidentiality*
  - *Valuation Manual Section 50, Section 4, E Confidentiality*

### Cost:

- Determined by NYDFS' Request For Proposal
- Primary cost driver is obtaining each company's correct individual company results for regulator
  - *Statistical Agent does all work*
  - *Due to confidentiality, no free SOA committee volunteers*
  - *MIB reduces charges below those set by Request for Proposal*

# Collaborate with Mandatory Study Data

- Mandatory data limited to only data needed by regulators
- Gap of Experience for 2009 and 2010
  - Caused by Kansas Insurance Department starting in 2011
  - SOA data call to backfill 2009 and 2010 data
- Combination of Data for ILEC Study
  - NYDFS 2009-2012, Kansas 2011-2012
  - SOA backfill data for 2009-2010
  - More complete picture of industry data

# Collaborate with Mandatory Study Data

## SOA's Extended Analysis Data Call

- **Mandatory Data**
  - Extensive information on age, gender, smoking status, risk class
  - Information on Termination due to Death or Term Conversion
- **SOA Extends the Analysis by Voluntary Data Call**
  - Prevents companies from having to submit duplicate information
  - Additional voluntary information on:
    - Cause of Death
    - Term Conversions
    - Substandard
- **Match Merge of SOA and Mandatory Data**
- **Additional SOA studies on Cause of Death, Term Conversions, Substandard**

# Future Advantages

## Mandatory Data and SOA Studies

- Mandatory Studies will give the SOA:
  - Correct Information on policy plan type
  - VM-50 Mandate of 80% of Industry Experience
    - Consistent Companies Over Time
    - Basis for studying mortality improvement
- New Studies on Subsets of Mandatory Study Data
  - Level Term Lapse Rates and Shock Lapse Mortality
  - Older Age Mortality
  - Preferred Mortality