

Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force Amendment Proposal Form*

1. Identify yourself, your affiliation and a very brief description (title) of the issue.

John Bauer, NAIC

Revisions to VM-50

2. Identify the document, including the date if the document is “released for comment,” and the location in the document where the amendment is proposed:

Valuation Manual Adopted 8/29/16 with Non-substantive changes through 12/31/16 (2017 Edition)
VM-50, Experience Reporting Requirements

3. Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted or changed by providing a red-line (turn on “track changes” in Word®) version of the verbiage. (You may do this through an attachment.)

See attached

4. State the reason for the proposed amendment? (You may do this through an attachment.)

The proposed amendment revises VM-50 to recognize the increased role of the NAIC in the experience reporting process and to provide consistency of language within the document.

Commenters are asked to consider the impact on companies of moving from a 2-year to a 1-year time lag for data submission.

* This form is not intended for minor corrections, such as formatting, grammar, cross-references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
Notes: 2017-81			

EXPOSURE DRAFT – 9 November 2017

VALUATION MANUAL

NAIC Adoptions Through

~~April 6, 2016~~

[INSERT DATE]

The NAIC initially adopted the Valuation Manual on 12/2/12, with subsequent adoptions of amendments on 6/18/15, 11/22/15 and 4/6/16. The amendments denoted with asterisks (*) were adopted by the Life Insurance and Annuities (A) Committee on 4/4/16 but remain subject to the approval of NAIC Exec/Plenary before officially becoming a part of the VM. ~~All amendments that have been adopted by LATF and A Committee, but have yet to receive Exec/Plenary approval are included in the body of this document in tracked change mode.~~

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VM-50 EXPERIENCE REPORTING REQUIREMENTS

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Section 1. Overview

A. Purpose of the Experience Reporting Requirements

The purpose of this section is to define the requirements pursuant to Section 13 of the NAIC Standard Valuation Law (SVL) for the submission and analysis of ~~the insurer~~company data. It includes consideration of the experience reporting process, the roles of the relevant parties, and the intended use of and access to the data, and the process to protect the confidentiality of the data as outlined in the SVL.

B. Value of Experience Data Collection

The value includes but is not limited to:

1. Principle-based reserving may require development of assumptions and margins based on company experience, industry experience, or a blend of the two. The collection of experience data provides a database to establish industry experience tables or factors, including valuation tables or factors as needed.
2. The collection of experience data may assist regulators, reviewing actuaries, auditors, and other parties with authorized access to the ~~PBR~~principle-based reserving actuarial reports, to perform reasonableness checks on the appropriateness of principle-based methods and assumptions, including margins, documented in those reports.
3. The collection of experience data provides an independent check on the accuracy and completeness of company

experience studies, thereby encouraging companies to establish a disciplined internal process for producing experience studies. Industry aggregate or sub-industry aggregate experience studies may assist an individual company for use in setting experience-based assumptions. As long as the confidentiality of each company's submitted results is maintained, a company may obtain results of a study on companies' submitted experience for use in formulating experience assumptions.

4. The collection of experience data will provide a basis for establishing and updating the assumptions and margins prescribed by regulators in the Valuation Manual.
5. The collection of experience data allows 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.
6. Principle-based reserving is an emerging practice and will evolve over time. Research studies other than those contemplated at inception may be useful to improvement of the ~~PBR~~ principle-based reserving process, including increasing the accuracy or efficiency of models. ~~Since~~ Because the collection of experience data will facilitate these improvements, research studies of various types should be encouraged.
7. The collection of experience data is not intended as a substitute for a robust review of companies' methodologies or assumptions, including dialogue with companies' actuaries.

C. Principle-Based Reserving and the Need for Experience Data

1. Principle-based reserving may require development of assumptions based on company experience, industry experience, or a blend of the two. Collection of industry experience data provides a database to establish industry experience tables.
2. The development of industry experience tables provides not only a basis for assumptions when company data is not available or appropriate, but also provides a comparison basis that allows the regulator to perform reasonableness checks on the appropriateness of assumptions as documented in actuarial reports.
3. The reliability of assumptions based on policy experience for principle-based reserving is founded on reliable historical data from comparable policies. As with all forms of experience data analysis, larger and more consistent statistical samples have a greater probability of producing reliable analyses of historic experience than smaller ones. To improve statistical credibility, it is necessary that experience data from multiple ~~insurers~~ companies be combined into aggregate databases.
4. To carry out this collection and pooling, ~~insurers~~ companies and regulators will rely on the NAIC to serve as statistical and experience reporting agents. ~~The statistical agents are expected to~~ The NAIC will bring the expertise of collecting and sorting data from multiple sources into a cohesive database in a secure and efficient manner.

~~Drafting Note: The intent is to use the NAIC's current secure method of transmitting information to regulators instead of paying a statistical agent to create and maintain a separate system for experiencing studies.~~

5. Section 14~~(A)~~(5) of the SVL defines the data to be collected to be confidential.
6. The statutes and regulations requiring data submission generally apply to all licensed life and health companies. These companies must submit statistics as directed by ~~the~~ the Valuation Manual.

Section 2. Company Experience Reporting Requirements

A. Scope

1. The Standard Valuation Law provides authority for ~~the~~ the Valuation Manual to set experience reporting requirements with respect to business and companies within the scope of the Standard Valuation Law. These requirements will specify the business and the companies for which experience is to be reported for a calendar year.

~~**Drafting Note:** Input from LHATF is needed regarding the type of business and companies for which experience is to be reported for the calendar year after the operative date of the Valuation Manual. This input will play a key role in the development of the experience reporting requirements.~~

B. Calendar Year ~~20XXX-2~~¹ Experience to Be Reported

~~**NOTE FOR COMMENTERS:** *The Life Actuarial Task Force invites comments on the question of the appropriate time lag between the current calendar year in which experience data will be submitted and the calendar year to which that data will relate, specifically whether this time lag should be one year or two years.*~~

~~**Drafting Note:** 200XX will be changed to a specific year when the Valuation Manual is first operative.~~

- ~~1. Companies are required to report experience for their life insurance business pursuant to the life instructions contained in VM-51 Experience Reporting Formats. Companies that are subject to the experience reporting requirements are found in VM-50, Appendix A. 2. Companies licensed only in their state of domicile may be exempted from these experience reporting requirements if allowed by the domiciliary Commissioner. For studies of ordinary life mortality and policyholder behavior, companies with less than \$50 million direct individual life insurance premiums, as described in Section 2.B.2 of VM 50, shall be exempted from these experience reporting requirements for the calendar year in question. This threshold for exemption shall be measured based on aggregate premium volume of all affiliated companies, shall be reviewed annually, and be subject to change by the NAIC. At its option, a group of non-exempt affiliated companies may exclude from these requirements affiliated companies with less than \$10 million direct individual life insurance premiums, provided that the affiliated group remains non-exempt. If a company receives approval from its domiciliary Commissioner that any of its above lines of business have immaterial volume in force, those lines shall be exempted from these experience reporting requirements for the calendar year in question. If such a company or any of its lines of business is not exempted in any subsequent calendar year, for the latter year(s), it shall be subject to the above experience reporting requirements for the latter year(s). Additional exemptions may be granted by the NAIC, based on achieving a target level of approximately 80% of industry experience for each product line in preparing an industry experience table.~~
- ~~2. Business exempted from the life experience reporting requirements for calendar year 20XXX-2 includes the following:
 - ~~a. All forms of Group Life Insurance~~
 - ~~b. Individual Credit Life Insurance~~
 - ~~c. Individual and Group Annuities~~
 - ~~d. Individual and Group Health Insurance~~
 - ~~e. Reinsurance Assumed, except in the case of Assumption Reinsurance where the assuming company is legally responsible for all benefits and policy administration~~~~a. Credit Life Insurance~~~~

~~**Drafting Note:** Input from LHATF is needed regarding additional lines of business or types of companies to be exempted.~~

- ~~3. Experience reporting for annuity business is not prescribed for calendar year 20XX.~~

~~**Drafting Note:** These requirements are not developed at this time.~~

- ~~4. Experience reporting for health business is not prescribed for calendar year 20XX.~~

~~**Drafting Note:** These requirements are not developed at this time.~~

¹“X” is the current calendar year during which **experience data** is being submitted, and “X-2” reflects that the submitted data should relate to the calendar year two years preceding. These symbols are being used to amend VM-50 annually to reflect that particular year.

- ~~5. Reinsurance assumed is excluded to avoid double counting by the original issuer and by the reinsurer. Experience reporting requirements for policies covered under such reinsurance assumed shall be the responsibility of the ceding company who is the direct writer of such business. An exception to this requirement is in case of reinsurance assumed where the assuming company is legally responsible for all benefits and administration of such policies. For such policies, the assuming company would be responsible for the experience reporting requirements for such policies.~~

Section 3. Roles and Responsibilities

A. Statistical Plans and the Role of ~~Statistical Agents~~the NAIC

1. ~~In most situations, designated statistical~~ Consistent with state laws based on Section 13 of the Standard Valuation Law, ~~agents~~the NAIC will collect experience data based on statistical plans as defined in the Valuation Manual. ~~Unless there is a compelling reason otherwise, a particular data call will utilize a single statistical agent on a national basis.~~
2. Statistical plans are detailed instructions ~~which that~~ define the data elements as well as the formats and time frames for company reporting. Statistical plans are included in VM-51 of the Valuation Manual. These statistical plans vary by both experience type (mortality, policyholder behavior and company expense) and by product type. Statistical plans are included in the Valuation Manual when they are ready to be implemented. Factors to be considered in determining which statistical plans should be used include: prior use in intercompany studies, review by committees/task forces involved with principle-based valuation, review by regulators/NAIC/Life Actuarial Task Force (LATF)², ~~HATF~~, and the process of implementing principle-based valuation. Reporting formats for additional data elements will be added as necessary, in subsequent revisions to the Valuation Manual.
3. Data must conform to common data definitions. Standard definitions provide for stable and reliable databases and are the basis of meaningful aggregated insurance data. This will be accomplished through a uniform set of suggested minimum experience reporting requirements for all insurers~~companies~~.
4. Based on requirements ~~to be developed~~included in VM-51, ~~statistical agents~~the NAIC may design ~~their~~its data collection procedures to ensure ~~that they are~~it is able to meet these regulatory requirements. ~~The Statistical Agents~~The NAIC will provide sufficient notice to reporting companies of changes, procedures, and error tolerances to enable the companies to adequately prepare for the data submission.
5. ~~The statistical agent~~The NAIC will aggregate the experience of insurers~~companies~~ using a common set of classifications and definitions to develop industry experience databases.

~~B. Role and Responsibility of NAIC Task Force or Working Group~~

6. The NAIC will enter into agreements with a group of state insurance departments for the collection of information under statistical plans included in VM-51. The number of states that contract with the NAIC will be based on achieving a target level of industry experience established by state insurance regulators for each product line in preparing an industry experience table.
 - a. The agreement between the state insurance department(s) and the NAIC will be consistent with any data collection and confidentiality requirements included within the Standard Valuation Law and the Valuation Manual. Those state insurance departments seeking to contract with the NAIC will inform the NAIC of any other state law requirements, including laws related to the procurement of services, that will need to be considered as part of the contracting process.

² This VM-50 prescribes certain roles for LATF. Such references should be construed to apply to a successor entity designated by the NAIC for assuming LATF's responsibilities until such time as VM-50 is amended.

Section 4. Data Quality for InsurersCompanies and Statistical Agentsthe NAIC

b. Use of the NAIC as the experience reporting agent does not preclude other state insurance departments from contracting independently with another experience reporting agent for similar or other purposes.

7. The NAIC, ~~perhaps~~ through ~~LATF~~~~ereation of A Task Force or Working Group~~, will be responsible for the content and maintenance of the experience reporting requirements. ~~This Task Force or Working Group~~~~LATF~~ will monitor the data definitions, quality standards, appendices and reports described in the ~~E~~experience ~~R~~reporting ~~R~~requirements to ~~as~~ensure that they take advantage of changes in technology and provide for new regulatory and company needs.

~~Drafting Note: LHATF should propose a process to be used and not leave this open ended.~~

28. To ensure that the experience reporting requirements will continue to be useful, ~~the NAIC Task Force or Working Group~~~~LATF~~ will seek to review each statistical plan on a periodic basis at least once every five years~~study on a five year basis~~. ~~The LATF~~~~Task Force or Working Group~~ should have regular dialogue, feedback and discussion. ~~Such advisory group~~In seeking feedback and engaging in discussions, LATF should include a broad range of data users, including regulators, consumer representatives, members of professional actuarial organizations, large and small insurerscompanies, and insurance trade organizations.

EB. Role of Other Organizations

1. The NAIC may ask for other organizations to play a role for one or more of the following items.
 - a. Consult with ~~the statistical agent~~the NAIC (as appropriate) in the design and implementation of the experience retrieval process;
 - b. Become involved in the data validation process of data intended to be used by the Society of Actuaries (SOA) to develop industry experience tables;
 - c. Analyze data, ~~including provided by the statistical agent and~~ any summarized or aggregated data, produced by ~~the statistical agent~~the NAIC;
 - d. Create initial experience tables and any revised tables;
 - e. ~~Work with the NAIC (if needed)~~Provide feedback in the development and evaluation of requests for proposal for services related to the reporting of experience requirement;
 - f. Create statutory valuation tables as appropriate and necessary;
 - g. Determine and produce additional industry experience tables or reports that might be suggested by the data collected;
 - h. Work with the NAIC, through LATF, in developing new reporting formats and modifying current experience reporting formats;
 - i. Support a close working relationship among all parties having an interest in the success of the experience reporting requirement. This will increase the value of the coordinated effort, improve the speed and efficiency of the process, and increase the value of the experience reporting deliverables.

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A. Requirements

1. The experience reporting requirements include two intertwined sets of requirements – one for insurerscompanies and one for ~~statistical agents~~the NAIC. Statistical procedures used by ~~the statistical agents~~the NAIC cannot easily control for errors associated with underwriting. If an underwriter misjudges the proper classification for an insured, then the “statistical system” has little chance of detecting the error unless the classification is somehow implausible.

2. These requirements only refer to data required by the Experience Reporting Requirements.

B. Intentionally Inaccurate Coding is Prohibited

1. Data coding and data reporting policies prohibit coding a policy, loss, transaction or other body of data as anything other than what it is known as for data routinely reported to ~~statistical agents~~the NAIC. This does not preclude an ~~insurer~~company from booking a transaction with incomplete detail or from reporting such transactions to ~~statistical agents~~the NAIC, but there can be nothing that is known to be inaccurate or deceptive in the reporting. An audit of an ~~insurer~~company's data submitted to ~~statistical agent(s)~~the NAIC under a statistical plan in VM-51 can include comparison of submitted data to other company files.

C. Edit Exceptions by ~~Statistical Agents~~the NAIC Must Be Studied for Systematic Errors

1. When the cause of an edit exception is noted to be a condition that could produce systematic errors, the ~~insurer~~company must correct the error and respond in a timely fashion, with priority given to errors that have the largest likelihood to affect a significant amount of data. When an error is found that has affected data reported to ~~a statistical agent~~the NAIC, the ~~insurer~~company shall report the nature of the error and the nature of its likely impact to ~~the statistical agent~~the NAIC ~~receiving the affected data~~. Retrospective correction of data subject to systematic errors shall be done when the error affects a significant amount of data that is still being used for reports to the regulator and it is reasonably practical to make the correction through the application of a computer program or a procedure applied to the entire data set without the need to manually examine more than a small number of individual records.

D. Other Data Quality Standards and Requirements Applying to ~~Insurers~~Companies and ~~Statistical Agents~~the NAIC

1. ~~Statistical agents are required to~~The NAIC will apply edits and checks to data received from ~~insurers~~companies, and ~~insurers~~companies are required to respond to the queries presented by ~~statistical agents~~the NAIC. ~~The Statistical Agents~~The NAIC will provide sufficient notice to reporting companies of changes, procedures, and error tolerances to enable the companies to adequately prepare for the data submission.
2. Each submission of data filed by an ~~insurer~~company with ~~a statistical agent~~the NAIC shall be balanced against a set of control totals provided by the ~~insurer~~company with the 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 (with the exception of differences due to rounding errors for dollar amounts) to the control totals shall be referred to the ~~insurer~~company for review and resolution.
3. Each ~~insurer~~company submitting experience data in response to a data call shall reconcile its statistical and financial data, with an explanation of differences, within ~~the statistical agent's~~the NAIC's tolerances as specified in the data call.
4. Validity checks are designed to catch:
 - a. Incomplete coding;
 - b. Codes that are not contained within the set of possible valid codes; or
 - c. Codes that are contained within the set of possible valid codes but are not valid in conjunction with another code.
5. It is possible that there will be incomplete coding as part of an ~~insurer~~company's internal data processing. It is important, however, that the ~~insurer~~company's procedures provide for proper codes to be determined in a timely fashion so that records can be completed.
6. Where quality would not appear to be significantly compromised, ~~statistical agents~~the NAIC may use records with missing or invalid data if the errors do not involve a field relevant to the report. For ~~insurers~~companies with a body of data for a state, line of business and year that fails to meet these standards, ~~statistical agents~~

~~shall~~the NAIC will use ~~its~~their discretion (but should still inform the regulator of key decisions made) regarding the omission of the entire body of data, including records with valid entries. Completeness of reports is desirable, but not at the risk of including a body of data that appears to have an unreasonably high chance of significant errors.

7. Completeness and validity checks are straightforward and almost always, errors detected through these checks are, in fact, errors. However, if an ~~insurer~~company were to attribute all of a varied book of business to a single valid class code, it is quite likely that this data would pass all completeness and validity checks.
8. Errors of a consistent nature are referred to as “systematic.” Incorrect coding instructions can introduce errors of a consistent nature as input. Programming errors within the data processing system of an ~~insurer~~company can also produce systematic miscoding as the system converts data to the formats required for experience reporting. Most systematic errors will produce data that, when reviewed using tests designed to reveal various types of systematic errors, will appear unreasonable and likely to be in error. In addition, some individual coding errors may produce erroneous results that show up when exposures and losses are compared in a systematic fashion. Such checking often cannot, however, provide a conclusive indication that data with unusual patterns is incorrect.
9. ~~Statistical agents shall~~The NAIC will undertake reasonability checks that include the comparison of ~~statistical agent~~ aggregate and company experience for class and coverage data elements for the current reporting period to company and aggregate profiles from prior periods or the current period. When reporting instructions are changed, newly reported data elements shall be examined to see that they correlate reasonably with data elements reported under the old instructions. In addition, ~~statistical agents shall~~the NAIC will compare major data elements to ~~statistical agent~~ aggregates in effect at the time of reporting.
10. At a minimum, reasonability checks by ~~statistical agents~~the NAIC will ~~shall~~ include:
 - a. When an ~~insurer~~company has reported all or an unusually large percentage of its data under a single or very limited number of categories.
 - b. When there are unusual or unlikely reporting patterns in an ~~insurer~~company’s data.
 - c. When the amount of claims appear unusually high or low for the corresponding exposures.
 - d. When claims exist without corresponding policy values and exposures, or where loss frequencies or amounts appear unreasonable in comparison to ranges of expectation that recognize statistical fluctuation.
 - e. When unusual shifts in the distribution of writings occur from one reporting period to the next.
11. If an ~~insurer~~company’s unusual pattern under ~~subparagraphs D.4.910.a, D.4.910.b or D.4.910.c~~ above is verified as accurate (that is, the reason for the apparent anomaly is an unusual mix of business), then it is not necessary that a similar pattern for the same ~~insurer~~company be reconfirmed year after year.
12. ~~Individual statistical agents shall~~The NAIC will keep track of ~~theirs~~ experience with these tests and shall adjust thresholds in successive years to maintain a reasonable balance between the magnitude of errors being found and the cost to ~~insurers~~companies.
13. Results which appear to indicate a significantly higher than average chance that a body of data may contain errors shall be reported to ~~insurers~~companies with an explanation of the unusual finding and its possible significance. When the possible or probable errors appear to be of a significant nature, ~~the statistical agent shall~~the NAIC will indicate to the ~~insurer~~company that this is a “critical indication.” “Critical indications” are those that, if not corrected or confirmed, would leave a significant degree of doubt whether the affected data should be used in reports to the regulator and included in industry databases. It is intended that ~~statistical agents shall~~the NAIC will have reasonable flexibility to implement this under the direction of the regulators. Also under the direction of the regulators, ~~statistical agents~~the NAIC may grade the severity of indications or ~~they~~it may simply identify certain indications as critical. While ~~insurers~~companies are expected to undertake a

reasonable examination of all indications provided to them, they are not required to respond to every indication except for those labeled by ~~the statistical agent~~the NAIC as “critical.”

14. ~~Statistical agents shall~~The NAIC will use ~~their~~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.
15. ~~InsurersCompanies~~ shall acknowledge and respond to reasonability queries from ~~statistical agents~~the NAIC. This shall include specific responses to all critical indications provided by ~~the statistical agent~~the NAIC. Other indications shall be studied for apparent errors as well as for indications of systematic errors. Corrections for critical errors shall be provided to ~~the statistical agent~~the NAIC or, when a correction is not feasible, the extent and nature of the error shall be reported to ~~the statistical agent~~the NAIC.

~~Drafting Note: Consideration should be given as to whether Actuarial Standards of Practice regarding Data Quality would or would not apply to this Section 2.3 and corresponding subsections.~~

E. Confidentiality of Experience Data

1. The confidentiality of the experience data, experience materials and related information collected pursuant to the Valuation Manual is governed by state laws based on Section 14A(5) of the Standard Valuation Law. The following information is considered confidential by law:
 - a. “Experience data,” which includes any documents, materials, data, and other information submitted by a company pursuant to the Valuation Manual;
 - b. “Experience materials,” which includes any other documents, materials, data and other information, including but not limited to, all working papers and copies thereof, created or produced in connection with such experience data, in each case that include any potentially company-identifying or personally identifiable information, that is provided to or obtained by the commissioner; and
 - c. “Related information,” which includes all working papers and copies thereof, created, produced or obtained by or disclosed to the commissioner or any other person in connection with such experience materials.
2. Nothing in the ~~E~~experience ~~R~~reporting ~~R~~requirements or elsewhere within the Valuation Manual is intended to, or should be construed to, amend or supersede any applicable statutory requirements, or otherwise require any disclosures of confidential data or materials that may violate any applicable federal or state laws, rules, regulations, privileges, or court orders applicable to such data or materials.

F. Treatment of Confidential Information

1. ~~1.~~ Experience data, Experience materials and Related information with potentially company identifying or personally identifiable information are “Confidential Information” pursuant to state laws based on Section 14A(5), Subsection A5 of the Standard Valuation Law. Access to such Confidential Information is may be shared only with limited to those individuals and entities organizations specified in state laws based on Section 14B(3) subsection 2 pursuant to the confidentiality provisions of Section 14B of the Standard Valuation Law. In addition, the individuals and entities other than regulators are also subject to antitrust and conflict of interest requirements established by the NAIC Task Force or Working Group charged with this task.
2. ~~2.~~ As experience reporting agent, the NAIC may be required to use Confidential Information in order to prepare Ccompilations of aggregated experience data which that do not permit identification of individual company experience or personally identifiable information. These reports of aggregated information, including those reports referenced in Section 5 of this VM-50, are not considered Confidential Information and the NAIC may make publicly available such reports, are subject to request by the public as subject to approval by regulators and coordinated by the NAIC.
3. ~~3.~~ Access to the Confidential Information of subsection 1 is limited to

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- a. Other state, federal or international regulatory agencies~~Regulators~~;
- b. The company ~~to reports on~~with respect to data ~~Confidential Information~~ it has submitted, ~~and any reports prepared by the NAIC based on such Confidential Information~~;
- c. ~~The NAIC, and its affiliates and subsidiaries~~~~The statistical agent responsible for data collection. The statistical agent shall use such Confidential Information for the purposes of fulfilling its duties under VM-50 or as otherwise approved by the NAIC Task Force or Working Group. Any consultants to or subcontractors of the statistical agent shall be subject to regulatory approval and shall be subject to the same standards as the statistical agent;~~
- d. An auditor of ~~the statistical agent~~the NAIC for purposes of the experience reporting function outlined in this VM-50; and
- e. Other individuals or entities, including contractors or subcontractors of the NAIC, otherwise assisting the statistical agent~~the NAIC or state insurance regulators for the purposes of~~ fulfilling ~~duties under the purposes of -VM-50, or as otherwise approved by the NAIC Task Force or Working Group.~~ These other individuals or entities may provide services related to a variety of areas of expertise, such as assisting with performing industry experience studies, developing valuation mortality tables, data editing, and data quality review. ~~All of t~~These other individuals and entities shall be subject to the same standards as the NAIC with respect to the maintenance of Confidential Information~~are subject to regulatory approval through a transparent process that includes opportunity for public comment.~~

G. Ownership and Maintenance of Experience Data and Statistical Experience Reports

- 1. ~~Data records~~Confidential Information submitted by companies to ~~the statistical agent~~the NAIC ~~are owned by~~will be considered the property of the companies submitting such data records, ~~but the recognition of such ownership will not affect the ability of state insurance regulators or the NAIC to use such information as authorized by state laws based on the Standard Valuation Law or the Valuation Manual, or, in case of state insurance regulators, for solvency oversight, financial examinations and financial analysis.~~ Reports of aggregated information prepared by the NAIC, including reports derived from Confidential Information submitted by companies, will be considered the property of the NAIC.

Drafting Note: ~~This is the case for current voluntary studies.~~

~~A company may provide a waiver to the statistical agent relative to disclosure of its confidential information (e.g., mortality ratio by plan of experience).~~

- 2. ~~The statistical agent~~The NAIC will be responsible for maintaining data, error reports, logs and other intermediate work products, and reports for use in processing, documentation, production and reproduction of reports provided to regulators in accordance with the Valuation Manual. ~~The statistical agent~~The NAIC will be responsible for demonstrating such reproducibility at the request of state insurance regulators or an auditor designated by state insurance regulators.~~the NAIC in its audit capacity over the statistical agent.~~

H. Reports to the State from ~~the Statistical Agent~~the NAIC

- 1. ~~Each statistical agent~~The NAIC will~~shall~~ provide reports ~~which~~that comprise the entire set of companies that report data to ~~the statistical agent~~the NAIC:
 - a. A listing of companies whose data is included in the compilations: and
 - b. A historical report listing those insurers companies whose data for ~~the statistical agent~~the NAIC was excluded from the compilation because it fell outside of ~~the statistical agent's~~the NAIC's tolerances for missing or invalid data, or for any other reason. The report will list such excluded companies by year for

Section 5. Reports Available From Statistical Agents the NAIC: Summary

the current and the two prior annual reports and will include an indication of the exposures, number of claims, and amount of claims for comparable groups of policies.

~~Drafting Note: This section will be updated as appropriate to include other data elements such as expenses and policyholder behavior for all policies, and morbidity for health insurance related policies~~

~~Drafting Note: The reconciliation of the statistical data and the financial data may need to be addressed elsewhere in VM-50.~~

~~I. Failure to Meet the Standards Contained in this Section may be violating the data submission requirements of this Valuation Manual~~

Section 5. Reports Available From Statistical Agents the NAIC: Summary

A. Introduction

1. Using the data collected under statistical plans, as defined in the Valuation Manual, the statistical agents the NAIC will produce aggregate databases as defined by the Valuation Manual. Statistical Agents The NAIC, and/or other organizations assisting the statistical agent persons assisting the NAIC, will utilize those databases to produce industry experience tables and reports as defined in the Valuation Manual. In order to ensure continued relevance of reports, each defined data collection and resulting report structure should be reviewed for usefulness with no more than five years since initial adoption or prior review.
2. Data compilations are evaluated according to four distinct, and often competing, standards: quality, completeness, timeliness and cost. In general, quality is a primary goal in developing any statistical data report. The priorities of the other three standards vary according to the purpose of the report.
3. The NAIC may modify or enlarge the requirements of the Valuation Manual for information to accommodate changing needs and environments. However, in most cases, changes to existing data reporting systems will be feasible only to provide information on future transactions. Requirements to submit new information may require that companies change their systems. Also, the statistical agents the NAIC may need several years before they it can generate meaningful data meeting the new requirements with matching claims and insured amounts. The exact time frames for implementing new data requirements and producing reports will vary depending on the type of reports.
4. This section summarizes, generally, the data that statistical agents the NAIC must maintain and produce. Subsequent sections provide the specific detailed requirements for reporting on the various lines of insurance.

B. Design of Reports Linked to Purpose

1. Fundamental to the design of each report is an evaluation of its purpose and use. The NAIC Task Force or Working Group LATF should specify model reports responding to general regulatory needs. These model reports will serve the basic informational needs of state regulators. To address a particular issue or problem, a regulator may have to request to the Working Group LATF that additional reports be developed.

C. Basic Report Designs

1. The NAIC Task Force or Working Group LATF needs to designate basic types of reports to meet differing needs and time frames. Sections of VM-51 experience reporting formats provide more detailed descriptions of these reports for each specific line of insurance. Annual statistical compilations are anticipated to be the primary reports.
2. Annual Statistical Compilations – Annual statistical compilations are aggregate reports that generally match appropriate insurance amounts and claims to evaluate the historic experience for various lines of insurance, detailed by coverage and class. Although termed annual statistical compilations the timing of these reports

depends on the specific line of insurance. The annual statistical compilations can be either industry-wide or vary by state of domicile.

3. In addition to annual statistical compilations, regulators can specify additional reports based on elements in the statistical plans in VM-51. Regulators can also use annual statistical compilations and additional reports to evaluate non-formulaic assumptions.
4. ~~The NAIC Task Force or Working Group~~LATF will specify the reports to be provided to the professional actuarial associations to fulfill their roles as specified in [Section 3E of this VM-50](#).³ In general, the reports are expected to include the industry-wide annual statistical compilations. The number and types of reports can vary from year to year. ~~The NAIC Task Force or Working Group~~LATF will specify the data periodically obtained from the statistical plans to be provided to the SOA to fulfill its role as specified in [Section 3E-3 of this VM-50](#).

D. Annual Statistical Compilations

1. Annual statistical compilations are detailed annual reports that generally match appropriate insurance amounts and claims to evaluate the historic experience of various lines of insurance. Regulators can use annual compilations to evaluate non-formulaic assumptions.
2. The timing of annual reports depends upon the basis on which data are compiled, which in turn depends on the line of insurance. Sections of VM-51 discuss specific time frames for annual reports for each line of insurance.
3. Regulators can use the annual reports to review the experience for broad categories and for individual coverages. Regulators can compare the policy experience elements and insurance payouts appearing on the reports for different coverages. Annual reports also allow regulators to review long-term trends. Aggregate results may indicate areas warranting additional investigation.

E. Supplemental Reports

1. For specific lines of business and coverages, regulators may request additional reports from ~~statistical agents the NAIC~~. Regulators may also request custom reports, which may contain specific data or experience not regularly produced in other reports.
2. The regulator and ~~the statistical agents the NAIC~~ must negotiate time schedules for producing supplemental reports. The information in these reports is limited by the amount of data actually available and the manner in which they have been reported.

F. Reports to Actuarial Professional Organizations

1. ~~The NAIC Task Force or Working Group~~LATF will needs to designate basic types of reports to the Actuarial Professional Organizations to meet differing needs and time frames. These reports will be comparable to reports provided to regulators as described in [Section 5D and E of this VM-50](#).⁴ Annual statistical compilations are anticipated to be the primary reports. Other reports may be requested on an as needed basis, and will be referred to as special reports.
2. Annual Statistical Compilations – Annual statistical compilations are aggregate reports that generally match appropriate insurance amounts and claims to evaluate the historic experience for various lines of insurance, detailed by coverage and class. Although termed annual statistical compilations the timing of these reports depends on the specific line of insurance. The annual statistical compilations can be either industry-wide or vary by state of domicile.
3. In addition to annual statistical compilations, regulators can specify additional reports based on elements in the statistical plans in VM-51. Regulators can use both annual statistical compilations and additional reports to evaluate non-formulaic assumptions.

Appendix A List of Companies Subject to Experience Reporting

[TO BE DEVELOPED]

NOTE FOR COMMENTERS: The Life Actuarial Task Force invites comments related to the designation of companies that will be subject to experience reporting, including whether to list the names of specific companies or objective criteria or some other factor(s).