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| **Dates:** Received | Reviewed by Staff | Distributed | Considered |
| 8/1/19 |  |  |  |
| **Notes:** VM APF 2019-56 | | | |

**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.

Academy Life Experience Committee and SOA Preferred Mortality Project Oversight Group (“Joint Committee”)

Revision to data elements in VM-51 to accommodate and differentiate individual underwriting and allow more robust mortality data for development of Industry Mortality Tables.

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:

January 1, 2019, version of the Valuation Manual

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.)

Due to the number of changes, color coding is used in addition to redline or strikeout form for ease of understanding the changes. This APF is meant to work in conjunction with APF 2018-59. Any changes made to APF 2018-59 also apply to this APF. The changes are color-coded as follows:

* Cells highlighted in green correspond to those in APF 2018-59;
* Cells highlighted in blue correspond to new data elements or changes from either the original VM-51 sections or those from APF 2018-59 (for example, renumbering)
* Cells highlighted in yellow and in strikethrough identify the text modified from APF 2018-59;
* Cells noted with red strikethrough or text correspond to deletions or edits to the existing VM-51 data elements.
* Additionally, for the new data elements, a column has been added to identify whether the data element would be provided retrospectively or prospectively and the timeline in which it would become mandatory (2021, 2023, or 2025).

This APF proposes data be provided at three different levels of granularity: policy level (Appendix 1), plan level (Appendix 2) and underwriting grid (age and amount requirement) level (Appendix 3). Note, the Appendix 2 changes are those as presented in complementary APF 2018-59. No further changes are being recommended to this section.

The primary modifications from APF 2018-59 are:

1. APF 2018-59 restructures VM-51, Appendix 1 into sections. This APF maintains that structure and inserts a new Section 2 for underwriting information, shifting a change in the Item numbering and Column numbers throughout the remaining Sections in Appendix 1.
2. Added Appendix 3, which provides the underwriting requirements by age and amount grouping.
3. Minor movement of certain data items to group with other like items.

See Appendix.

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

The mortality outcome for any underwriting regime is a factor of many selection levers. The historical data elements collected under VM-51 are insufficient to enable distinguishing of and differentiation of the mortality by underwriting regimes. This lack of differentiation challenges the ability for a single mortality table to represent the various regimes and wide range of experience within a given regime (e.g., guaranteed issue, simplified issue, simplified underwritten, accelerated underwritten, algorithmically underwritten, fully underwritten, COLI/BOLI, etc.). The wide diversity of underwriting methodology and carriers’ frequent program modifications and refinements to predictive models creates additional noise in the underlying experience, making it difficult to perform advanced analytics to measure industry trends and true mortality changes.

The existing mandatory data elements within VM-51 are not at a sufficient level of detail to differentiate company experience based on differences in underwriting programs. While each data call has requested additional, voluntary data elements, the additional data elements have not been at the necessary level of detail nor have they been consistently provided by the carriers. While modest changes have been incorporated to the mandatory data elements over time, they have been slow to keep pace with the evolutions in underwriting and still do not capture several significant variables which are known to affect mortality from both traditional and nontraditional underwriting methods (e.g., marketing channel data, data sources used, data on specific program factors, lab data, when collected, application data, etc.). Changes are needed to collect data that will allow comparison to existing underwriting techniques, identify the variables which truly impact and differential mortality, allow comparisons of mortality between various regimes, and allow for industry mortality experience tables which are more reflective of actual experience.

The proposed changes have been developed recognizing underwriting practices are changing and the use of alternative data sources and algorithms is still emerging. Data elements have been prioritized in terms of expected ease for carriers to obtain the data, expected importance of the data element on resulting mortality and to allow time for certain practices to emerge. Most of the additional data elements are recommended to be prospective in nature, though some are retrospective. In addition, timing, based on expected data availability, is suggested as beginning with the 2021 data call, 2023 data call, or 2025 data call. This phasing recognizes the likely need for carriers to prioritize and program the collection of certain added data elements for study purposes. This phasing also reduces the length of time between which carriers begin to use new data sources or algorithmic techniques and when experience begins to emerge.

\* 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:

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**Appendix**