Welcome to the 2021 Mortality Data Collection Training Webinar: Validations

April 28, 2021

- All attendees will be muted throughout the presentation.
- Please use the “Q&A” for questions and send to all panelists. Questions will be addressed at the end of the presentation.
- This webinar is being recorded and will be made available on the NAIC website.
- For technical help, please contact the NAIC Technical Support Team at MeetingTechHelp@naic.org

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

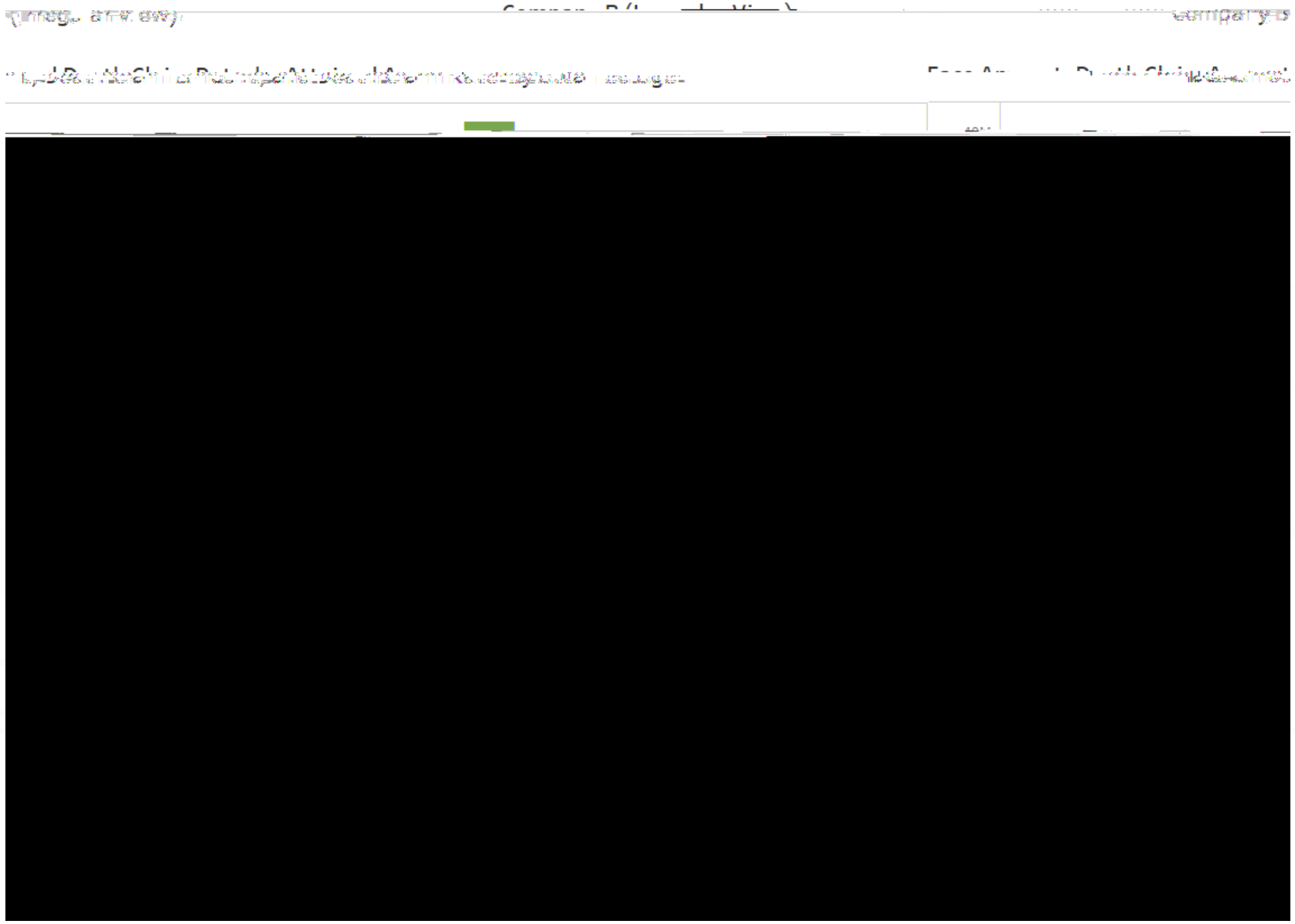
Agenda

- VM-50 Validity and Reasonability Checks
- Multiple Review Methods
- RDC Form and Format Screening
- Actuarial Data Review/Validations
- Actuarial Data Review/Field Distributions
- Key Company Responsibilities

NAIC Data Validity and Reasonability Checks

VM-50 Section 4.B.8: At a minimum,

VM-50 Section 4.B.8 Part c. **Claim amounts that appear unusually high or low for the corresponding exposure**



NAIC Data Validity and Reasonability Checks

Identification of Critical Indications

- “Critical indications” are those that, if not corrected or confirmed, would leave a significant degree of doubt whether the affected data should be used (VM-50 Section 4.B.11)
- The NAIC will report “critical indications” to the company with an explanation of the unusual findings and their possible significance. Under the direction of the state insurance regulators, the NAIC will have reasonable flexibility to implement this, and may grade the severity of indications or simply identify certain indications as critical. (VM-50 Section 4.B.11)

Data Scoring System

- Where quality would not appear to be significantly compromised, the NAIC may use records with missing or invalid data if such invalid or missing data do not involve a field that is relevant or would affect the credibility of the report (VM-50 Section 4.B.5)
- For companies with a body of data for a state, line of business, product type or observation period that fails to meet these standards, the NAIC will use its discretion, with regulatory disclosure of key decisions made,

Multiple Review Methods

	Screen to decide whether to reject:		
Review Method	Record	Company's Submission	Comments
Valid Submission Company Code		X	RDC confirms submitter is authorized for company code and checks that only one company code is used throughout the file.
RDC Form and Format Checks	N/A	N/A	RDC provides feedback upon file submission. RDC will not reject records based on form and format checks. Example: smoker status is not a valid value.
Control Totals		X	This serves as an inclusion control, ensuring that all records intended to be submitted were received. VM-50 Section 4.B.2 requires each data submission to be balanced against a set of control totals provided by the company. At a minimum, these control totals shall include applicable record counts, claim counts, amounts insured and claim amounts. NAIC has developed a sample template for companies to use.

Multiple Review Methods

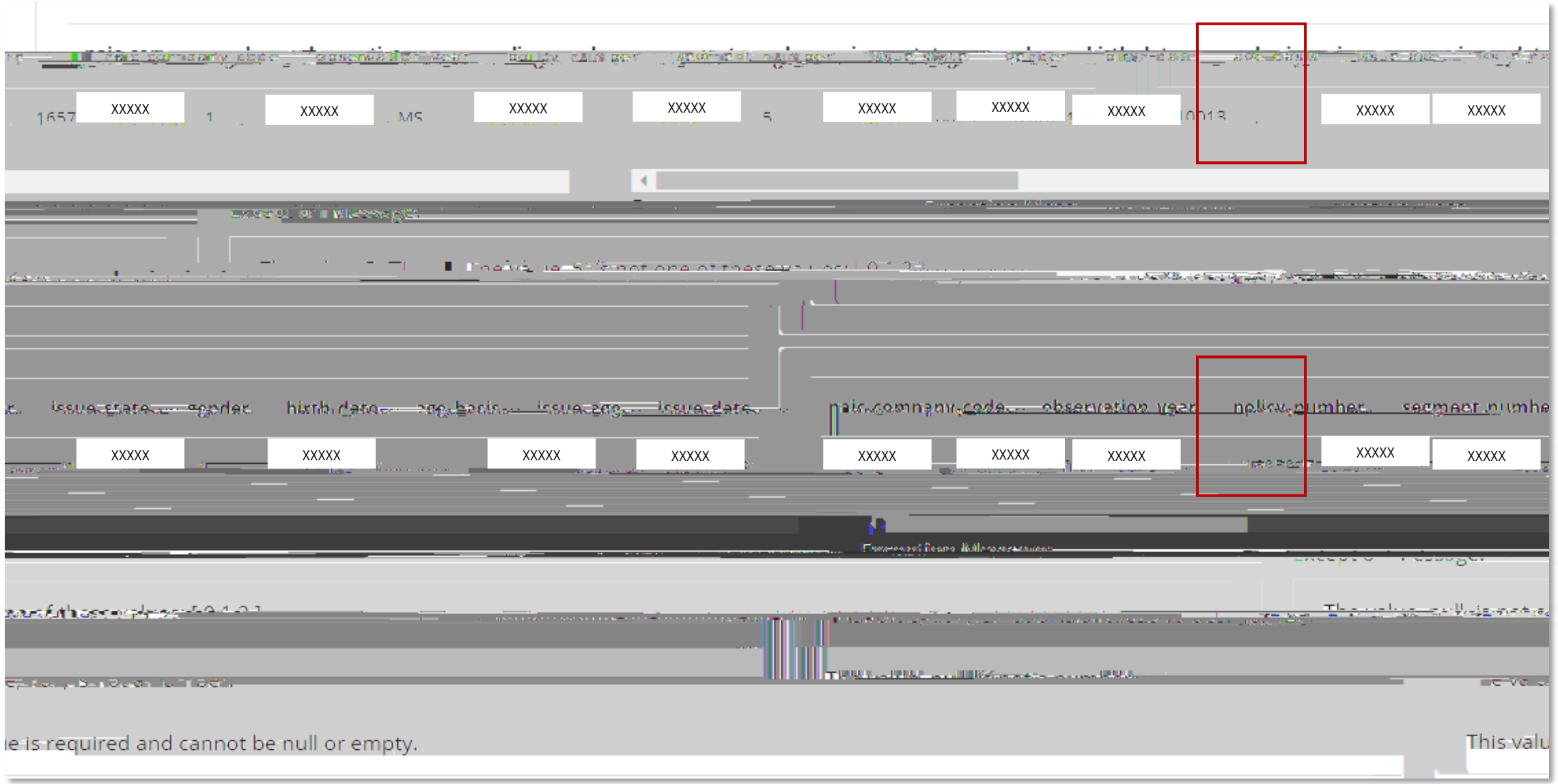
	Screen to decide whether to reject:		
Review Method	Record		

Multiple Review Methods

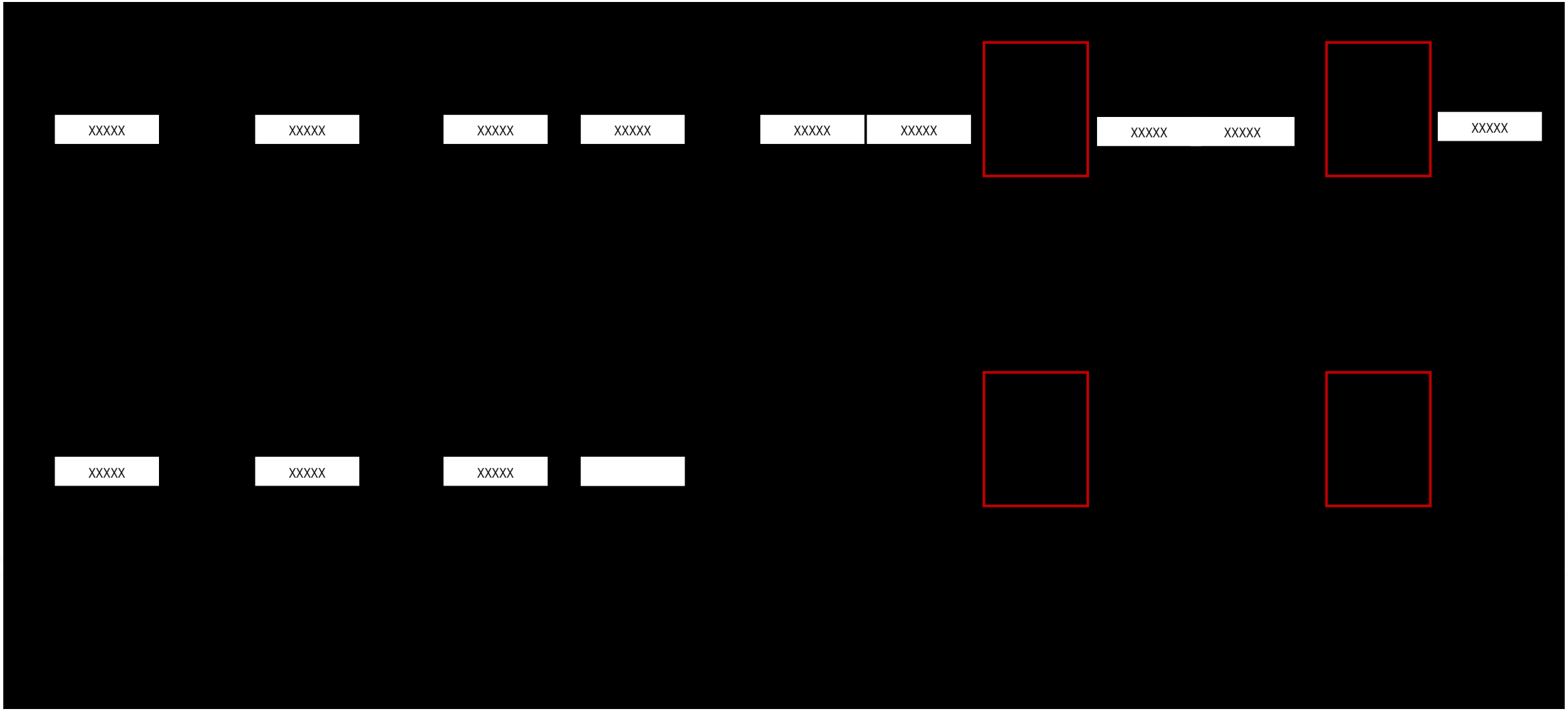
	Screen to decide whether to reject:		
Review Method	Record	Company's Submission	Comments
Data Scoring System	X		Each data exception in a record is assigned a score based on severity.

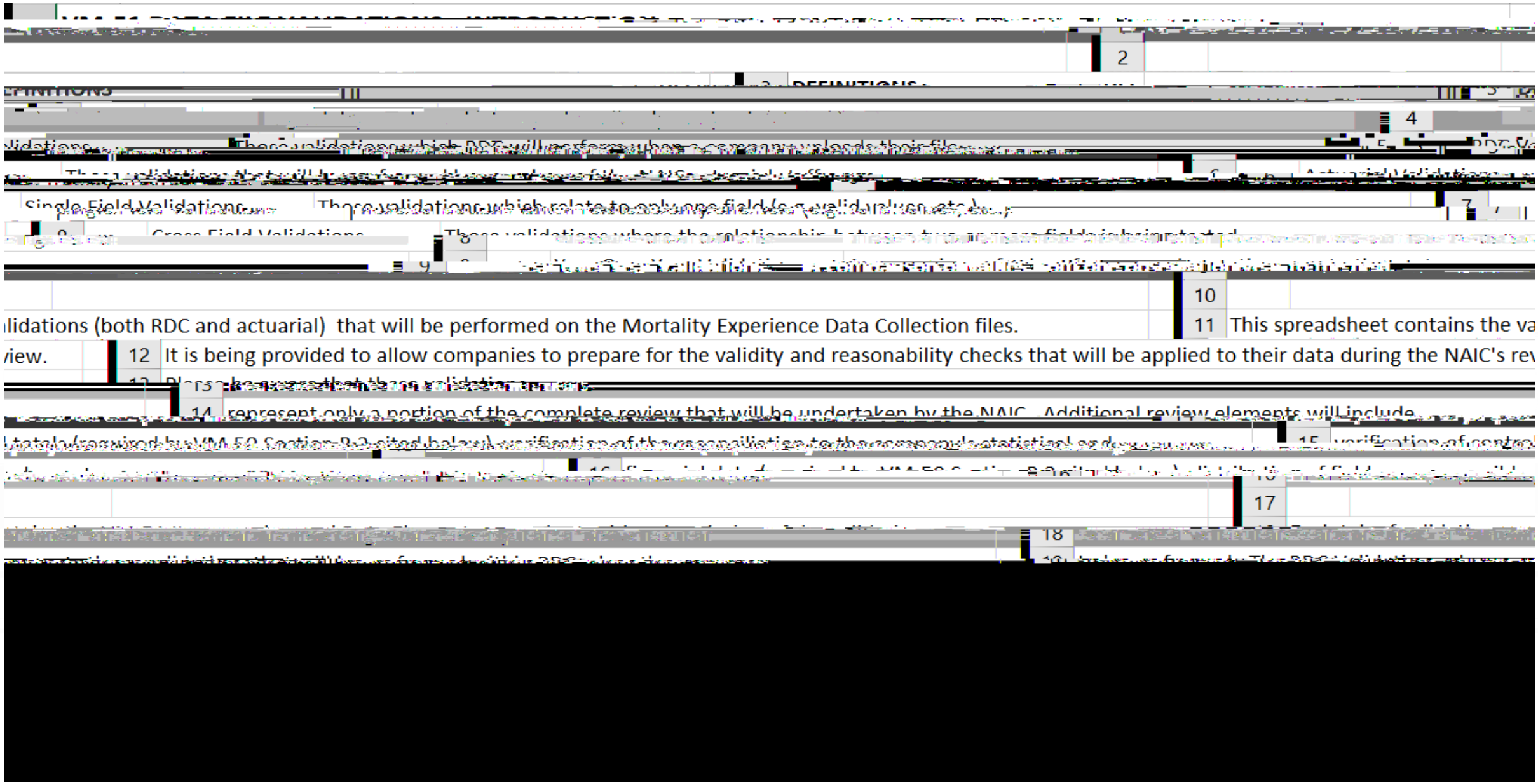
RDC Form and Format Screening

Example Age Basis Exceptions


XXXXX
XXXXX
XXXXX

Example Issue Date and Birth Date Cross Validation Excep





lidations (both RDC and actuarial) that will be performed on the Mortality Experience Data Collection files.

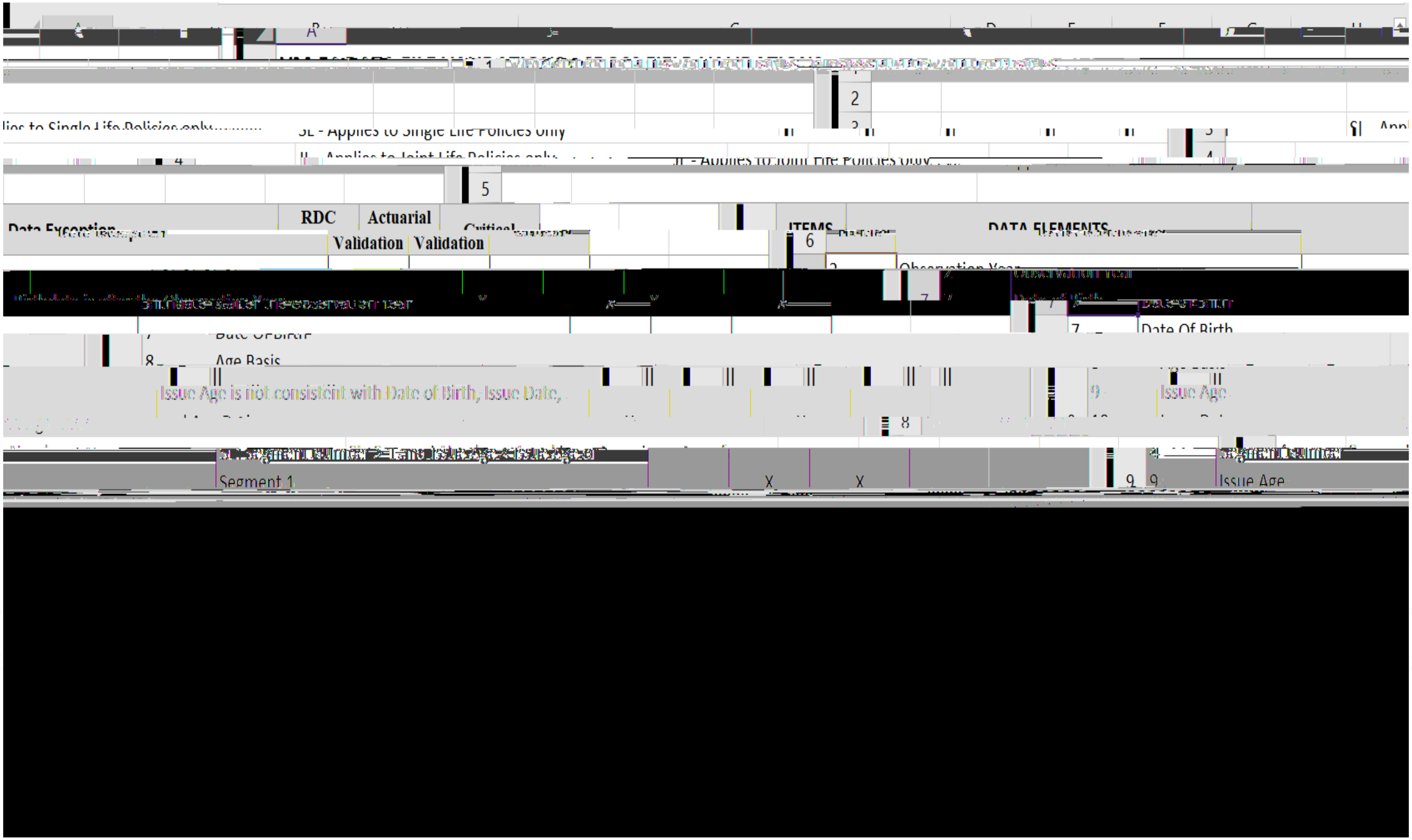
This spreadsheet contains the va

view.

It is being provided to allow companies to prepare for the validity and reasonability checks that will be applied to their data during the NAIC's rev

represent only a portion of the complete review that will be undertaken by the NAIC. Additional review elements will include

VM-51 DATA FILE VALIDATIONS - SINGLE FIELD VALIDATIONS
RDC
Actuarial
Company code is missing
Company code invalid
Observation Year is missing


RDC Validation
Actuarial Validation
Issue Age is not consistent with Date of Birth, Issue Date,
Segment 1
X
X
9
9
Issue Age

VM-51 DATA FILE VALIDATIONS - YEAR OVER YEAR VALIDATIONS

ITEM	DATA ELEMENT	Data Exception	RDC Validation	Actuarial Validation	Critical
3	Policy Number	Vanished from file without termination			
4	Contract Number	Vanished from file without termination			
5	State of Issue	Not the same from year to year	X	X	
6	Gender	Not the same from year to year	X	X	
7	Date of Birth	Not the same from year to year	X	X	
8	Issue Age	Not the same from year to year	X	X	
9	Duration	Not the same from year to year	X	X	
10	Risk Basis	Not the same from year to year	X	X	
11	Number of Classes in NS Preferred Class Structure	Not the same from year to year	X	X	
12	NS Preferred Class	Not the same from year to year	X	X	
13	Number of Classes in SM Preferred Class Structure	Not the same from year to year	X	X	
14	SM Preferred Class	Not the same from year to year	X	X	
15	Number of Classes in Substandard Class Structure	Not the same from year to year	X	X	
16	Substandard Class	Not the same from year to year	X	X	
17	Type of Underwriting Requirements	Not the same from year to year	X	X	
18	Substandard Indicator	Not the same from year to year	X	X	
19	Plan	Not the same from year to year except RPU & EPI	X	X	
20	Face Amount at Beginning of Year				
21	Annualized Premium				

Year Over Year

2016
60%
49.4%
50.6%
20%
0.0%
0.0%
0.0%
0.0%
0%
Male
Female
Unisex
Unknown
Blank
Invalid
49.2%
50.8%
60%
50%
40%
30%
20%
10%
Data Source
Year_Over_Year
Story

Key Company 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 an edit exception could produce systematic errors, the company must correct the error and respond in a timely fashion (VM-50 Section 4.A.3). Errors of a consistent nature are referred to as “systematic” (VM-50 Section 4.B.6).
- After notification of syntax errors and missing data elements, Companies are required to respond to the NAIC by submitting a corrected data file (VM-50 Section 4.B.1)
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Questions?