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Comments of the Center for Economic Justice to the

Market Conduct Annual Statement Blanks Working Group

Response to ACLI Letter of 8/11/2017

September 27, 2017

In this comment, CEJ reviews ACLI's comments in opposition to more detailed reporting by life insurance and annuity product types.

<u>ACLI Argument 1:</u>
CEJ did not follow the revision procedures. CEJ proposes breaking the current four product categories into 16 product categories, but failed to provide a reason and supporting information for each of the 16 product categories.

<u>Summary of CEJ's Rating of ACLI Argument 1</u>

Originality: 8 out of 10
Factual Accuracy: 3 out of 10
Relevance: 0 out of 10
Special Award: Hypocrisy
Overall: We found the argument to be inventive, but generally lame.

<u>Detailed Review</u>

Originality: We gave the argument big points for originality. It is certainly inventive to argue that seeking a more detailed break-out of life insurance than non-cash value and cash-value products requires a separate justification and supporting data for each proposed product category. Kudos.

Factual Accuracy: We gave this only 3 of 10 because, although CEJ did, in fact, provide a reasoned justification that followed the published revision guidelines, CEJ did not provide a separate analysis for each product type. Of course, providing 16 copies of the same argument would have been silly and repetitive since the core argument is that data related to specific product categories is much more efficient and effective for market analysis than data which combine significantly different product categories.

Relevance: We had to give ACLI a goose egg for relevance on this one. The purpose of the revision guidelines is to provide regulators and stakeholders with a transparent process for revisions to MCAS with an opportunity for stakeholders to weigh in. Those goals have been fully met. ACLI's argument about process is clearly a procedural ploy without substance since ACLI had an opportunity to response – as well as canvas "company representatives" for their insights.

Special Award: ACLI earns a special award for hypocrisy with this argument. Despite arguing that CEJ did not provide reasoned justification for each product category, ACLI too failed to object to each product category. Rather, ACLI provided blanket and generic arguments, devoid of any empirical information or verifiable facts. By ACLI's logic, the ACLI comments should be dismissed because they did not address each product category.

ACLI Argument 2:
ACLI cannot measure the cost versus benefit. While costs are substantial, regulatory merit of the costly imposition is impossible to evaluate.

Summary of CEJ's Rating of ACLI Argument 2

Originality: 0 out of 10
Factual Accuracy: 0 out of 10
Relevance: 8 out of 10
Overall: ACLI recycles a well-worn argument here, but overplays the "known substantial cost" versus the questionable regulatory merit.

Detailed Review

Originality: We gave ACLI a goose egg on originality. Industry's demand for a cost-benefit analysis is a shell game because, while the benefits of more efficient and effective market analysis are obvious, the quantification of such benefits is impossible. For example, what is the marginal benefit of reporting indexed universal life, whole life and variable universal life instead of cash-value products? We know that more detailed reporting makes for more efficient reporting because data reporting errors – and the costs of examining and correcting – are reduced. We know that great efficiency and effectiveness comes from more refined market analysis made possible by more detailed data. But, we can't put a dollar amount on that right now – any more than the Blanks Working Group can or does put a dollar amount for expected benefits from revisions / additions to the Annual Statement.

Industry claims of significant costs are also routine, but as is the industry practice, ACLI provides no specific reasons why costs would be significant. Since the proposed reporting reflects discrete life insurance and annuity products that are also memorialized in the uniform filing coding matrix, it is unclear why writing a program to produce data in 16 categories as opposed to four categories presents a significant cost.

Factual Accuracy: Another goose egg. ACLI dismisses or ignores the obvious benefits of more detailed data. ACLI pooh poohs the more refined data makes for more efficient and effective market analysis. Given the life insurance industry's push to collect more and more data about consumers – including data provided by consumer reporting agencies (credit reports) and data brokers as well as new data generated by wearable devices and facial analytics – it takes real chutzpah to argue market regulators have no need or would not benefit from more detailed data about life insurers actual market performance.

Relevance: We gave ACLI a whopping 8 out of 10 for relevance – a positive cost-benefit is relevant and important for changes to MCAS. The fact that ACLI's discussion of costs and benefits provides no useful or accurate information does not detract from the importance of the topic. CEJ, on the other hand, did provide a thoughtful, fact-based analysis of the issue.

ACLI Survey of Member Companies

ACLI's letter purports to present feedback from 19 member companies. The comments ranged from old chestnuts – we, industry, know better than you, regulators, what is useful for you and we don't think you need this – to the bizarre – why is CEJ making this proposal since there is better data available for consumers?

Inspired by ACLI, we did a survey of consumers interested and active in insurance issues asking them what they thought about the CEJ proposal. Here are some typical responses:

1. Great Idea! Long Overdue.

2. We thought CEJ provided a thoughtful and reasoned analysis of the benefits and costs of the proposal and there is clearly a positive benefit to cost ratio.

3. How can industry object to this reasonable proposal? They have no problem collecting all sorts of personal information about me and other consumers, but when it comes to regulators getting a tiny bit more granular data from insurers, all of a sudden, more data isn't better? Really?

4. Why only 16 product categories? The principles based reserving data collection has far more granular product categories. If companies can report the dozens and dozens of product categories for PBR, why would they have difficulty reporting fewer categories for MCAS?

5. I'd like to meet the company representatives from ACLI comments 10 and 11 over some beers!