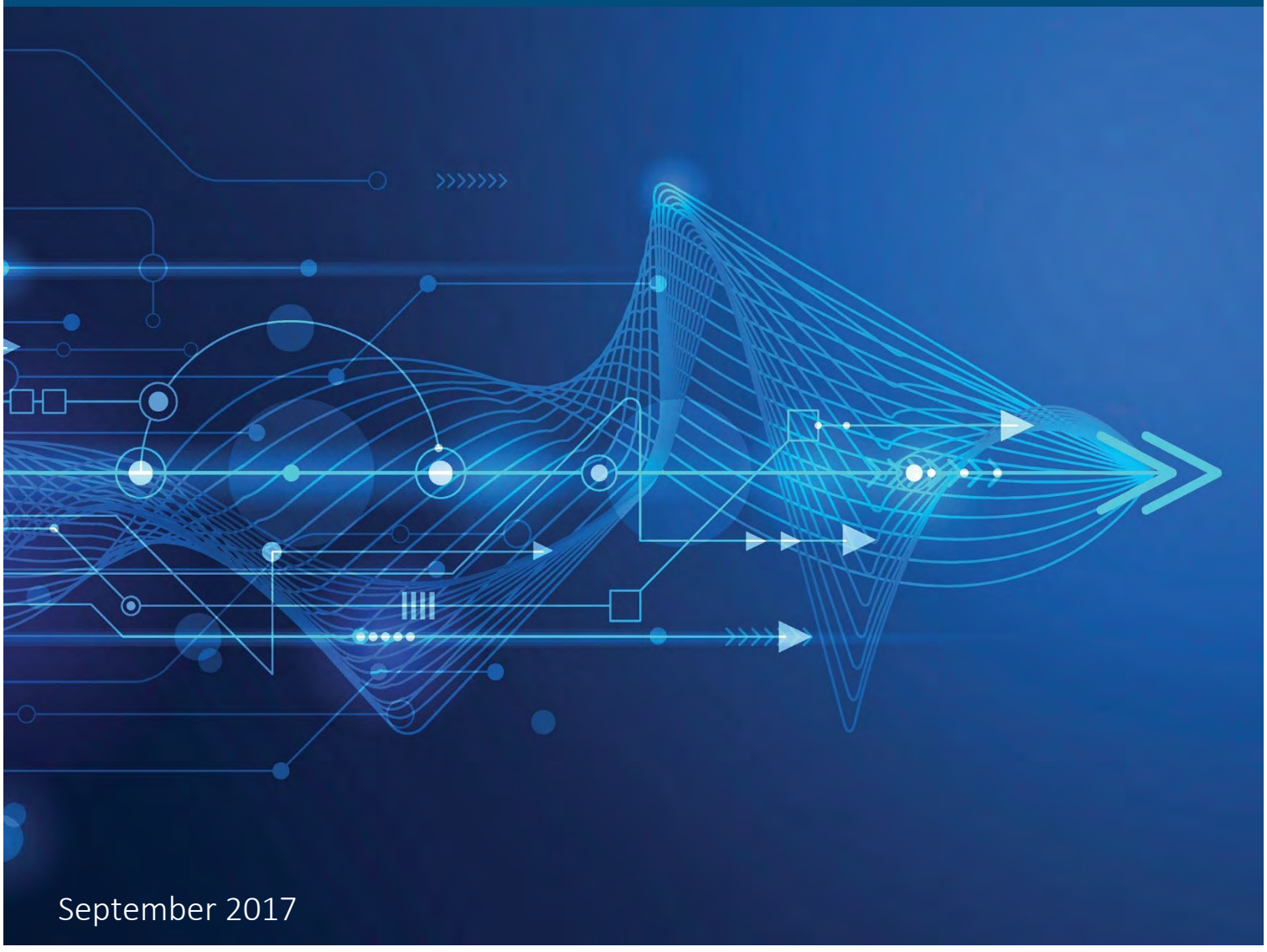
SOCIETY OF ACTUARIES

Early Duration Claims Survey Report



September 2017

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Caveat and Disclaimer

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Introduction

Early duration claims experience can vary across companies and from one product to another. This Survey analyzes the drivers behind early duration claims and risk mitigation processes dealing with early duration claims.

This Survey, which is being conducted by the Society of Actuaries' Committee on Life Insurance Mortality and Underwriting Surveys, is designed to gather industry information about some of the tools and methods used by life insurance companies to mitigate the risk inherent in early duration claims. This Survey is not designed to evaluate the validity of any specific methods, product design, or suggest a common set of assumptions or tools for evaluating early duration claims within the insurance industry.

Survey Scope

The Subcommittee approached direct insurance companies domiciled in the United States and Canada with policies in force as of December 31, 2015 to participate in this Survey. In order to avoid possible duplicate responses, reinsurance companies were not asked to participate. The Survey was conducted between October 2016 and February of 2017. Twelve companies responded to the Survey.

Note the following life product types were NOT considered within the scope of this Survey:

- Final Expense products
- Guaranteed Issue products
- Preneed products
- Those product forms where death benefits are payable only upon death(s) by accidental means.
- Group life policies unless they are fully underwritten for each individual life.
- Additional insurance acquired after policy inception, such as increase in face amount

Early Duration Claims Survey Definitions

For the purpose of completing this Early Duration Claim (EDC) Survey, the following definitions pertaining to life insurance policies shall apply:

- Early Duration Period – this encompasses the first five years following policy inception
- Contestable Period – this encompasses the first two years following policy inception
- Fully Underwritten Business – A life insurance product where the insured completes a more involved application, tele-interview and/or has an exam during the underwriting process. It also includes any programs that are sold under an accelerated underwriting program, issued as part of a fully underwritten regime.
- Simplified Issue – A life insurance product requiring no medical exam, but where the insured still has to answer questions regarding their medical history on the insurance application. The insurance company can deny coverage based on the answers provided to those questions.

The Survey Subcommittee would like to thank all of the respondents who participated in the Survey. We also thank those who helped us review this document and offered helpful suggestions and thoughtful comments. Finally, the Survey Subcommittee thanks the Society of Actuaries staff for their help in completing this project, especially Korrel Rosenberg, without whose help this could not have been completed.

Comments about this report and suggestions for future surveys are welcome and can be addressed to the Committee on Life Insurance Mortality and Underwriting Surveys c/o The Society of Actuaries.

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Executive Summary

The Early Duration Claims Survey, henceforth referred to as the "Survey," was designed to gather industry information about some of the tools and methods used by life insurance companies to mitigate the risk inherent in early duration claims and was conducted between October 2016 and February 2017. We received 12 responses from direct life insurance carriers in the United States and Canada. The previous Early Durations Claim Survey report was completed in December 2009 with a total of 38 respondents, and various comparisons between the prior and the current study are made throughout this report where appropriate.

Listed below are some of the highlights from this Survey:

- For those claims that were contestable, the most common approaches used for ultimate payout were full face amount of the policy and the minimum required by contract.
- All respondents stated their company had no face amount below which their company would not contest.
- Five of 12 respondents indicated their company had a claims committee with the Claims, Legal, Actuarial and Underwriting Departments being the most common departments included (in some capacity).
- Six of 12 respondents studied their early duration claims history at least annually, while a third of respondents did not study it at all.
- The most common dimensions studied for claims experience were Duration from Underwriting, Age at Issue and Cause of Death.
- Four of the 12 respondents performing studies for cause of death focused on either the contestable period or the early duration period.
- The Survey asked about the usage of questions on the application regarding a proposed insured's past history. Topics included by nine or more of the respondents were: *Alcohol abuse, aviation, avocation, depression, driving, foreign travel, illicit drug use, occupation* underwriting *and criminal activity.*
- Regarding tests currently being used or under consideration for use in the underwriting process:
    - All or all but one respondent used: blood pressure, build, EKG, pulse (unchanged from previous survey).
    - Fewer than half the respondents used: cognitive tests, functional tests, treadmill, EKG.
- Past foreign travel was asked about by less than half of the respondents and future foreign travel was asked about by 75% of the respondents in the prior survey. Foreign travel was asked about by all respondents in this Survey.
- The most common features of contestable claims were found in the following groups:
    - Age group 51-59
    - Males
    - Face amounts <100K
- Six of the 11 responding companies perform routine post-issue underwriting prior to claim in addition to their regular underwriting practices. Post-issue underwriting, in these cases, generally involves industry-related database inquiry searches (MIB, pharmacy record checks, etc.) rather than obtaining Attending Physician Statements.

- Regarding discovery of tobacco usage sometime after completion of routine underwriting, nine of 10 respondents indicated their company rescinds the coverage. The remaining responding company adjusted the coverage amount. When the nine responding companies discover tobacco usage after receiving a claim, there was a slight shift in approach as seven companies rescinded coverage and two companies adjusted the face amount.

Section I – Scope & Data

This section of the Survey focused on some high level categorization questions that concentrated on claims reported and a breakdown of those claims within the contestable period as to the ultimate payout if contested. In addition, it focused on the respondents' claims committee (if available) and the types of cases that would potentially be referred to the claims committee.

1a. The Survey asked respondents for a Breakdown of Business for 2014 and 2015.

Incontestable Claims Reported by Aggregate Face Amount	# of Respondents	
	2014	2015
Greater Than $250M	5	5
$100.01M-250M	3	3
100M and under	3	3
Total # of Respondents	**11**	**11**

Incontestable Claims Reported by Policy Count	# of Respondents	
	2014	2015
Greater Than 5,000	3	3
501-5,000	5	5
500 and under	3	3
Total # of Respondents	**11**	**11**

Contestable Claims Reported by Aggregate Face Amount	# of Respondents	
	2014	2015
Greater Than $10M	3	3
$1.01M-10M	5	5
$1M and under	4	4
Total # of Respondents	**12**	**12**

Contestable Claims Reported by Policy Count	# of Respondents	
	2014	2015
Greater Than 100	5	4
26-100	2	5
25 and under	5	3
Total # of Respondents	**12**	**12**

1b. For those claims within the Contestable period, the Survey asked respondents to provide the breakdown by Claims paid without contest, Claims Contested and Claims where no decision had been made as of yet.

% of Claims Paid without Contest	Policy Count		Aggregate Face Amount	
	2014	2015	2014	2015
0%-50%	1	2	3	2
50.01%-75%	4	1	3	1
75.01%-90%	2	6	4	6
90.01%-100%	5	3	2	3
Total # of Respondents	**12**	**12**	**12**	**12**

% of Claims Contested	Policy Count		Aggregate Face Amount	
	2014	2015	2014	2015
0%-10%	6	3	3	4
10.01%-25%	3	6	4	5
25.01%-50%	2	3	3	1
50.01%-100%	1	0	2	2
Total # of Respondents	**12**	**12**	**12**	**12**

% of Claims Paid where Decision has not been made to Contest	Policy Count		Aggregate Face Amount	
	2014	2015	2014	2015
0%	8	6	8	6
0.01%-2%	2	2	2	2
2.01%-5%	1	2	0	3
5.01%-100%	1	2	2	1
Total # of Respondents	**12**	**12**	**12**	**12**

Of the 12 respondents, the majority paid out over 75% of their claims without contest on a policy count basis and aggregate face amount basis. The percentage of overall claims contested was higher on a face amount basis as opposed to a policy count basis.

Eight of the 12 respondents for 2014 and six of the 12 respondents for 2015 had no claims where a decision had not been made whether to contest or not. Ten of the 12 respondents had less than 5% of their claims where a decision had not been met.

2. Of those claims identified as contested in 1b. above, the Survey asked respondents what breakdown by the amount was ultimately paid.

Breakdown of Contested Claims by Method of Payout	Minimum Required in Contract	More than Minimum but Less than Face	Full Face Amount	More than Full Face Amount	Still Unsettled
0%	5	8	3	9	7
0.01%-25%	3	4	1	1	5
25.01%-50%	0	0	1	1	0
50.01%-75%	1	0	2	0	0
75.01%-99.99%	1	0	3	0	0
100%	2	0	2	1	0
Total # of Respondents	**12**	**12**	**12**	**12**	**12**

Of the 12 respondents, for those claims that were contested, the most common payouts were full face amount of the policy and the minimum required by contract. For the full face amount option, seven of the respondents paid out the full face amount over 50% of the time. Four of the 12 paid out the minimum required by the contract over 50% of the time. Seven of the 12 did not have any claims still unsettled, with four others with less than or equal to 5% of their claims still unsettled. In cases where more than full face amount was selected, the Survey did not ask for further details.

3. The Survey asked respondents by which of the following factors their company's routine claim investigation practices varied. (Choose all that apply.)

Factors Affecting Claims Investigation Practices	# of Responses
Cause of Death	11
Duration from Underwriting	6
Geographic Location at Death (local country or foreign risk)	6
Face Amount	1
Policy Status (e.g., Limited Pay, Paid Up)	1
Reinsured status	1
Underwriting Method (Fully, SI)	1
Age at Death	0
Age at Issue	0
Distribution Channel	0
Producer/Producer group	0
Other*	1
Total # of Respondents	**12**

**Contestable Period*

Of the 12 respondents, the most common factor affecting Claims Practice Investigation was Cause of Death with 11 of the 12 listing this as one of the factors. The next most common factors were Duration from Underwriting and Geographic Location at Death, each with six of the 12 respondents listing these as factors.

4a. The Survey asked respondents what the maximum face amount was below which their company generally would not contest.

All 12 respondents stated their company had no Maximum face amount below which their company would not contest.

4b. The Survey then asked respondents whether the maximum face amount varied by age.

Since all 12 respondents stated there was no maximum face amount below which their company would generally not contest, this question is not applicable.

5. The Survey asked respondents if their company had a claims committee.

Seven of the 12 respondents indicated their company did not have a claims committee.

6. The Survey asked respondents which of the following disciplines were represented in their company's claims committee. (Check only one for each row)

Disciplines	# of Responses		
	Regularly	As Required	Total
Claims	4	1	5
Legal	3	1	4
Actuarial	2	2	4
Underwriting	2	2	4
Compliance	1	1	2
Medical	1	1	2
Administration/Policy Owner Service	1	0	1
CFO	1	0	1
Sales/Marketing	0	1	1
CEO	0	0	0
COO	0	0	0
CRO	0	0	0
Other	1*	1**	2
Total # of Respondents	**5**	**5**	**5**

**Director of Operations*
***Risk*

Of the five respondents who had a claims committee, all five incorporated the Claims department, with four of the five incorporating them on a regular basis. Four of the five respondents included Legal (three of the four included them regularly), Actuarial, and Underwriting (two of the four included them regularly) in the Claims committee. It was interesting to note that no company included its Chief Risk Officer on the claims committee, even as required. The most disciplines included in any company was eight with Actuarial, Administration/Policy Owner Service, Claims, Legal, Medical and Underwriting included on a regular basis, and Compliance and Sales/Marketing included on an as required basis. The fewest disciplines included was two, with the remaining companies including five or six different disciplines.

7a. The Survey asked respondents what the minimum size to be referred to the claims committee was (if varied by age, choose the most common).

Minimum Size	# of Responses
None	4
>0 – 25K	0
>25K – 50K	0
>50K – 100K	0
>100K – 250K	1
>250K – 500K	0
>250K – 500K	0
>500K – 1M	0
>1M	0
Total # of Respondents	**5**

Of the five respondents with a claims committee, four of the five had no minimum size limit in order to be referred to the Claims committee.

7b. The Survey then asked respondents whether the minimum size varied by age.

Since all 12 respondents stated there was no maximum face amount below which their company would generally not contest, this question is not applicable.

8. The Survey asked respondents how often their company studied early claim history.

Claim Study Frequency	# of Responses
At Least Annually	6
Every 2 Years	0
At Least Once Every 5 Years	0
As Needed	2
Do Not Study	4
Total # of Respondents	**12**

Six of the 12 respondents studied their claim history at least annually, with one of the respondents stating their company studied it on a quarterly basis. Two studied their claim history on an as needed basis and four did not study it at all.

9. The Survey asked respondents across which dimensions their company typically studied early claims experience: (Check all that apply)

Claims Experience Study Dimensions	Study by Duration	Do Not Study by Duration
Duration from Underwriting	6	5
Age at Issue	5	5
Age at Death	4	4
Cause of Death	4	6
Face Amount	4	5
Product	4	5
Risk Class	4	5
Gender	2	5
Distribution Channel	1	5
Market Segment	1	5
Producer/Producer group	1	6
Underwriting Method	1	4
Underwriter	0	5
Other*	0	3
Total # of Respondents	**11**	

**Issue Year*

Of the 11 respondents, the most common dimensions that companies studied early duration claims were Duration from Underwriting (6 respondents), Age at Issue (5 respondents) and Cause of Death (4 respondents).

For the last Early Duration Claims survey performed in 2009, the most common factors studied were Duration, Face Amount, and Risk Class. Three-quarters of the participants also studied by

Gender and Product. For this Survey, those dimensions were studied by a lower percentage of the respondents, but some of these differences could be attributable to the low number of responses received.

There were no additional comments in this section.

Section II – Causes of Death

This section of the Survey focused on the various causes of death in the contestable and early duration periods and the experience studies performed focusing on the contestable and early duration claim periods.

1. The Survey asked respondents if their company performed studies for cause of death focused on either the contestable period or early duration claim period.

Four of the 12 respondents performing studies for cause of death focused on either the contestable period or the early duration period.

The remaining questions in this section concentrated only on those respondents who indicated their company performed studies for cause of death focused on either the contestable period or early duration claim period. Thus, the remaining questions in this section have at most four respondents.

2. The Survey asked respondents to identify the five (5) highest causes of death and the corresponding percentage of each cause to overall claims.

Causes of Death	Contestable	Early Duration	All Claims
Cancer	3	3	3
Cardiovascular	3	3	3
Other Accidents	3	2	2
Motor Vehicle Accidents	2	2	0
Suicide	2	2	0
Respiratory	1	2	3
Stroke	1	1	2
Alzheimer's	0	0	1
Other	0	0	1*
Total # of Respondents	**3**	**3**	**3**

**No response given*

Of the three respondents to this question, all indicated cancer and cardiovascular in the five highest causes of death for both during the contestable period and the early duration period. The three respondents also indicated these were in the top five causes for all claims. All three indicated Other Accidents as being in the top five during the contestable period; only two out of three indicated it was in the top five for the early duration period and two of the three indicated it was in the top five for all claims. Two of the three indicated Motor Vehicle Accidents and Suicide as one of the five highest causes of death for both the contestable and early duration periods. However, none of the respondents indicated these causes were in the top five for all claims. Respiratory was in the top five of all claims for all three respondents.

Cardiovascular and Cancer combined resulted in over 39% of all contestable claims, over 54% of all early duration claims and over 38% of all claims. None of the other causes of death was over 10% for any of the respondents for the contestable, early duration or all claims periods. Due to there being only three respondents, a summary results table is not displayed.

3. The Survey asked respondents how often cause of death studies were performed (Monthly, Quarterly, Semi-Annually; Annually; Every 2-3 Years; Ad-Hoc).

Cause of Death Study Frequency	# of Responses
Monthly	1
Quarterly	1
Semi-Annually	0
Annually	2
Every 2-3 Years	0
Ad-Hoc	0
Total # of Respondents	**4**

Of the four respondents, two performed studies on an Annual basis with the others performing their studies either Monthly or Quarterly.

4. The Survey asked respondents who in their company reviewed the studies on cause of death.

Department	# of Responses
Actuarial	4
Board of Directors	0
Claims Committee	0
Medical Directors	2
Senior Management (CEO, CFO, CRO)	0
Underwriting	2
Total # of Respondents	**4**

Of the four respondents, all had the Actuarial Department review the studies. One company had Actuarial, Medical Directors and Underwriting review the studies; two others included either the Medical Director or Underwriting in the review in addition to Actuarial.

5. The Survey asked respondents if, in the last two years, their company had researched changes in underwriting practices or application questions as a result of findings from early duration claims causes of death.

Changes in	Researched Only	Researched & Implemented Change	Did not Research or Implement Change	Total # of Respondents
Age/Amount Criteria	1	0	2	3
Application Questions	1	1	2	4
Temporary Insurance Coverage Criteria	1	0	2	3
Underwriting Guidelines	1	0	2	3

Of the four respondents, one indicated they researched changes to age/amount criteria, application questions, temporary insurance coverage criteria and underwriting guidelines. One respondent indicated they researched and implemented a change to application questions as a result of findings from early duration claims' causes of death reviews. The remaining two respondents did not research or implement changes.

6a. The Survey asked respondents if their company observed an increase in mortality following the contestable period, as many other companies have observed in the past.

Increase in Mortality Observed	Duration 3 Only	Duration 4 Only	Both Durations 3 and 4
Yes	0	0	1
No or not statistically significant	2	0	0
Total # of Respondents	**3**		

Of the three respondents, only one observed an increase in mortality with that increase showing up in durations 3 and 4.

6b. The Survey asked respondents if their company's underlying assumption for mortality already incorporated any blip in the mortality noticed.

Incorporated in Mortality Assumption	# of Responses
Yes	1
No	2
Total # of Respondents	**3**

The respondent who noticed the increase in mortality had incorporated that increase into their mortality assumptions.

7. The Survey asked respondents to indicate the ratio of the A/E to years 1 and 2 mortality (e.g., normalize so that years 1 and 2 mortality is 100% of expected. For example, if the A/E is 98% for durations 1-2, 105% for duration 3, 102% for duration 4 and 95% for duration 5 then, after normalizing, the results change to 100%, 107%, 104%, and 97% for durations 1-2, 3, 4, and 5, respectfully. Then, you would select 5-9% for duration 3 and <5% for durations 4 and 5.).

A/E Ratio	Year 3	Year 4	Year 5
<5%	0	0	0
5-9%	0	0	0
10-14%	0	0	0
15-19%	0	0	0
20-24%	1	0	0
25%+	2	3	3
Total # of Respondents	**3**		

All three respondents noticed normalized A/E ratios compared to year 1 and 2 mortality of greater than 20% for every year, with each respondent showing greater than 25% for years 4 and 5.

8. The Survey asked respondents for additional comments.

A single respondent provided the following comment:

- *Blip in durations 3-5 not yet statistically significant*

Section III - Underwriting Practices

This section of the Survey focused on the aspects of the respondents' underwriting processes that may identify potential early death claims resulting from accidental death, suicide or homicide.

1a. The Survey asked respondents about questions on their company's applications that identified potential accidental death, suicide or homicide risk.

Topics to Identify Accidental, Suicide or Homicide Risk	# of Responses
Alcohol Abuse	11
Aviation	11
Avocations	11
Depression	11
Driving	11
Foreign Travel	11
Illicit Drug Use	11
Occupation	11
Criminal Activity	10
Alcohol Use	9
Dementia/Alzheimer's	8
Military	8
Bankruptcy	7
Total # of Respondents	**11**

The top eight activities were asked about by all 11 respondents. All risks listed are included on the applications of more than half of the respondents' companies.

1b. The Survey asked respondents if their company's application asks about the applicant's future plans to participate in certain activities.

Future Plans	# of Responses
Foreign Travel	11
Aviation	10
Avocations	9
Total # of Respondents	**11**

2. The Survey asked respondents what tests and data were used or under consideration for use in the underwriting process. The tests and data were divided into five groups: Examination, Blood, Urine, Application Questions and Third-Party Information.

Examination	# of Responses
Blood Pressure	10
BMI/Build	10
EKG	10
Pulse	10
ADL/IADL	5
Cognitive Tests	4
Functional Tests	4
Treadmill EKG	4
Total # of Respondents	**10**

The top four examination tests listed above were all used by the 10 respondents.

Blood	# of Responses
Albumin	10
HbA1c	10
HDL	10
LFTs	10
PSA	10
Triglycerides	9
Globulin	7
NT-proBNP	7
eGFR	5
CDT	4
Blood Alcohol	1
Total # of Respondents	**10**

The top five blood tests listed above were used by the 10 respondents. Tests for alcohol abuse were the least used.

Urine	# of Responses
Cocaine	10
Glucose	10
Protein	9
Microalbumin	8
Other Drugs of Abuse	3
Total # of Respondents	**10**

Only five urine tests were listed in the Survey. The top two were tested by the 10 respondents. Drugs of abuse, other than cocaine, were used the least.

Application Questions	# of Responses
Aviation	10
Avocation or sports	10
Criminal activity	10
Driving record	10
Foreign residence and/or travel	10
Doctors seen/Recent hospitalization	9
Family history heart disease	9
Income or net worth	9
Family history cancer	8
Medications	8
Tests or procedures not yet completed	8
Actively at work	7
Bankruptcy records	6
Planned doctors' visits	5
Total # of Respondents	**10**

The top five questions listed were used by all respondents and all questions were asked by at least half of the respondents. The question regarding planned doctors' visits was used by half of the respondents.

Third-Party Information	# of Responses
MIB	10
Prescription histories	9
MVR	8
Income or net worth	6
Bankruptcy records	5
Criminal activity	5
Identity verification	5
Credit history	4
Lab score or similar	3
Tax records	2
Other external data sources	1
Total # of Respondents	**10**

The 2009 Survey didn't specifically ask for details about the use of third-party data. The industry has seen considerable change in this area since that survey, such as the availability of prescription histories and risk scores provided by vendors. All ten respondents use MIB and at least two other third-party data sources.

3. The Survey asked respondents about the forms in which application questions are collected.

Form	# of Responses
Agent collected	10
Paramed	7
Teleinterview	7
Online	1
Total # of Respondents	**10**

4. The Survey asked respondents whether their company distinguished between automobile driving and motorcycle riding.

Two respondents did, while eight did not.

There were no additional comments in this section.

Section IV – Post-Issue Underwriting (Prior to Claim)

This section of the Survey looked at underwriting practices after the initial underwriting and policy issue **before** a claim has occurred. These underwriting actions may be either routine, random or for cause. The purpose of post-issue underwriting may include quality control, assessment of routine underwriting practices, fraud prevention or to identify cases of material misrepresentation. The prior survey did not address these specific topics.

1a. The Survey asked respondents whether their company had a program to perform routine post-issue underwriting prior to claim.

Program to perform routine post-issue underwriting	# of Responses
Yes	6
No	5
Total # of Respondents	**11**

This question addressed routine post-issue underwriting practices. The question did not directly address investigations for cause.

1b. The Survey asked respondents that, if routine post-issue underwriting was done, when the review was conducted.

Routine post-issue underwriting timeframe	# of Responses
1-3 months post issue	4
4-6 months post issue	4
7-12 months post issue	4
13-24 months post issue	4
25+ months post issue	1
Total # of Respondents	**6**

Six of the companies responding to the Survey have a routine post-issue underwriting program. Some respondents perform post-issue underwriting more than once.

1c. The Survey then asked respondents who had answered yes to 1a., what type of underwriting was routinely performed.

Routine post-issue underwriting type	# of Responses
MIB Plan F follow-up	4
Order prescription history profile	1
Other third-party data search	1
Rerun MIB checking service and/or Insurance Activity Index (IAI)	1
Order APS	0
Other*	1
Total # of Respondents	**6**

**Audit of cases to determine if guidelines followed*

Respondents' post-issue underwriting relied on available industry database inquires rather than the more expensive and time-consuming APSs.

2. The Survey asked respondents to estimate the percentage of contestable period policies referred to underwriting or the medical department for review after new findings.

Estimation of the percentage of contestable period policies referred to underwriting or the medical department	# of Responses
0%	0
1-10%	4
11-50%	3
51-99%	0
100%	3
Total # of Respondents	**10**

Respondents indicated their companies refer new information developed post-issue to the underwriting or medical department for review, rather than handled only by the claims department.

3. The Survey asked respondents the number of policies rescinded by the company prior to claim during 2014 and 2015.

Number of policies rescinded prior to claim during 2014 and 2015	# of Responses
0	0
1-5	6
6-10	2
11+	2
Total # of Respondents	**10**

All respondents had rescinded at least one policy prior to claim during the 2014-2015 time-period. Of note, six of ten respondents indicated pre-claim rescission was rare with five or fewer actual rescissions.

4. The Survey asked respondents how their company handled the non-disclosure of tobacco discovered after policy issue.

Per SOA Legal review, we are not able to disclose the results of this question.

5. The Survey asked respondents for additional comments.

A single respondent provided the following comment:

- *rescissions are generally on simplified issue underwriting*

Section V – Post Claim Underwriting (Investigation)

This section of the Survey looked at underwriting practices after the initial underwriting and policy issue and after a claim has occurred. These underwriting actions may be either routine, random or for cause. The purpose of post-issue underwriting may include quality control, assessment of routine underwriting practices, fraud prevention or to identify cases of material misrepresentation. The prior survey did not address these specific topics.

1. The Survey asked respondents whether their company re-runs an MIB checking service and/or an Insurance Activity Index (IAI) on contestable claims.

Re-run MIB checking service and/or IAI on contestable claims	# of Responses
Yes	4
No	7
Total # of Respondents	**11**

While four of the respondents indicated their companies did re-run the MIB checking service or an Insurance Activity Index search during the claims process, the majority (7) did not.

2. The Survey asked respondents whether their company runs a pharmacy record check on contestable claims.

Run a pharmacy record check on contestable claims	# of Responses
Yes	9
No	2
Total # of Respondents	**11**

Most (9 of 11) respondents searched the pharmacy record on contestable claims. The pharmacy record check can indicate undisclosed medical service providers, as well as provide some insight to possible medical conditions via the medications prescribed.

3. The Survey asked on what percentage of contestable claims does their company order attending physician statements.

Percentage of contestable claims obtain attending physician statements	# of Responses
0	1
1-25%	0
26-50%	1
51-75%	0
76-99%	5
100%	4
Total # of Respondents	**11**

Nine of the 11 respondents obtained attending physician's statements (APS) on more than 75% of contestable claims. Of those nine, four indicated their company obtained an APS on all contestable cases.

4. The Survey asked respondents for the percentage of contestable claims referred to the underwriting or medical departments for review.

Percentage of contestable claims referred to underwriting or medical department	# of Responses
0	0
1-25%	1
26-50%	2
51-75%	0
76-99%	2
100%	6
Total # of Respondents	**11**

Of the 11 respondents, six referred all contestable claims to the underwriting department for review.

5. The Survey asked respondents for the percentage of contestable claims referred to the legal department for review.

Percentage of contestable claims referred to legal department	# of Responses
0	0
1-25%	5
26-50%	2
51-75%	2
76-99%	2
100%	0
Total # of Respondents	**11**

Of the 11 respondents, seven referred contestable claims to the legal department for review less than 50% of the time.

6. The Survey asked respondents whether the company used dedicated resources, an individual or a unit focused only on contestable claims.

Dedicated resources, an individual or a unit, focused only on contestable claims	# of Responses
Yes	4
No	7
Total # of Respondents	**11**

Of the 11 respondents, seven did not have a dedicated resource to review contestable claims. Four respondents had such a resource to focus attention on contestable claims.

7. The Survey asked respondents how non-disclosure of tobacco use was handled when discovered at claim time.

Per SOA Legal review, we are not able to disclose the results of this question.

8. The Survey asked respondents which of the following entities were involved in cases suspected of fraud.

Company resources involved in cases suspected of fraud	# of Responses
Underwriting	11
Legal	10
Claims Committee	6
CSI Unit	5
Sales/Marketing	5
Law Enforcement	4
Executive Committee	3
Actuarial	2
Other*	4
Total # of Respondents	**11**

**Medical consultant*
**Outside investigation company*
**Claims, Medical, Reinsurance*
**Claims*

In cases where fraud was suspected at claim time, the underwriting department was involved in the claim review for 100% of the respondents, with the legal department involved just slightly less frequently. While not indicated by the majority of respondents, law enforcement was contacted by four of the respondents.

9. The Survey asked whether the company conducted additional investigations on cases beyond the contestable period but still early duration.

Conducted additional investigations on cases beyond the contestable period but still early duration	# of Responses
Yes	2
No	9
Total # of Respondents	**11**

Only two of the 11 respondents indicated additional investigation on early duration but non-contestable claims.

10. If you have any additional comments related to this section, please indicate below:

A single respondent had a comment:

- *Note: We only have a 1 year suicide clause*

Section VI – Miscellaneous Questions

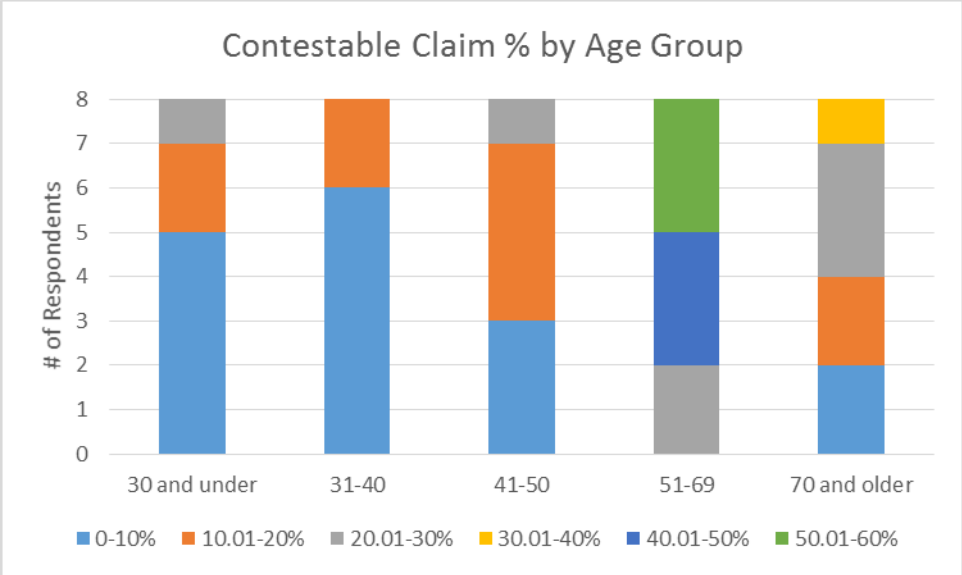
This section of the Survey contained a question regarding predictive modeling and a further breakdown of contestable claims by age, gender and face amount.

1. The Survey asked respondents if their company was utilizing predictive modeling in any of the following. (Check all that apply)

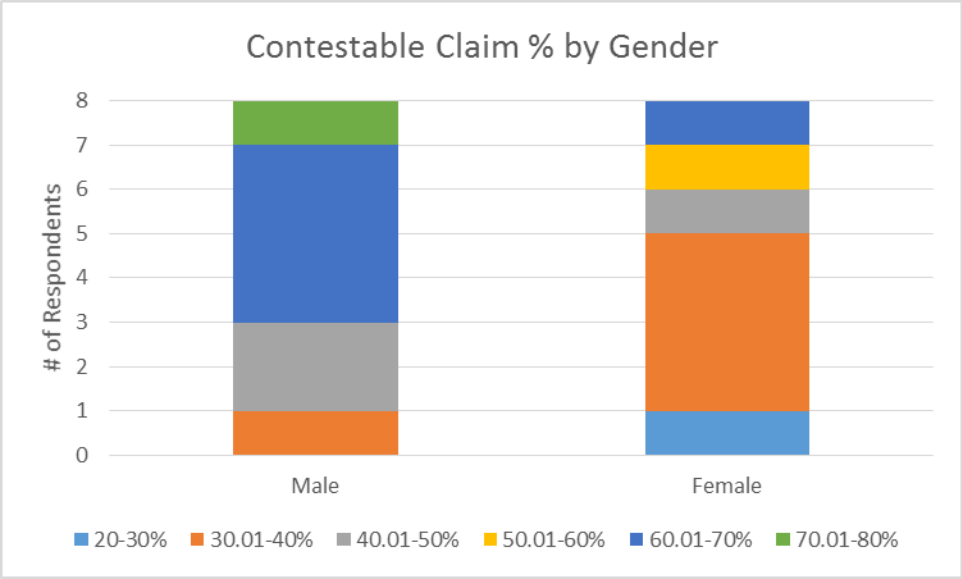
Predictive Modeling Usage	# of Responses
Underwriting/application verification	0
Early Duration Experience Analysis	0
Not Using	8
Total # of Respondents	**8**

None of the eight respondents indicated using predictive modeling at the time this Survey was conducted.

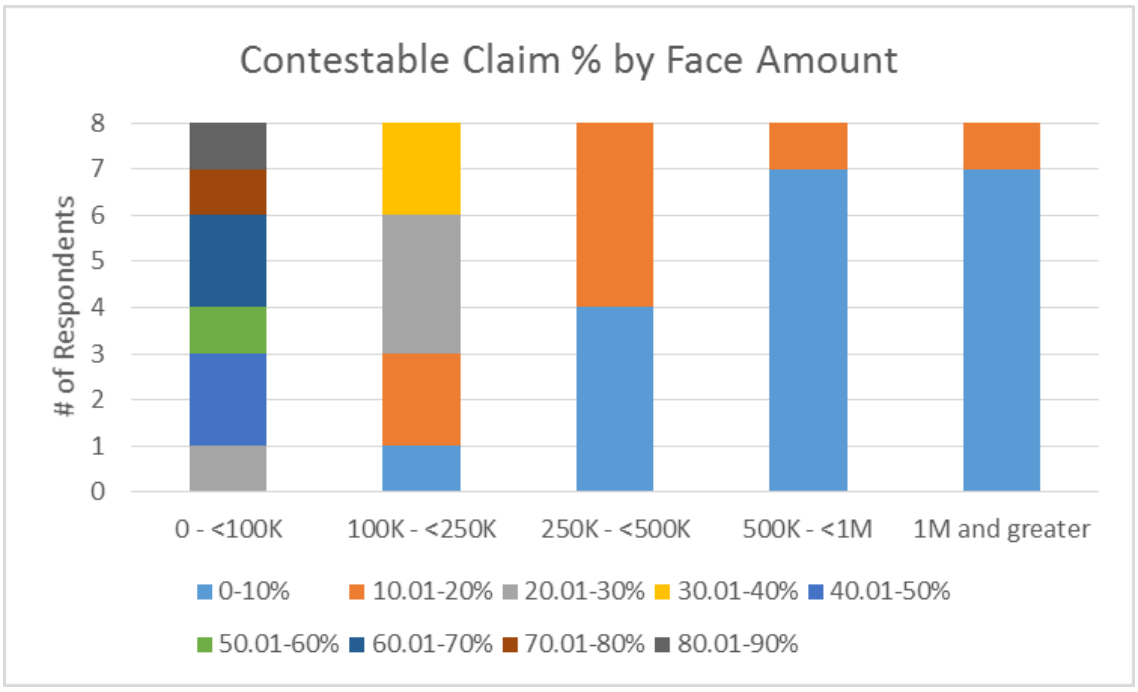
2. The Survey asked respondents to fill out the following tables showing the percentage of the total for each column for age, gender and face amount. Please provide the specified mix based on policies issued 2011 through 2015 and contestable claims with date of death 2013 through 2015.



Of the eight respondents to this question, and focusing on the contestable claims broken down by age group, the most common age grouping of contestable claims was 51-69, with six having over 40% of the total contested claims coming from this age grouping.



Focusing on the gender breakdown for contestable claims, it was more common for males to have contestable claims, with five of the eight respondents having the male percentage at greater than 60% in comparison to the females. This is interesting, especially since the breakdown of total policies issued from 2011 through 2015 was less than 55% males for all of the respondents.



Focusing on the face amount breakdown, five of the eight respondents had over 50% of the contestable claims come from face amounts less than 100K, with seven of the eight respondents having over 40% come from this face amount bucket. The overall percentage of policies issued from 2011 to 2015 with face amounts less than 100K was over 40% for four of the eight respondents.

3. No additional comments were provided.

Appendix A – Participating Companies

American Family Life Insurance Company
Erie Family Life
FaithLife Financial
Fidelity & Guaranty Life
Foresters Life Insurance and Annuity Co.
GPM Life Insurance Company
Kansas City Life Insurance Company
Lincoln Financial Group
New York Life Insurance Co.
Northwestern Mutual
USAA Life Insurance Company
Woodmen Life

Appendix B – Early Duration Claims Survey

Section I - Scope & Data

1a. Please fill out as much of the grid below as possible.

	2014		2015	
	# of Policies	Face Amount (in thousands)	# of Policies	Face Amount (in thousands)
In Force at Beginning of Year				
New Business Issued During Year				
Incontestable Claims Reported				
Contestable Claims Reported				

1b. For the contestable claims, please provide the following:

	2014		2015	
	No. of Policies	Face Amount (in thousands)	No. of Policies	Face Amount (in thousands)
Contestable Claims Paid without Contest				
Claims Contested, i.e., declined, rescinded, litigated or other resistance				
Contestable Claims where a decision has not yet been made whether to Pay or Resist				

2. Of those claims identified as contested in 1b. above, what percentage were:

Claim Amount Paid	Percentage
The minimum required by contract (usually a return of premium)	
More than the contractual minimum, but less than the full face amount of the contract	
The full face amount of the contract	
More than the face amount of the contract	
Still unsettled	
Total	100%

3. By which of the following factors do your company's routine claim investigation practices vary? (Check all that apply)

Age at Death
Age at Issue
Cause of Death
Distribution Channel
Duration from Underwriting
Face Amount
Geographic Location at Death (local country or foreign risk)
Policy Status (e.g., Limited Pay, Paid Up)
Producer/Producer group
Reinsured status
Underwriting Method (Fully, SI)
Other (please specify)

4a. What is the maximum face amount below which your company generally will not contest (if varies by age, choose the most common)?

None
>0 - 10K
>10K - 25K
>25K - 50K
>50K - 100K
>100K – 250K
Over 250K

4b. Does the maximum face amount vary by age? Yes, No

5. Does your company have a claims committee?

Yes
No

If no, please skip to Question 8.

6. Which of the following disciplines are represented in your company's claims committee? (Check one for each row)

Disciplines	Regularly	As Required
Actuarial		
Administration/Policy Owner Service		
CEO		
CFO		
Claims		
Compliance		
COO		
CRO		
Legal		
Medical		
Sales/Marketing		
Underwriting		
Other (please specify)		

7a. What is the minimum size to be referred to the claims committee (if varies by age, choose the most common)?

None
>0 - 25K
>25K - 50K
>50K - 100K
>100K – 250K
>250K – 500K
>500K – 1M
>1M

7b. Does the minimum size vary by age?

Yes
No

8. How often does your company study early claim history? (Check one)

Annually
Every two years
At least once every 5 years
As Needed
Do Not Study

Additional Comments:

9. Across which dimensions does your company study early claims experience: (Check all that apply)

By	Years 1&2	Year 3	Years 4-5	Do Not Study Separately
Age at Death				
Age at Issue				
Cause of Death				
Distribution Channel				
Duration from Underwriting				
Face Amount				
Gender				
Market Segment				
Producer/Producer Group				
Product				
Risk Class				
Underwriter				
Underwriting Method				
Other (please specify)				

10. If you have any additional comments related to this section, please indicate below:

Section II - Causes of Death

1. Does your company perform studies for cause of death focused on either the contestable period or early duration claim period?

   Yes
   No

   If no, skip to Section III.

2. Please identify the highest 5 causes of death and the percentage of each cause to overall claims. (To the nearest whole percentage, i.e., 2 instead of 0.023)

Cause of Death (Medical)	% Contestable	% Early Duration	% All Claims
Alzheimer's Disease			
Cancer			
Cardiovascular disease			
Influenza and pneumonia			
Liver disease			
Respiratory			
Stroke (cerebrovascular)			
Other (please specify)			
Cause of Death (External Cause of Death)	% Contestable	% Early Duration	% All Claims
Homicide			
Motor vehicle accidents			
Other accidents			
Poisonings, including drug and alcohol			
Suicide			

3. How often are cause of death studies performed? (Check one)

Monthly
Quarterly
Semi-annually
Annually
Every 2-3 years
Ad hoc as needed

4. Please indicate who in your company reviews the studies on cause of death? (Check all that apply)

Actuarial
Board of Directors
Claims Committee
Medical Directors
Senior management (CEO, CFO, CRO)
Underwriting
Other (please specify)

5. In the last two years, has your company researched changes in your underwriting practices or application questions as a result of findings from early duration claims causes of death? (Check one in each row)

	Researched Only	Researched & Implemented Change	Did not research or implement change
Changes in age/amount criteria			
Changes in underwriting guidelines			
Changes in application questions			
Changes in temporary insurance coverage criteria			

6a. Many companies have observed a blip, beyond the normal aging of the block, in their mortality following the contestable period. Does your company observe this increase following the contestable period?

	Duration 3 Only	Duration 4 Only	Both Durations 3 and 4
Yes			
No or not statistically significant			

6b. Does your underlying assumption already incorporate this?

Yes

No

7. Please indicate the ratio of the A/E to years 1 and 2 mortality (e.g., normalize so that years 1 and 2 mortality is 100% of expected. For example, If the A/E is 98% for durations 1-2, 105% for duration 3, 102% for duration 4 and 95% for duration 5 then after normalizing the results change to 100%, 107%, 104%, and 97% for durations 1-2, 3, 4, and 5, respectfully. Then you would select 5-9% for duration 3 and <5% for durations 4 and 5.).

	Year 3	Year 4	Year 5
<5%			
5-9%			
10-14%			
15-19%			
20-24%			
25%+			

8. If you have any additional comments related to this section, please indicate below:

Section III - Underwriting Practices

1a. Which of the following topics are asked about on your company's application to identify potential accidental death, suicide or homicide risk? (Check all that apply)

Alcohol Abuse
Alcohol Use
Aviation
Avocations
Bankruptcy
Criminal Activity
Dementia/Alzheimer's
Depression
Driving
Foreign Travel
Illicit Drug Use
Military
Occupation
Other (please specify)

1b. Does your company's application ask about applicants' future plans with respect to the following: (Check all that apply)

Aviation
Avocations
Foreign Travel
Other (please specify)

2. Which of the following does your company use as routine requirements? (Check all that apply)

Examination - Tool/Test:

ADLs/IADLs
Blood pressure
BMI/build
Pulse
Cognitive tests
Functional tests
EKG
Treadmill EKG

Blood - Tool/Test:

Albumin
Apolipoprotein
Blood alcohol
CBC
CDT
Cystatin C
eGFR
Globulin
HbA1c
HDL
hsCRP
LFTs
NT-proBNP
PSA
Triglycerides

Urine - Tool/Test:

Cocaine
Glucose
Microalbumin
Other drugs of abuse
Protein

Application Questions - Tool/Test:

Actively at work
Advised tests or procedures not yet completed
Aviation
Avocation or sports
Bankruptcy records
Criminal activity
Doctors that have been seen/Recent hospitalizations
Driving record
Family history of cancer
Family history of heart disease
Foreign residence and/or travel
Income or net worth
Medications
Planned doctors' visits

Third-Party Information - Tool/Test:

Bankruptcy records
Credit history
Criminal activity
Identity verification
Income or net worth
Lab score or similar
MIB
MVR
Other external data sources
Prescription histories
Tax records

3. In what form are application questions collected? (Check all that apply)

Agent collected
Paramed
Teleinterview
Online
Other (please specify)

4. Does your company distinguish between automobile driving vs. motorcycle riding?

Yes
No

5. If you have any additional comments related to this section, please indicate below:

Section IV - Post Issue Underwriting (Prior to Claim)

1a. Does your company have a program to routinely perform post issue underwriting prior to claim?

Yes
No (Skip to Q2)

1b. If yes, when is it usually conducted? (Check all that apply)
1-3 months post issue
4-6 "
7-12 "
13-24 "
25+ "

1c. If yes, please indicate the type of underwriting routinely performed (Check all that apply).

MIB Plan F follow-up
Rerun MIB checking service and/or Insurance Activity Index (IAI)
Order APS
Order prescription history profile
Other third-party data search
Other (please specify)

2. Approximately what percentage of contestable period policies are referred to underwriting or the medical department for review after new findings?

0%
1-10%
11-50%
51-99%
100%

3. During 2014 and 2015, how many policies did your company rescind prior to claim?

	Number of Rescissions			
	0	1-5	6-10	11+
2015				
2014				

4. How does your company handle non-disclosure of tobacco discovered after policy issue?

Rescind the coverage
Adjust the face amount
Adjust the premium/cost of insurance charges

5. If you have any additional comments related to this section, please indicate below:

Section V - Post Claim Underwriting

1. Does your company re-run MIB checking service and/or IAI on contestable claims?

Yes
No

2. Does your company run a pharmacy record check?

Yes
No

3. On what percentage of contestable claims does your company order attending physicians' statements?

   Not applicable
   1-25%
   26-50%
   51-75%
   76-99%
   100%

4. What percentage of contestable claims are referred to underwriting or the medical department for review?

   Not applicable
   1-25%
   26-50%
   51-75%
   76-99%
   100%

5. What percentage of contestable claims are referred to the legal department for review?

   Not applicable
   1-25%
   26-50%
   51-75%
   76-99%
   100%

6. Does your company dedicate a claims individual or unit focusing only on contestable claims?

   Yes
   No

7. How does your company handle non-disclosure of tobacco use at time of claim?

   Rescind the coverage
   Adjust the death benefit

8. Which of the following entities are involved in cases of suspected fraud? (Check all that apply)

   Actuarial
   Underwriting
   CSI unit
   Law enforcement
   Claims committee
   Executive committee
   Legal
   Sales/Marketing
   Other (please specify)

9. On cases beyond the contestable period, but still within early duration, does your company's routine claims process include any additional investigation?

   Yes
   No

10. If you have any additional comments related to this section, please indicate below:

Section VI - Miscellaneous Questions

1. Is your company using predictive modeling in any of the following? (Check all that apply)

   Underwriting/application verification
   Early duration experience analysis
   Not using
   Other (please specify)

2. Please fill out the following tables showing the percentage of the total for each column for the specified demographic mix. For Column A in each table, please provide the specified mix based on policies issued 2011 through 2015. For Column B in each table, please provide the specified mix based on contestable claims with date of death 2013 through 2015.

Age Distribution

Age Group	(A) Percentage of All Policies Issued From 2011 through 2015	(B) Percentage of Contestable Claims with Date of Death 2013 through 2015
Age 30 and under		
31 – 40		
41 – 50		
51 – 69		
70 and older		
Total	100%	100%

Gender Distribution

Gender	(A) Percentage of All Policies Issued From 2011 through 2015	(B) Percentage of Contestable Claims with Date of Death 2013 through 2015
Female		
Male		
Total	100%	100%

Face Amount Distribution

Face Amount	(A) Percentage of All Policies Issued From 2011 through 2015	(B) Percentage of Contestable Claims with Date of Death 2013 through 2015
0 - <100k		
100k - <250k		
250k - <500k		
500k - <1 M		
1M and greater		
Total	100%	100%

3. If you have any additional comments related to this section, please indicate below:

Appendix C – Test Definitions

Albumin: One of the two primary components of total protein (along with globulin).
ADLs (activities of daily living): Tasks of everyday life (eating, toileting, dressing, bathing and transferring). Typically asked about for older age applicants.
Apolipoprotein: A protein portion of lipoproteins. Apolipoprotein A-1 is the major part of HDL cholesterol.
Blood Alcohol: The level of alcohol in serum.
Blood Pressure: Blood pressure is the result of interaction between the pressure required to move blood through the circulatory system, pumped by the heart, and the muscle tone of the artery walls.
BMI (body mass index): A relationship between height and weight that is related to body fat and health risk.
Build: Height and weight.
CBC (complete blood count): A measure of the most common hematologic parameters, such as hemoglobin, hematocrit, white blood count and platelets.
CDT (carbohydrate-deficient transferrin): An alcohol marker for detecting alcohol abuse.
Cocaine: The presence of cocaine derivatives in urine.
Cognitive: Tests of cognition (perceiving, thinking and remembering).
Cystatin C: A marker for kidney function
EGFR (estimate of glomerular filtration rate): A kidney function indicator.
EKG (electrocardiogram): A test of general heart function performed on a person in a resting state.
Functional (Functional Assessment): Tests of functional ability, especially in the elderly.
Globulin: One of the two primary components of total protein (along with serum albumin).
Glucose (glucosuria): Sugar detected in urine. Indicative of diabetes or glucose intolerance.
HbA1c (glycohemoglobin A1c): A test for glucose control over the past four to six weeks. Indicative of diabetes mellitus when elevated.
HDL (high density lipoprotein cholesterol): One part of total cholesterol, commonly referred to as "good cholesterol."
HsCRP (high sensitivity C-reactive protein): A substance in serum indicative of inflammation.
IADLs (instrumental activities of daily living): Daily tasks indicative of independent living (light housework, medication management, meal preparation, shopping, telephone use and money management).
LDL (low density lipoprotein cholesterol): One part of total cholesterol, commonly referred to as "bad cholesterol."
LFT: Liver function tests that are blood tests that give information about the state of a patient's liver.
Microalbumin (microalbuminuria): Small amounts of albumin in the urine.
NT-proBNP: N-terminal pro-B-type natriuretic peptide, a serum test for cardiac function.
Other Drugs of Abuse: Marijuana, heroin or other drugs.
Protein (proteinuria): Excess of protein in urine. Indicative of kidney disorders.
PSA (prostate specific antigen): A tumor marker for prostate cancer.
Pulse: Heartbeat.
Treadmill EKG (treadmill electrocardiogram or exercise EKG): An exercise test of heart function providing a more accurate assessment than a resting test.
Triglycerides: Blood fats related to intake of calories.

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