

MEMORANDUM

TO: **Market Conduct Examination Guidelines (D) Working Group** of the Market Regulation and Consumer Affairs (D) Committee

FROM: Accelerated Underwriting (A) Working Group of the Life Insurance and Annuities (A) Committee

DATE:

RE: Suggested additions to the NAIC’s *Market Regulation Handbook* addressing accelerated underwriting in life insurance

The Accelerated Underwriting Working Group (AUWG) was created by the Life Insurance and Annuities (A) Committee at the NAIC 2019 Summer National Meeting to “... consider the use of external data and data analytics in accelerated life underwriting, including consideration of the ongoing work of the Life Actuarial (A) Task Force on the issue and, if appropriate, drafting guidance for the states.” The AUWG drafted an educational paper that was adopted by the Life Insurance and Annuities (A) Committee on April 7, 2022. During this same time frame, various groups at the NAIC continued to work on related issues and develop work product.¹ Notably, on December 4, 2023, the NAIC adopted the [NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers](#) (AI Model Bulletin). The AUWG also continued its work drafting the *Accelerated Underwriting in Life Insurance Regulatory Guidance* (Regulatory Guidance) for the states reviewing life insurers’ use of accelerated underwriting. This Regulatory Guidance was adopted by the AUWG on [insert date] and by the Life Insurance and Annuities (A) Committee on [insert date].

In developing the Regulatory Guidance, the AUWG realized that additional guidance addressing accelerated underwriting in life insurance in the NAIC’s *Market Regulation Handbook* (MRH) would provide examiners with critical tools to use when looking at the underwriting activities of life insurers. Specific guidance pertaining to accelerated underwriting in the MRH is necessary to alert the market conduct examiner to the novel data and processes utilized by life insurers in accelerated underwriting.

Existing laws and regulations apply to accelerated underwriting programs in the same way as traditional underwriting programs. DOIs have broad authority to examine the processes and procedures of life insurers to determine if their accelerated underwriting programs comply with the statutes and regulations of the department. The AI Model Bulletin also advises insurers of the type of information and documentation that insurance departments may request under existing regulatory authority during an investigation or examination regarding its use of AI Systems, which includes accelerated underwriting in life insurance. In particular, the state equivalent to the

¹ See list of related work product in the Background section of the *Accelerated Underwriting in Life Insurance Regulatory Guidance* document.

following NAIC Models provide legislative authority for specific inquiry into insurer practices involving AI Systems, including accelerated underwriting in life insurance:

Unfair Trade Practices Act (#880) defines practices that constitute unfair methods of competition or unfair or deceptive acts and practices and prohibits the trade practices so defined or determined.

Unfair Claims Settlement Practices Model Act (#900) sets forth standards for the investigation and disposition of claims arising under policies or certificates of insurance.

Corporate Governance Annual Disclosure Model Act (#305): requires insurers to report on governance practices and to provide a summary of the Insurer's corporate governance structure, policies, and practices. The content, form, and filing requirements for a Corporate Governance Annual Disclosure (CGAD) are set forth in the Corporate Governance Annual Disclosure Model Regulation (#306)

The AUWG recommends that the Market Conduct Examination Guidelines (D) Working Group utilize the Regulatory Guidance to update the MRH. The Regulatory Guidance is designed to provide a framework for regulators to reference when reviewing insurers' use of accelerated underwriting and is divided into three areas of focus: A) regulatory considerations; B) strategies for review; and C) requests for information. Section C, in particular, contains questions that could be incorporated into the MRH. The AUWG looks forward to working with and will be available to assist the Market Conduct Examination Guidelines (D) Working Group in drafting the recommended changes to the MRH.