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Rebecca Rebholz, WI, Chair

October Nickel, ID, Vice Chair

Market Conduct Annual Statement Blanks (D) Working Group

c/o Tressa Smith, Senior Market Analyst

National Association of Insurance Commissioners

Via tesmith@naic.org

RE: Accelerated Underwriting & TPAs/MGAs

Dear Mmes. Rebholz & Nickel, and Members of the Working Group:

We are writing on behalf of the American Council of Life Insurers (ACLI) in response to the addition of accelerated underwriting to MCAS and additional information regarding TPAs/MGAs. ACLI appreciates the opportunity to provide further thoughts on current and future MCAS workstreams, and we look forward to continued collaboration with the NAIC.

ACLI Wants to Work with Regulators on the Important Issues Around Accelerated Underwriting

ACLI has elsewhere expressed our eagerness to be part of meaningful discussions concerning accelerated underwriting and the use of big data and artificial intelligence. Most recently, ACLI supported the adoption of the Artificial Intelligence Principles by the NAIC Innovation & Technology Task Force and the NAIC EX Committee and Plenary. Other work continues at the NAIC, including before the NAIC Accelerated Underwriting Working Group. ACLI is engaged in all relevant workstreams, and we share the goal of fostering innovation while preserving and strengthening consumer protections. It is clear that accelerated underwriting and the use of data present complexities, and we look forward to working through the issues with regulators.

MCAS is Not the Appropriate Avenue or Tool to Collect Information in Support of the Dialogue

Of primary concern to ACLI is the potential inclusion of an “accelerated underwriting” definition as well as accelerated underwriting (AUW) interrogatories and data elements in MCAS. ACLI strongly

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

believes AUW is the future of life insurance underwriting and that is why we encourage the NAIC to continue to approach the issue in a measured, unified way. Used appropriately, it can expand access to insurance in many markets, including underserved communities. Allowing the Accelerated Underwriting Working Group to first develop a guiding work product will reduce the risk of unintentionally unraveling or interfering with its charges and best serve and inform other groups, including this one, moving forward.

First, there is no settled definition of accelerated underwriting at this time, and the definition offered by the consumer groups does not help clarify the issue. Accelerated underwriting takes many forms and utilizes a wide variety of data sources. Many of these data sources are “traditional” and have been widely and successfully utilized for decades, including credit based information, prescription drug history, driving record information, employment history, family medical history, medical history, and information from the Medical Information Bureau. These information sources may or may not be combined with behavioral information, such as tobacco use and hobbies. The definition being considered would basically require life insurers to list every source of information used in the underwriting process. This amount and type of information would likely be unproductive to regulators in monitoring the market conduct of insurers unless there is a clear understanding of accelerated underwriting and how it is used by insurers.

Second, we fail to see how this is an appropriate topic for MCAS. The purpose of MCAS is to assess company risk from a perspective of comparison. Factors such as adverse changes in complaint ratios can indeed indicate the possible need for heightened regulator action. The purpose of MCAS is not to engage in generalized data collection about the insurance industry which is not useful for benchmarking purposes. There are no consumer complaint trends to analyze, nor any other worthwhile outcome to be obtained. Additional confusion could also arise if states treat underwriting variables differently.

Third, it should be borne in mind that any MCAS data collection of underwriting information may raise sensitivity issues with respect to trade secret and competitiveness issues. Regulators of course have the authority to review underwriting practices in the course of market conduct examinations. However, the disclosure of these practices is done under the controlled process of regulatory examinations with a view towards confidentiality. From this perspective ACLI questions whether underwriting information is appropriate for MCAS collection.

Finally, in addition to the concerns outlined above, the Working Group should consider that the NAIC Life Actuarial (A) Task Force is weighing the inclusion of accelerated underwriting variables within the NAIC Valuation Manual VM-51 experience reporting requirements. Data collection of these same or similar variables for MCAS would be duplicative, and potentially confusing. VM-51 is a better regulator-only means to collect underwriting data of this kind.

However, if the Working Group would still like to move forward with the addition, ACLI is concerned that adding this topic to MCAS now would, at a minimum, be premature. Accelerated underwriting is currently being investigated and developed in a meaningful way across various NAIC workstreams, particularly at the NAIC Accelerated Underwriting (A) Working Group, which is focused on AUW in life insurance. As such, we believe it is prudent for this Working Group to wait to consider AUW in relation to MCAS at least until work has been completed at the Accelerated Underwriting Working Group to ensure that all stakeholders have a shared understanding of the practice and a consistent framework by which to review and analyze it. We urge the Working Group to wait until there is consensus across the NAIC on a definition of accelerated underwriting

and opportunity for the insurance industry to educate regulators on the process of accelerated underwriting to ensure that, if the Working Group moves forward, it establishes productive measures and goals for the use of the data collected.

TPAs and MGAs

We also question the usefulness of collecting information concerning MGAs and TPAs. Insurers are ultimately responsible for the actions of these entities, who can provide a wide variety of services. Distilling this information into a usable form related to a risk-based exercise seems to us unachievable. As a final point, information regarding TPAs is often proprietary. If the Working Group insists on adding TPAs we urge the data field be limited to a “yes/no” question on their use and request clarification on how this information would be used by regulators.

Thank you for your consideration.

Sincerely,

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