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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](mailto:tesmith@naic.org)

RE: Accelerated Underwriting

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

Thank you for the opportunity provided to The American Council of Life Insurers (ACLI) to comment on the CEJ proposal regarding inclusion of certain accelerated underwriting (AUW) information in MCAS. We want to begin with a reiteration of our commitment to engage with regulators in meaningful dialogue concerning the societal issues that may be entwined with the use of artificial intelligence, and that may include applications of accelerated underwriting. ACLI is supportive of the recently adopted NAIC Principles on Artificial Intelligence, and we are active participants in the NAIC workstreams that are looking at the use of big data in life insurance underwriting.

ACLI continues, however, to question the appropriateness of using MCAS as an additional tool for regulators to gather information about AUW. MCAS is fundamentally a pre-formatted annual report that is intended to identify potential risk trends and outliers with respect to whether laws and/or regulations may have been violated. Existing factors such as consumer complaints are a reliable source for regulators to quickly identify potential issues. We are not aware of a trend of consumer complaints regarding AUW, and there are not yet any AUW-specific laws or regulations for regulators to assess.

As stated above, ACLI supports and is participating in the NAIC's efforts to create guidance surrounding AUW, but adding AUW to MCAS ahead of such guidance would be premature. The fact that AUW is being examined by the NAIC in a number of settings also points to the inefficiency of gathering MCAS data—at least at this time. There may be regulatory requirements, standards,

or other criteria that emerge from the NAIC work that will dovetail with an MCAS data collection. But at present it is not possible to foresee the results of NAIC deliberations.

In addition, it is difficult to envision how regulators will use the collected data to determine the possibility of market conduct violations. Actual consumer complaints help narrow the scope of work for both the regulator and company. Without knowing which sources a life insurer may be using in connection with AUW there is little insight as to how, and even whether, specific data is being used. One company may access an array of data from a particular source but use only a portion of it while another company may use an entirely different set of data. Individual companies vary as to what information is used and how it is weighted. This could lead to misperceptions for regulators attempting to reconcile this data amongst insurers leading to more questions than answers. The time and resources necessary to collect this data would be a significant lift for insurers and the data would unlikely be incongruent for regulators to use in a meaningful way. We note again that work via the Valuation Manual will collect data elements companies are using with respect to AUW through mandatory data collection. This will provide regulators with greater insight than what can be accomplished through MCAS, and we urge the Working Group to consider the Valuation Manual project instead of an expansion of MCAS. Lastly, regulators already have the tools necessary to collect specific data tailored for specific consumer complaints.

ACLI and its member companies appreciate the desire of regulators to gain insights with respect to AUW. Life insurers are having productive conversations with regulators about the use of AUW, outside the market conduct structure. This is preferable for a number of reasons, including the ability to more fully exchange information regarding the nuances of AUW, the ability of regulators to ask follow-up questions, and the protection of confidential information. We urge regulators to pursue this avenue of information gathering instead of through the limited and rigid MCAS process, which is currently unable to allow regulators to determine whether an insurer has committed any market conduct violations.

### **An Alternative Approach**

If the Working Group is intent on gathering life insurer AUW information at this time, we offer two further suggestions, in addition to conversations with insurers. First, ACLI recommends using the Academy of Actuaries definition of AUW which reads: “a technology solution which is designed to perform all or some of the screening functions traditionally completed by underwriters, and thus seeks to reduce the manpower, time and/or data necessary to underwrite a life insurance application.” This definition has the advantage of being vetted by experts who have worked with and studied AUW. Second, we strongly urge the Working Group to limit the questions to the first two in the CEJ proposal—is a company using AUW and, and if so for which lines of business. This may provide some baseline information without collecting source data, which again will be of little utility for regulators to use in this form.

Thank you again for the ability to participate in this process, and please let us know if we can provide any additional information.

Thank you for your consideration.

Sincerely,

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