

Accelerated Underwriting Draft FAQ's
Comments from Northwestern Mutual
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Why is the term “big data” not included in the MCAS definition of Accelerated Underwriting?

The term “big data” was used in the NAIC’s Accelerated Underwriting (AU) Educational Report but was intentionally removed from the MCAS definition of Accelerated Underwriting. By doing so, the MCAS excludes any processes intended solely to speed up or automate ~~the existing~~ underwriting process. For example, on MCAS filings, even if the data you use includes such data as criminal history, consumer credit or motor vehicle report data it would not be considered accelerated underwriting for MCAS reporting purposes *if* those data are used in stand-alone rules, such as declining coverage if there is a prior conviction of insurance fraud, a recent bankruptcy or multiple speeding violations or those data are used as a criterion for requiring human review and any additional requirements before final decision. If, however, the data is run through an algorithm that will, at points in the process, choose from multiple possible decisions that result in a declination or rating of coverage without human review, it is considered accelerated underwriting under the MCAS definition.

How would the company determine if its processes are considered accelerated underwriting?

Elements that must be present to meet the MCAS AUW reporting requirements:

- 1) AI/ML: Predictive models and machine learning algorithms are used to analyze applicant data.
- 2) Data: FCRA Compliant non-medical third-party data and/or Other non-medical third-party data is used. This can include traditional and non-traditional data – if only traditional data is used it doesn’t meet the definition.
- 3) Decision: Life Insurance is underwritten by predicting an insurance outcome.

Can you provide examples of what would not be included as accelerated underwriting?

For the purposes of MCAS reporting, AUW does not include:

- Simply automating analysis of traditional, medical information. (does not meet elements #1 or #2, above)
- Using insurance claims or motor vehicle violation data in a stand-alone underwriting rule such as declining coverage for a driving under the influence conviction. (does not meet element #1, above)
- Use of medical data only in an algorithm. (does not meet element #2, above)
- Using insurance claims or motor vehicle data in an algorithm that results in human review and determination of any additional requirements before a decision is made.

How is “predictive modeling” defined?

Applying predictive modeling (AI/ML) means non-medical information is used by itself or in combination with other medical or non-medical data in an algorithm to predict an insurance outcome, such as mortality, likelihood of lapse or likelihood of fraud.