**Nevada Division of Insurance**

**Comparative Analysis of Proposed Definition of Accelerated Underwriting**

**May 21, 2021**

**Source:** proposed definitions from NAIC

**Purpose:** To aid in creating a broader definition of “Accelerated Underwriting” in life insurance. In searching for the definition of what is accelerated underwriting, it is imperative that we also classify what is traditional underwriting (and in a broader sense, we should also understand the underwriting requirements for guaranteed issue, and simplified issue). For this purpose, we are only differentiating accelerated underwriting from traditional underwriting in order to draft a proposed definition of accelerated underwriting.

**Conclusion**: For life insurance, accelerated underwriting means underwriting or pricing life insurance, in whole or in part, using predictive models, machine learning algorithms, or similar means to analyze either or both medical and non-medical data customized to individual applicant. Medical data used in accelerated underwriting may include traditional underwriting sources collected through means other than traditional medical examination and laboratory analysis. Accelerated underwriting is used to replace traditional underwriting or to determine if traditional underwriting process is necessary. Traditional underwriting process is the underwriting process used in fully underwritten life insurance contracts that is compliant with the standards promulgated by the American Academy of Actuaries.

*Note: Accelerated underwriting does not always adversely affect consumers. Certain standards must be maintained in collecting data, data sets used, data source for predictive models, configuration of predictive models, and algorithm codes used in programed systems or machine learning (true AI) to ensure that underwriting is fair and reasonable.*

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| **PROPOSED BY:**  | Birny Birnbaum | ACLI  | Accelerated Underwriting (A) Working Group  |
| **PROPOSED DEFINITION:**  | Accelerated underwriting means underwriting or pricing or life insurance in whole or in part on non-medical data obtained from other than the applicant or policyholder and includes, among other things, facial analytics, social media and consumer credit information. | For the sole purpose of providing responses to this request for information, accelerated underwriting means applying automated predictive modeling in the underwriting or pricing of life insurance that uses non-medical data not provided by or expressly authorized by the proposed insured. Accelerated underwriting does not include the use of disclosable, verifiable, and correctable personal data or medical records. Examples of the types of data that may be used in accelerated underwriting include facial and other video analytics, social media, or consumer-generated data from wearable devices or other internet-connected devices. Regulators recognize that insurers’ approach to AUW runs along a continuum from no AUW (no use of new, non-medical data sources) to state-of-the-art AUW (extensive use of new data sources in complex, multi-variable algorithms). If you are not certain about whether your uses of non-medical data for underwriting should be reported as AUW, please contact NAIC MCAS experts for guidance at [insert e-mail]. | Accelerated underwriting in life insurance is a process to replace traditional underwriting and allow some applications to have certain medical requirements (such as paramedical exams and fluid collection) waived. The process generally uses predicative models or machine learning algorithms to analyze data pertaining to the applicant, which includes both traditional and non-traditional underwriting data that comes from both the applicant and external sources. |
| **PROBLEMS IN THE PROPOSED DEFINITION:**  | …obtained from other than applicant or policyholder… Medical records are often obtained from clinicians with policyholder consent. Underwriting can be accelerated using (among others) information an insurer gathers from the applicant.  | … accelerated underwriting means applying automated predictive modeling in the underwriting or pricing of life insurance that…Predictive modeling uses statistics to predict outcomes and it is not necessarily automated. A manual assessment can be applied and still come up with a potentially biased or unfair underwriting and pricing. Manual assessment using predictive models can still bypass sound underwriting practices. **The problem is not** **automation**. **The problem is how underwriting process is completed whether using algorithm for an AI or using semi-traditional means (tables, medical exams, lab work etc..).**   | Accelerated underwriting in life insurance is a process to replace traditional underwriting…It does not always replace traditional underwriting. It could also be used to determine if traditional underwriting is going to be an additional step.  |
|  | …and includes among other things, facial analytics, social media, and consumer credit information. This is confusing. A good definition should avoid an enumeration of specific parameters unless those specifics are the only inclusions. Such as a definition of an orange might include tough, bright, reddish – yellow rind. ---because oranges can never have purple or blue, soft rinds.  | … uses non-medical data not provided by or expressly authorized by the proposed insured…Predictive modeling, automated or not, can use medical data authorized by insured (expressed or not) and create as much damage as the use of non-medical data not provided by or expressly authorized by proposed insured. Hearth rate, Heart Variability Rate, blood oxygen … etc... that can be tracked by an applicant personally are medical data because they are health related information. Since this information is incomplete, whatever adverse conclusion that comes out from an insurer’s system is always going to be unfair. **The problem is not just the type of data. Data needs to be accurate and complete.**  | … which includes both traditional and non-traditional underwriting data…If it uses traditional underwriting data, how is it accelerated?**Underwriting is accelerated when it bypasses traditional sound underwriting practices in favor of perceived efficiency (that may also be sound but may not be at all instances). It may use traditional underwriting sources collected through different means other than traditional medical examination and laboratory analysis.**  |
| **.**  |  | …Accelerated underwriting does not include the use of disclosable, verifiable, and correctable personal data or medical records…An insurer can have the medical records and input the data to their system. The insurance is then priced based on their predictive modeling or what their AI is configured to do based on algorithm codes. **The problem is not the speed of underwriting or specific non-medical data included in the data set. The problem is determined by 1.) what data set is used to assess the level of risk and whether this data is accurate and complete 2.) how the data is used in risk assessment 3.) how predictive models are configured 4.) how the algorithms codes are written.**  |  |