May 28, 2021

Commissioner Mark Afable, Chair
Commissioner Grace Arnold, Vice-Chair
Jennifer Cook
Accelerated Underwriting (A) Working Group
NAIC Central Office
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

RE: Comments on Educational Paper on AUW Draft 5-17-21

Dear Members of the Working Group:

I am writing to offer my comments on the exposure draft of the Educational Paper on Accelerated Underwriting in Life Insurance (dated May 17, 2021). I am one of the members of the NAIC consumer liaison program and the Director of the Center for Insurance Research. The Center for Insurance Research (CIR) is a nonprofit, public policy and advocacy organization founded in 1991 that represents consumers on insurance matters nationally.

Introduction (Draft page No. 2)

The second paragraph of the Introduction starts with the statement: “Accelerated underwriting in life insurance is delivering benefits to both consumers and insurers.” CIR believes it is premature to assert that accelerated underwriting is currently delivering benefits to consumers. The presentations that have been made to the working group over the course of the last year and a half have almost exclusively related to the benefits and interests of life insurers and data vendors, rather than the experiences of consumers.

While accelerated underwriting may provide benefits to some consumers if implemented in a non-discriminatory fashion, it is also true that accelerated underwriting may harm consumers if it results in unfair discrimination. Due to the lack of transparency regarding the factors currently in use, I believe it is impossible to conclude that accelerated underwriting benefits consumers as the Draft asserts. For example, the NAIC recently held a screening of the film

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"Coded Bias" which demonstrated that facial recognition programs currently in use discriminated against people of color.\(^1\) Because there are accelerated underwriting programs that utilize "facial analytics" (among other nebulous data sources such as "applicant candor"),\(^2\) these programs may result in unfair discrimination.\(^3\) Even if such discrimination is inadvertent and unintended, the outcome would be detrimental to consumers rather than beneficial. Therefore, CIR recommends the first sentence of the second paragraph should be edited to read:

Accelerated underwriting in life insurance is may delivering provide potential benefits to both consumers and insurers if applied in a fair and non-discriminatory manner.

What is Accelerated Underwriting?

The second paragraph of page 3 states “Accelerated underwriting, as it is currently being used in life insurance, is not used to deny an application and is only available for certain applicants applying for certain life insurance products.”  (Underline added.)

This sentence includes contradictory statements. It is unclear how denying a consumer from submitting an application (as the products are available only for “certain applicants”) is not denying an application. In addition, no citation or basis is provided for the statement declaring that accelerated underwriting is not “currently being used” to deny applications. The public meetings of the Working Group have been informative and educational, but have not included a detailed analysis of AUW programs currently in use. Regulators have no doubt received more specific information about current

\(^1\)https://content.naic.org/article/news_release_naic_host_screening_and_panel_discussion_focused_big_data_and_artificial_intelligence.htm

\(^2\)

\(^3\) CIR is also concerned that AUW programs that disqualify consumers who have previously filed for bankruptcy may also give rise to unfair discrimination, particularly since AUW models already incorporate credit scores – potentially creating duplicative rating factors that disproportionately impact low-income and minority consumers.

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AUW programs in regulator only sessions, but I am not aware of a mechanism currently in place that collects comprehensive data about existing AUW programs. Indeed, just yesterday the Market Conduct Annual Statement Blanks (D) Working Group delayed such a data collection effort by another full year.

CIR therefore recommends this sentence be stricken from the Draft.

General Discussion of Issues and Recommendations

The introduction to this section provides:

Some may argue that accelerated underwriting is nothing new. In the 1980s and 1990s life insurance could be purchased through the mail via postcard. However, that underwriting process normally focused on the age of the person and very few other variables.

CIR believes these sentences should be stricken from the Draft as they add nothing of substance and would only create confusion as they directly contradict the definition of Accelerated Underwriting provided earlier in the Draft. Any statement that begins “Some may argue” is highly suspect and suggests the following statement cannot be supported by relevant authority or citations. Moreover, given that the Draft explicitly defines accelerated underwriting as “a process to replace traditional underwriting”, it is inappropriate to suggest that accelerated underwriting “is nothing new.” As noted above, data sources used in accelerated underwriting programs include “facial analytics” and “wearable device” – neither of which existed in the 1980s or 1990s and are clearly new.

Recommendations

The bullet point recommendations included in the Draft are sensible and laudable. However, this list of recommendations is missing two critical elements: 1) stressing the importance of ensuring that AUW mechanisms do not – even inadvertently – unfairly discriminate on the basis of prohibited categories such as race; and 2) declaring that greater transparency of AUW programs to both regulators and consumers is required.

While vendors and insurers are entitled to safeguard proprietary information related to their AUW programs, consumers need to know the
metrics they are being judged on. Mitigation has always been an important part of the insurance marketplace – but consumers cannot take steps to lower their risk when they do not know what criteria are being used.

Finally, I wish to thank the Working Group for the all the hard work done to date and urge the Group to continue to push forward with great urgency. AUW programs are already at use in the marketplace and being sold to consumers, but transparency and analysis of AUW mechanisms has lagged behind and may still be years away.

Thank you for the consideration of these comments.

Sincerely,

/s/

Brendan Bridgeland
Director