

# ACCELERATED UNDERWRITING (A) WORKING GROUP

# Description of the Project, Issues Addressed, etc.

- Charge and AUWG created by A Committee at 2019 Summer National Meeting
  - Charge to “Consider the use of external data and data analytics in accelerated life underwriting, including consideration of the ongoing work of the Life Actuarial (A) Task Force on the issue and, if appropriate, drafting guidance for the states.”
- AUWG held first conference call Oct 2, 2019.

# AUWG members

Illinois, Chair; Minnesota, Vice Chair

Colorado, Iowa, Louisiana, Missouri, Nebraska, North Dakota,  
Ohio, Rhode Island, Washington, and Wisconsin

## Three Phase Work Plan

I – Information Gathering

II - Identify Issues and Potential Work Product

III - Develop Work Product

# Process

The AUWG has met 16 times (via conference call and in person).

- Once in Oct. 2019 (10-2-19)
- Once in Dec. 2019 (12-8-19)
- Twice in Jan. 2020 (1-23-20; 1-30-20)
- Four times in Feb. 2020 (2-6-20; 2-13-20; 2-20-20; 2-27-20)
- Twice in Mar. 2020 (3-5-20; 3-13-20)
- Twice in June 2020 (6-18-20; 6-25-20)
- Four times in July 2020 (7-8-20; 7-16-20; 7-23-20; 7-31-20)

Six of the sessions have been regulator-only; the rest have been open presentations.

# PRESENTATIONS FROM:

- Actuarial consulting firms (Deloitte, Milliman, Risk Regulatory Consulting)
- American Academy of Actuaries
- Life insurance companies
- Consumer advocate group (Center for Economic Justice)
- Lawyers (Foley & Lardner, Edelson PC)
- Machine Learning Assurance Company (Monitaur)

# NEXT STEPS—Ad Hoc Subgroups

- The “Ad Hoc NAIC Liaison Subgroup” will focus on making sure the AUWG is aware of all other NAIC groups, past and present, including any work products developed or in progress in those groups.
- The “Ad Hoc Drafting Subgroup” will focus on identifying the issues, synthesizing the information received and make a recommendation to the Working Group about a work product. This drafting subgroup will also propose a process for developing that work product.

# Questions to Consider:

1. Informed Consent - Do consumers understand what information is being collected and how it can be used?
2. Whether the AUW's triage or recommendations are unfairly discriminatory against certain protected classes.
3. Whether the AUW results are transparent and explainable to the applicants.

# SCOPE OF AUW WILL EXPAND

- Only selected applications and products are subject to AUW. Other applicants are subject to other underwriting methods.
- Using AUW methods is an industrial trend.
- More life companies will utilize AUW including fraternal.
- Existing AUW restrictions on product types, maximum issue age, max face amount and risk classes may soon be relaxed.
- Volume of policies subject to AUW will increase.



# INPUT DATA FOR AUW

- Most AUW programs collect and analyze data from the applicants for triage. Some also determine a “score” for each life applicant.
- Collected data is a subset of TUW data such as:
  - Life application form
  - Attending physician’s statement (APS)
  - Prescription drug history
  - Medical Insurance Bureau (MIB) and
  - Motor Vehicle Record (MVR)
- Mixture of medical data and behavioral data (MVR).
- Fluid tests may not be required.

# BEHAVIORAL DATA MAY HAVE ADDITIONAL INFORMATION

- Some companies believe the behavior of an individual has strong implications on mortality risk. This behavioral data includes:
  - Gym membership
  - Profession
  - Marital status
  - Family size
  - Grocery shopping habits (e.g., health foods versus junk/alcohol/cigarettes)
  - Wearable technology
  - Credit score
- While medical data may have scientific linkage with mortality, behavioral data may lead to questionable conclusions as association may be confused with causation.
- These potentially questionable findings caused by association may inadvertently and unlawfully discriminate against some protected classes.

# MAINTENANCE AND COMPLIANCE OF AUW PROGRAMS

- Although behavioral data are not used heavily today, it may change over the next 10 years.
- A controversial data source is the credit score as the distributions of credit scores vary significantly among ethnic groups.
- Techniques such as back-testing, random holdouts, post-issue monitoring, continual monitoring for abnormal activities, peer review by cross functional groups (e.g., legal and ERM) are used to evaluate compliance with various laws and regulations.
- It is not clear that companies have tested their AUW programs and maintain adequate records to show their legal compliance.

# FAIR CREDIT REPORTING ACT (FCRA)

- Fair Credit Reporting Act (FCRA)
  - Address fairness, accuracy and privacy of personal info collected by credit bureaus
  - Define types of information credit bureaus can collect
  - Govern how credit bureaus can collect and share credit information (employers, lenders and insurers)
  - Allow individual to review and challenge the accuracy of the credit report
- Federal Trade Commission (FTC) and Consumer Financial Protecting Bureau (CFPB) are the two main bodies to enforce the FCRA.
- States may have their own laws regarding the usage and sharing of credit data.
- Credit data are frequently updated and cover a significant portion of the population.
- Many insurers plan to use credit data as an input variable in their AUW algorithms.

# NON-FCRA DATA

- While credit data are governed by FCRA, there are ample amount of data not governed by FCRA:
  - Credit card purchases
  - Web usages/social media
  - Facial recognition
  - Alcohol/cigarette purchases
  - Wearables, etc.
- Consumers may be subjected to adverse effects and do not have the avenue to challenge their validity.
- Should this non-FCRA data be prohibited for AUW?
- If it is used, should the method and the effects be disclosed and should life applicants be allowed to challenge the accuracy of non-FCRA data and the underwriting results?

# CONSUMER CONCERNS

- The regulatory framework for big data fails to keep pace with the current practices in using big data. It is particularly acute for the life insurance industry.
- Input data should be tested for accuracy and inherent bias.
- Regulations should promote fairness, and insurance products should be priced under a cost-benefit basis.
- The life industry should (a) promote availability and affordability of insurance products to protected classes and (b) curtail any unfair discrimination.
- CEJ also recommends approaches to reduce the impact of bias on AUW.

# Proposed Revised TIMELINE

- August – early September: Final presentations to the fill gaps, including the pros and cons of machine learning as well as hands-on auditing of AUW programs.
- August – December: Ad Hoc Drafting Group to decide on work product and begin drafting while coordinating with the Ad Hoc NAIC Liaison Group to ensure consistency with other NAIC work streams.
- End of December 2020: Have a first draft to expose for comment.
- Final Work Product to the (A) Committee by 2021 Summer National Meeting.

# Questions?