


# Data Analytics & Underwriting

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1. This presentation and the views contained it are solely my own and do not represent the views of the American Council of Life Insurance



# Overview

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- Big picture
  - Innovation is here...but what does it mean?
    - Companies
    - Consumers
    - Regulators
  - Communicating with regulators
  - Regulatory outlook
  - Underwriting outlook
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# Innovation is coming for the life insurance industry...or is it already here?

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- Accelerated Underwriting
  - Facial analytics
  - Prescription scores/databases
- Triage Underwriting
  - Credit mortality indexes
- Algorithmic underwriting
  - Motor vehicle records
  - Public records +

# Innovation here...but what does it mean

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...for companies?

...for regulators?

...for consumers?

....for YOU?



# What does it mean for companies?

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## BENEFITS


- Speed to issue
- Improved customer experience
- Greater efficiencies
- Increasing distribution channels
- Better lead identification
- Improved models and risk assessment

## CONCERNS

- Data quality
- Regulatory pushback
- Public optics
- Transparency
- Reputational and legal risks
- What are YOU concerned about?


# Consumer concerns

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- Inaccuracy of data
  - Data security
  - Privacy
  - Concerns about fairness or relevance of the data
  - Underwriting misunderstood or viewed suspiciously
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# Regulator concerns


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- Micro-pooling
  - Data quality / verification of data
  - Data analysis & appropriate correlation with underwriting factor
  - Lack of regulatory resources to review or analyze models
  - Transparency – with regulators, with consumers
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# Regulator concerns

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## **NAIC Big Data Working Group**

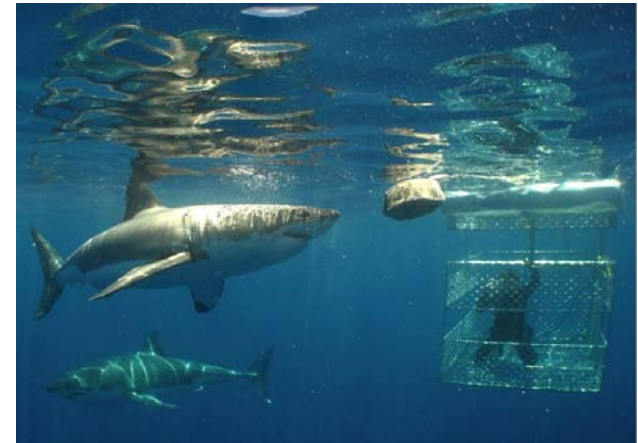
- Reviewing regulatory framework on use of external consumer data & recommend modifications as necessary
  - Seeking way to share resources to facilitate technical review
  - Assess data needs and tools for regulators to monitor the market and evaluate underwriting, rating, claims, and marketing practices
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# Communicating with regulators

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- Does the insurer understand the data inputs?
- What analysis supports the insurer's use of the data inputs for a product
- How does the insurer communicate with consumers about inputs results – can the consumer dispute the information?



# What does the regulatory future look like?


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- Bleak overcorrection?
- Cautious flexibility?
- Status quo?



# What does this mean for underwriting today and tomorrow?

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- New data sources and new uses of traditional or existing data
    - It will take time for credible data to emerge that substantiate that risk characteristics are “objectively determinable” “based on verifiable observable facts that cannot be easily manipulated” per ASOP 12.
  - Faster underwriting and issue time
  - Shift towards artificial intelligence and automated rules engines
  - New products and/or distribution channels
  - Regulatory requirements regarding models and data used in underwriting may change
  - Human underwriting roles may shift to more data-analytic in nature to ensuring the machine capabilities are working
  - Underwriting involvement in data-science teams is important
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# Questions?

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