



March 20, 2018

Mr. Mike Boerner
Chairperson, Life Actuarial Task Force
National Association of Insurance Commissioners

Re: Accelerated Underwriting Data Elements

Dear Mr. Boerner:

The Accelerated Underwriting Project Oversight Group, (“AUW POG”), a subgroup of the American Academy of Actuaries¹ Life Experience Committee and the Society of Actuaries² Preferred Mortality POG (the “Joint Committee”) is submitting this response to the feedback provided by Brian Bayerle on behalf of the American Council of Life Insurers (“ACLI”) on November 7, 2017. The AUW POG welcomes the input from the ACLI and fully appreciates the challenge facing the industry in regard to implementing the additional data fields requested to be added to VM-51 in.

A critical challenge facing the life insurance industry is how to share experience in a meaningful and productive way. Being able to separate mortality into segments that make actuarial sense is a prerequisite in producing base experience data that is robust enough to be used from a regulatory and an industry perspective.

We have looked again at the data elements our POG identified and made some changes for a few items. One needs to keep in mind that some elements may have limited usefulness by themselves but are more meaningful in combination with other elements and that is why those were kept.

¹ The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

² The Society of Actuaries (SOA) is an educational, research and professional organization dedicated to serving the public, its members and its candidates. The SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal problems. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

The following represents the AUW POG's response to the considerations raised by the ACLI in their submission:

1. Inforce vs. New Business.

ACLI: Availability of data will be considerably different between new business and inforce business. Inforce blocks, particularly acquired blocks, have far less data available compared to business written under newer underwriting programs. Prospective changes will allow for improved reporting for newly issued business. The older blocks however represent most of the current mortality experience, and it will be several years of reporting before experience on newer blocks is credible.

AUW POG: We fully agree that it is unrealistic to expect the new data elements to be available for historical blocks of business issued years ago or for which a block of business had previously been acquired. However, those elements need to start being captured as soon as practicable, otherwise, the lack of available data will continue to emerge as an issue a few years down the road, well after companies have been using the elements in their underwriting decisions. The longer the period of time before data elements are collected, the more significant will be the mismatch between what is captured and what is used to determine mortality. A reasonable alternative is for companies that have looked back and digitized that historical information to start reporting it, and for others to start adapting their systems to the actuarial needs over a reasonable (3- to 5-year) period.

2. Data Images.

ACLI: For many companies, the current underwriting process stores applications as a data image file, which is not machine readable. It is unlikely data can reliably be extracted from these files. Changes to these processes on a going forward basis would come at significant expense to companies. While processes for new business can be adopted to avoid the use of data images, this will remain an issue for inforce blocks.

AUW POG: We agree this is an issue. In the context of accelerated underwriting, an electronic application is a very common, and useful, first step.

3. System separation.

ACLI: Companies may have multiple systems that store the requested data fields, and these systems may not be integrated with the experience reporting systems. There may be significant time and resources necessary to achieve the level of integration necessary for reporting purposes. Additionally, some companies purposefully segregate administrative and underwriting data to strengthen control over sensitive information.

AUW POG: This is a technology issue rather than a valid control issue as adequate controls should be built into the systems. We recognize there may be administrative challenges for

combining data from disparate systems; however, this is not a reason to believe the data lacks relevance and importance in driving mortality results, and believe companies should make an attempt to collect the data they are using to make decisions.

4. Volume increase.

ACLI: The number of exposed data elements would increase the VM-51 field count from 46 to 195. Every change to the format requires considerable effort to code and validate updates and verify controls are working appropriately. As this request would quadruple the number of data fields, this would be a significant effort.

AUW POG: Although numerically there is a big increase, solutions that the companies will develop will address many data elements at once (for instance all the elements related to the underwriting age and amount grid).

5. Collection of data elements.

ACLI: As many accelerated underwriting programs are relatively new, some of the fields (such as use of wearables) are not collected by many of our member companies.

AUW POG: Only if a data element is used by the company in the context of an accelerated underwriting program will it be collected; therefore, the data should be available. If the company does not use a particular data element, then the entry can be filled by "N/A" or the equivalent.

6. Question clarification.

ACLI: Several current questions are really two questions in one; these can be split for greater clarification. Additionally, the range of responses should be considered and possibly expanded. Greater clarification can be given for some of the data fields, and what reasonable responses might be.

AUW POG: We agree with the ACLI that removal of compound questions will add clarity and have tried to address clarification in the revisions.

7. Consumer privacy.

ACLI: As more data fields are added to the experience reporting, it raises the possibility that insured data becomes more identifiable. Care needs to be given to balance the benefits derived from integrating data sources against the risks to consumer privacy.

AUW POG: We do not believe any of the data elements requested make the insured more identifiable. We agree consumer privacy is of the utmost importance; however, we do not see this as an issue for the specific data elements requested.



8. Proprietary information.

ACLI: Several of the data elements included in the request would constitute company-specific proprietary information on the underwriting practices of the company.

AUW POG: We agree with the ACLI's concern regarding proprietary information. The AUW POG has attempted to address this concern by requesting generic types of data used rather than precise algorithms. This should provide no loss of proprietary information of significance. It is akin to knowing that a company uses weight in their underwriting algorithm. In no way does this requested data identify what thresholds or ratings are assigned for certain values a company may be using for weight. This safeguard should alleviate the concerns that insurance companies may have regarding loss of proprietary information.

The AUW POG is currently working to refine and prioritize the data elements, recognizing a phasing approach may be more acceptable. The AUW POG will submit a revised listing for further discussion shortly. Meanwhile, for further information, please contact either Ian Trepanier at trepanier@actuary.org or Cynthia MacDonald at cmacdonald@soa.org.

Respectfully,

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cc: Reggie Mazyck, NAIC