

# ACCELERATED UNDERWRITING UPDATE



Mary Bahna-Nolan, MAAA, FSA, CERA

Chairperson, Academy Life Experience Committee and  
SOA Preferred Mortality Project Oversight Group (“Joint  
Committee”)

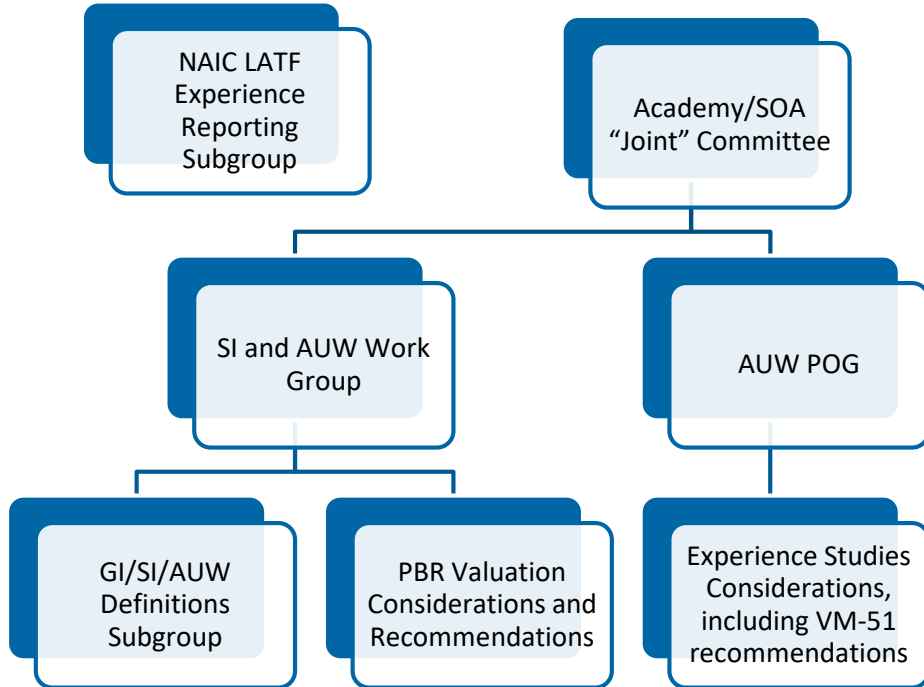


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# Joint Committee SI and AUW Structure

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## GI/SI/AUW Subgroup

- Define underwriting type definitions

## PBR Valuation Considerations and Recommendations

- Identify issues when applying VM-20 to policies issued using an accelerated underwriting program

# VM-51 Expanded Data Elements Exposure



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# Exposure to solicit feedback on proposed data elements for VM-51

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- Exposed for a 90-day comment period ending Nov. 7, 2017.
- Sought feedback from companies on
  - 1) Whether companies are able to provide the requested accelerated underwriting data elements; and
  - 2) The time period a company might need before they can begin submitting the data elements if not currently available.
- Submitted comments not yet received



# PBR Valuation Considerations and Recommendations (VM-20 Reserving Subgroup)



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# VM-20 Reserving Subgroup Goals and Focus

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- Primary Goals
  - ▣ Identify current valuation practice for underwriting types
  - ▣ Identify areas where additional guidance is needed
  - ▣ Out of scope: appropriateness of underwriting techniques
- Focus on Mortality in Modeled Reserves
  - ▣ Deterministic (DR) and Stochastic (SR) rather than Net Premium Reserve (NPR)
- Durability
  - ▣ Relevance to future innovation



# Short-Term Approach: Q&A

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- Developed Q&A to clarify and provide reference to pertinent sections within VM-20 to calculate PBR modeled reserves under an accelerated underwriting (AUW) program until LATF:
  - Determines any appropriate VM changes to accommodate AUW
  - Develops the longer-term solution upon completion of the Delphi Study

# Short-Term Approach – 5 Q&As

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## Topic List

- ✓ Can mortality segments that use different underwriting techniques be combined for calculating credibility?
- ✓ What margins should be considered for new accelerated underwriting techniques?
- ✓ How should an actuary make decisions for the PBR treatment of new accelerated underwriting mortality assumptions? Can business issued with accelerated underwriting techniques be considered an “expected incremental change” of VM-20 9.C.2.f?
- ✓ What rationale and support are needed for a company to adjust experience data for emerging accelerated underwriting techniques?
- ✓ Use of RR Tool for Application of Preferred Class Discounts and Loads to Applicable Industry Mortality Tables





# Long-Term Approach: Delphi Study

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- Researcher selected and first round of study complete
  - Risk & Regulatory Consulting, LLC
- On target for completion by May 15, 2018
- Purpose is to draw conclusions regarding:
  - Emerging underwriting practices
  - Impact on observed mortality under emerging practices
  - To provide practitioners and regulators with a framework that
    - Clarifies how to categorize different underwriting practices
    - Benchmarks adjustments to base mortality tables for different practices



# Update to LATF on SOA Accelerated Underwriting Delphi Study

**MARY BAHNA-NOLAN & MATT MONSON**

Thursday, November 30, 2017



# SOA Delphi Study

## Goal

- Identify, define, and categorize current and emerging methodologies used by companies to underwrite policies and establish estimated mortality impacts (overall, relative to industry table, and PBR)
- Focus is on accelerated underwriting

## The Delphi Method

- A structured communication technique which relies on a panel of experts
- The experts answer questionnaires in two or more rounds
- The feedback from the first round will be consolidated and a second round of questions is asked that included summarized results from the first round
- The goal is to develop a more convergent view, one in which the experts will benefit in the future rounds from seeing the range of judgments and rationale

# SOA Delphi Study

## Expert Panelists

- 35 committed panelists
- Mostly actuaries and underwriters with a few in technical operations roles
- Represented by:
  - 14 Insurance companies
  - 4 Consultant companies
  - 6 Reinsurers

## Status (mid-November)

- Summarizing responses from Round 1
- Formulating questions for Round 2

# SOA Delphi Study

## Early Results

- Types of emerging methodologies – Triage, Accelerated Underwriting, Predictive Analytics, AI, Algorithmic Underwriting, Rules Engines, Electronic, and Tele-underwriting (there is overlap, but each has distinguishing features)
- Currently about 40% of applicants meet the requirements to use accelerated underwriting methods with around 75% in the future
- Generally, current industry tables are a good starting point, but need adjustments
- Overall mortality is anticipated to be slightly higher (0-10%). It really depends on the structure of the program. Some believe mortality will be better
- In accelerated underwriting there is a sentinel effect loss, but there are offsetting factors
- Distribution channel has a huge impact

# Contact Information

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