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# ACCELERATED UNDERWRITING (AU) DATA ELEMENTS

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

NAIC LATF – Summer 2018

# Agenda

- What problem are we trying to solve?
- Why now?
- Types of data
- AU Project Oversight Group (POG)
- Feedback from the industry
- Revisions and clarifications



# What problem are we trying to solve?

- The mortality outcome for any underwriting regime is a factor of many selection levers and challenges the ability for a single mortality table to represent the various regimes\*
- Emerging changes in underwriting are not homogenous and have different mortality impact expectations
- The wide diversity of underwriting methodology and, in order to achieve desired mortality outcomes, frequent program modifications and refinements to predictive models will create additional noise in the experience analysis and it will be difficult to measure industry trends and mortality



\* Simplified issue (SI), guaranteed issue (GI), accelerated underwriting (AUW), fully underwritten (FUW), Corporate/Bank-owned Life Insurance (COLI/BOLI), etc.



# What problem are we trying to solve?

- Mandatory data collection under VM-51 does not currently capture the data necessary to differentiate and understand programs and expected mortality
  - ▣ Proprietary algorithm of risk factors
  - ▣ Lack of historical experience
  - ▣ Need data allowing comparison to existing techniques
  - ▣ Better handle on variables affecting mortality from both traditional and accelerated methods

# Why Now?

- Recognize that the new data elements and underwriting changes are emerging; however, there is a need to start collecting as soon as practical
  - ▣ Postponing will just push the discussion out several years, 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

# Types of data requested

- Marketing channel data
- Definitional data
- Data sources used
- Data on program factors
- Lab data for fully underwritten products
- Application data

# Accelerated Underwriting POG

- A diverse group of experienced professionals including 11 actuaries and 2 underwriters
  - 5 insurance companies, 5 reinsurers, 1 consultancy
- All members involved in accelerated underwriting design and/or program management



# Industry feedback noted two over-arching areas of concern

- Necessity of the data
- Data may be technologically difficult to obtain, especially historical data or data from disparate systems
- AUW POG response to industry comments:
  - ▣ To successfully manage an AUW (or other) underwriting program, the requested data elements are often captured and analyzed to adjust the performance of the system
  - ▣ Limiting use of historical lookback
  - ▣ Phase in period over different time horizons

# Revisions and clarifications from prior exposure

- Different granularity: policy level, plan level & underwriting grid (age and amount requirement) level
- Prospective vs retrospective data elements
- Different time horizons specified for mandatory data (suggestions are one year, 3-4 years and 4+ years)
- More details will be needed to provide coding guidance within VM-51

# Next steps

- Upon approval to proceed:
  - ▣ Complete coding detail guidance
  - ▣ Submit APF for inclusion of data elements



# Contact Information

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# SOA ACCELERATED UNDERWRITING DELPHI STUDY



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Discussion by Academy Life Experience Committee and  
SOA Preferred Mortality Project Oversight Group  
("Joint Committee")

NAIC LATF – Summer 2018

# Agenda

- Purpose of accelerated underwriting study
- Key findings of the study
- Proposed next steps
- Feedback from the industry
- Revisions and clarifications

\* The Delphi technique uses a structured communication technique involving surveying experts in the topic, sharing anonymous survey results with those experts, and allowing revisions and refinements to responses to obtain greater convergence or divergence of views among the participants.



# Purpose of accelerated underwriting (Delphi) study

- Research study utilized the Delphi\* technique to draw conclusions regarding:
  - Emerging underwriting practices
  - Impact on observed mortality under emerging practices
- The output from the study was 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
  - Guides if further refinements to VM-20 § 9.C necessary to accommodate the emerging underwriting practices and change in expected mortality in the determination of the anticipated mortality experience assumption



\* The Delphi technique uses a structured communication technique involving surveying experts in the topic, sharing anonymous survey results with those experts, and allowing revisions and refinements to responses to obtain greater convergence or divergence of views among the participants.



# Key findings of the study

- Wide variety of programs
  - Accelerated programs are designed around unique distribution systems, markets, products
  - Carriers have different cost, mortality, and qualification percentage targets
- Current industry mortality experience is a starting point
  - Adjust current fully underwritten tables based on how the accelerated program was designed
  - Expectations of higher and lower mortality results



# Key findings of the study (cont'd)

- Accelerated programs right-size underwriting requirements
  - Expect continued refinements and broader adoption as quality and availability of data sources improve
  - Traditional methods continue to apply for cases where they work well
- Risk of being left behind
  - Perception that better risks may be attracted to accelerated products and leave a residual risk pool

# Key findings of the study (cont'd)

- Varied techniques are used to manage the risk
  - Random hold-outs, back-testing, tele-underwriting interviews, and new non-medical data sources
  - Predictive analytics and behavioral economics to prevent and predict non-disclosure
  - Monitor agent behavior
  - Participants indicated they evaluate trade-offs
    - Higher acceleration rate vs higher mortality slippage
    - More data sources and more sophistication drive accelerated program results closer to traditional results

# Proposed next steps to accommodate accelerated underwriting programs

- APF 2018-17 is a positive step
  - Allows clear path to adjust for underwriting program changes
- No new table for accelerated underwriting
  - Lack of consistency in approaches and program targets\*
  - Adjustments and margins relative to traditional is more fitting
- Possible addition to *Life Principle-Based Reserves Under VM-20* practice note as experience develops
  - Adjusting and reporting of accelerated programs



\* VM-51 additional data elements is an attempt to gather the appropriate program level detail to address this issue



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