



September 12, 2024

Commissioner Michael Conway
Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, CO 80202

Dear Commissioner Conway,

On behalf of the American Academy of Actuaries¹ Life Underwriting and Risk Classification Subcommittee (the “Subcommittee”), thank you for the opportunity to submit further comments on the ACLI draft proposed quantitative testing regulation, [Concerning Quantitative Testing of External Consumer Data and Information Sources, Algorithms, and Predictive Models Used for Life Insurance Underwriting for Unfairly Discriminatory Outcomes](#). Overall, we support Colorado’s initiative to prevent unfairly discriminatory practices in insurance. Thank you for hosting the September 3 stakeholder meeting with the ACLI to allow further clarification of its proposed testing methodology. Based on the discussions during the meeting and the questions that were addressed, we have the following additional comments for your consideration.

Based on the discussions at the September 3 meeting, we suggest that the ACLI update its proposal based on comments received. We believe that this updated version would be valuable for a consistent understanding as a reference point for Colorado and for stakeholders.

We agree with comments made during the discussion that premiums are generally not a good outcome to test. Generally, in life insurance, premiums are based on many factors outside of models, as was discussed.

While sample size was not specifically addressed in the meeting, it is important to the credibility of the data and therefore it will be an important issue for companies with a small number of policies in Colorado. We suggest modification of the proposed regulation to address sample size.

With respect to the “Initial Screening Testing Requirements” section of the proposed regulation, we request including a review of data pretraining metrics. Examining the initial data diagnostics before building the models could correct many problems before looking at outcomes.

¹ The American Academy of Actuaries is a 20,000-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.

On the call, there was a great discussion on “FAQs on the Use of Race/Ethnicity Inference Models and Data sources” with lots of great ideas. We encourage ongoing dialog with interested parties about processes and topics for the FAQ, perhaps through another call or request for information (RFI). As was mentioned in the call, there are many smaller decisions to be made by companies such as which inference models to use, the risks in using them, along with which data sources and why. There are many risks and flaws in the available datasets and inference methods that companies should understand when determining what is best to use for their business. We recommend ongoing updates to the FAQ as details unfold.

We appreciate the continued opportunity to offer our perspectives and recommendations. The Academy looks forward to our continued conversations and collaboration on this complex issue and providing comments on the next testing draft regulation. If you have any questions or would like additional information about our comments, please contact Amanda Barry-Moilanen, life policy analyst (barrymoilanen@actuary.org).

Sincerely,

Kirsten Pedersen, MAAA, FSA
Chairperson, Life Underwriting and Risk Classification Subcommittee