

# Interim Meeting of the NCOIL Special Committee on Race in Insurance

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# Underwriting Life Insurance Products

- Risk classification is the basic premise of private, voluntary insurance
- Accurate risk assessment results in the ability to offer a variety of products at an affordable price
- Underwriting consists of a holistic evaluation using a variety factors
- Insurers must treat similar risks consistently

# Focus on the Following Factors

- Occupation
- Zip Code
- Education Level

# Use of Occupation in Life Insurance Underwriting

- Risk Stratification
  - Hazardous occupations carry a higher mortality and/or morbidity risk
  - Examples: Logging worker, professional race car driver, aircraft pilot
- Financial Underwriting
  - Validate income
  - Determine eligibility or suitability of coverage
  - Fraud protection

# Use of Zip Code in Life Insurance Underwriting

- Rarely, if ever, used for individual mortality assessment
- Focus is on:
  - Concentration of Risk
  - Catastrophic Risk
- Used in marketing models to identify target markets

# Use of Education Level in Life Insurance Underwriting

- Generally, not directly provided on an application
- Correlation between education level and other underwriting factors:
  - Occupation
  - Income

# Summary and Questions

- Accurate assessment of mortality and morbidity risks requires that sound actuarial principles and/or reasonably anticipated experience exists to support any premium or benefit differences among classes of insureds.
- The clearer the picture life insurers have of an applicant's overall risk profile, the more accessible and affordable coverage is for all.