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December 3, 2020

The Honorable Neil Breslin
Chair, Special Committee on Race in Insurance Underwriting
National Council of Insurance Legislators
2317 Route 34 S, Suite 2B
Manasquan, New Jersey 08736

Senator Breslin:

On behalf of the American Council of Life Insurers (“ACLI”), in anticipation of the December 9, 2020 hearing of the Special Committee on Race in Insurance Underwriting, we commend you and NCOIL for taking on race in insurance underwriting and the issue of proxy discrimination. I would like to provide you with an update on ACLI activities on this topic.

During our October 9th video conference, ACLI CEO Susan Neely provided an overview of ACLI’s recently adopted Economic Empowerment & Racial Equity Initiative. This initiative has four key pillars:

- Expanding Access to Affordable Financial Security and Protection in Underserved Communities
- Advancing Diversity and Inclusion Within Companies and on Corporate Boards
- Advancing Economic Empowerment Through Financial Education
- Expanding Investments in Underserved Communities

With respect to the pillar most pertinent to the special committee, Expanding Access to Affordable Financial Security and Protection in Underserved Markets, ACLI supports fair treatment and access for consumers to the financial protection they want and need. Innovation and use of emerging technologies are instrumental in expanding consumer access and consumer affordability of life insurance products to meet the needs of the middle market and underserved communities. This is achieved by making the underwriting process more efficient. During the height of the COVID-19 pandemic, when our industry had to pivot to a touchless sales and underwriting process, the use of technology enabled life insurers to meet the growing demand for our products.

Moreover, it is important to note that life insurers, and the products we sell, are vastly different from the property and casualty and health insurance sectors’ products. There are no legal mandates

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 94 percent of industry assets in the United States.

requiring consumers to purchase our policies. Our products serve a valuable social purpose providing long term protection and security to consumers when they are most vulnerable. Unlike other types of insurance that are re-underwritten on a regular basis, life insurers get only one chance to evaluate a risk that could be on their books for 30 to 40 years or longer. The only chance life insurers have to evaluate and assess an applicant's life expectancy is during the application process. Once a life insurance policy is issued, the company cannot raise the premiums on an individual just because the person's health declines.

ACLI supports the development of a statutory and regulatory framework that identifies and avoids any potential proxy discrimination in the delivery of life insurance to the consumer. ACLI is eager to engage in a collaborative effort with NCOIL and other stakeholders to advance diversity, equity and inclusion in the insurance sector. We appreciate the opportunity to provide you with our perspective on proxy discrimination in life insurance and how this may be addressed through a statutory and regulatory framework to define and address this issue.

The NAIC's artificial intelligence guidelines set the stage for a fulsome discussion of what is meant by the term proxy discrimination. There are different ways this can be accomplished, such as defining the term or by constructing a statutory and regulatory framework around the use of underwriting algorithms.

In that connection, ACLI created an Ad Hoc committee to establish principles for assessing proxy discrimination as it relates to algorithmic underwriting for life insurers. This committee, and several subgroups composed of data scientists, doctors, actuaries and lawyers, have been working in earnest on this matter since early July, although no formal recommendations have been approved by the ACLI board at this time. This is an extremely important issue that needs to be addressed in a thoughtful and deliberate manner. We are on the precipice of dramatically changing how insurance products are underwritten through the advent of new technologies. It is important to preserve the risk-based pricing approach that has served our industry and its customers so well for decades while at the same time eliminating any discriminatory conduct that may lie within such structure.

We have an opportunity to address racial disparities and inequality of opportunity with a renewed and stronger sense of purpose and resolve. We are eager to engage in a collaborative effort with NCOIL and other stakeholders to advance diversity, equity and inclusion in the insurance sector. Thank you for inviting us to be a part of this important undertaking. We look forward to working with you to make a positive difference for our society.

Sincerely,

A handwritten signature in black ink, appearing to read "Kaumulelehu". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.