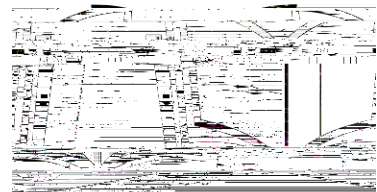
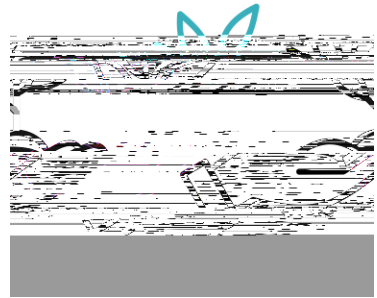
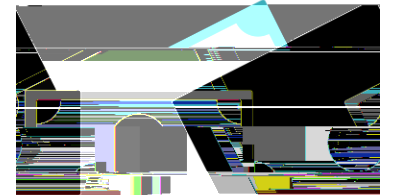


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Advancing Economic Empowerment & Racial Equity (EERE)



**In the Hands
of Every
American**



Life Insurance

Life Insurance serves to protect individuals and families from economic uncertainties by exchanging the impact of the uncertainty for a cost.

Broadly life insurance is different than most other lines of insurance. Specifically, when purchasing life insurance:

- Individuals and groups choose to purchase these products, including coverage term and the amount of the coverage.

- Claims often not filed for many years (could be 30+ years)

- Underwriting occurs once and policyholder cannot be individually reclassified

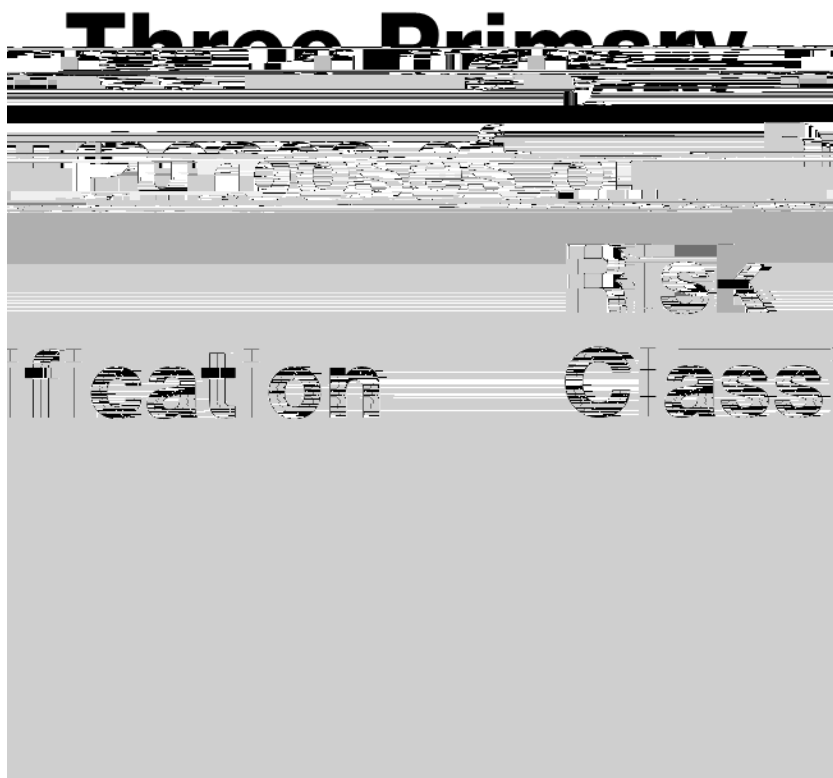
- Viability of the marketplace depends on accurate risk classification

LIFE
INDIVIDUAL POLICIES

P&C PERSONAL LINES

Decision to buy	Buyer chooses when and how much to buy	Generally required by law or contractual requirement
Underwriting	Done once at time of application	At renewal (6-12 months)
Rates	Changes in health cannot affect rates	Generally change at renewal; experience
Coverage	Decades to a lifetime; Cannot be canceled by insurer	6 - 12 months; Can be canceled by insurer

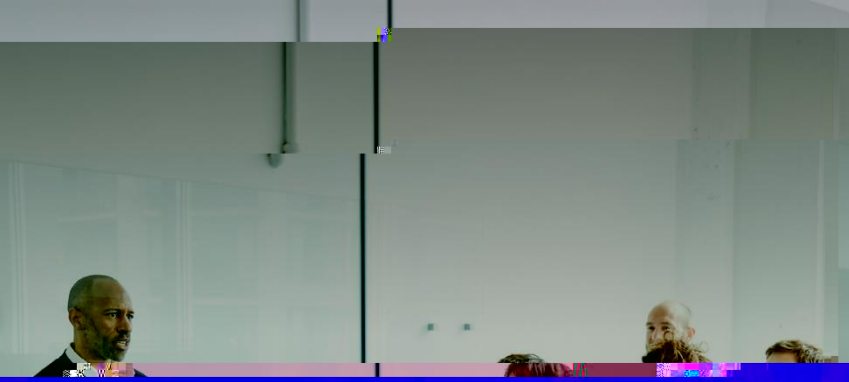




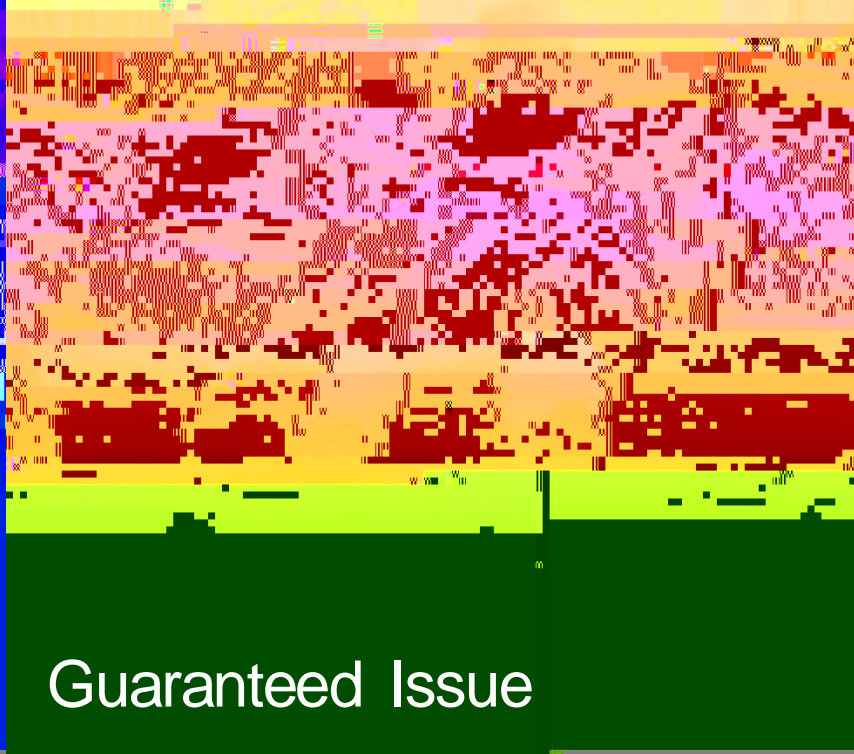
Enhance Fairness to All Policyholders

Protect the Financial Soundness of Insurance Systems

Permits Economic Incentives to Operate



Employer Coverage



Guaranteed Issue

Coverage Choices for Everyone

Adverse Selection in Life Insurance

Adverse selection is essentially information asymmetry between the insurer and the applicant

Foundational Requirements When Using Any Variable

Must Comply with the Unfair Trade Practices Act

Must be based on Sound Actuarial Principles

Life Insurance Underwriting Holistic Approach

Underwriting Decisions Are Based on a Variety of Factors

Typically, one factor does not determine the outcome

Additional factors

Mitigating circumstances taken into account

Criminal Convictions

Reasonable correlation to death exists

Based on sound actuarial principles

Context is important in considering felony convictions in underwriting. Context typically includes:

- ◀ what crime(s) the applicant was convicted of,
- ◀ when the applicant was convicted,
- ◀
probation status)

Conclusion

Information symmetry and appropriately assessing risk/pricing products is critical

Need for flexibility to promote broad affordability

Standardization could lead to lack of choice and stifle innovation