September 5, 2024

Mark Fowler, Commissioner, Alabama Department of Insurance
Michael Humphreys, Commissioner, Pennsylvania Insurance Department
Co-Chairs, Life Workstream, Special (EX) Committee on Race and Insurance
National Association of Insurance Commissioners

Re: SCORI Life Workstream Survey

Dear Co-Chairs Fowler and Humphreys:

On behalf of the Life Underwriting and Risk Classification Subcommittee (Subcommittee) of the American Academy of Actuaries,[1] I appreciate the opportunity to provide comments on the Life Workstream of the Special (EX) Committee on Race and Insurance's (SCORI) public exposure of the [Life Insurer Survey Draft Questions](#) (Exposure). The Subcommittee believes this is an important issue and appreciates consideration of public comments by SCORI.

In response to the Exposure, the Subcommittee offers the following feedback, which we developed in support of the removal of unfair barriers for those impacted by and interacting with the criminal justice system. We emphasiz e that this is a complicated subject. While we welcome the chance to offer these comments, our ability to offer more comprehensive feedback was limited by the comment period. We've offered some general commentary on the survey, as well as more specific comments on the survey language below.

General Comments:

As you know, life insurance is elective insurance. This is important to keep in mind when looking at and drawing conclusions from general population studies, which may not be representative of the population that elects to apply for life insurance.

Furthermore, the overall effect of criminal history data on mortality, persistency, and fraud for life insurance products is challenging to fully quantify. U.S. public data and studies focusing on these topics are often limited in terms of type of criminal activity and age cohort. For example,

across the general population. As a result, vendors and companies may use private studies and/or data or look to other relevant non-U.S. population studies

Using criminal history in the life insurance underwriting process is an important piece of risk classification. Information on different types of criminal history can be used in underwriting in multiple ways, such as:

- o In financial underwriting, to determine whether the amount of life insurance applied for is appropriate, whether the applicant can afford the level of insurance, or to ensure the applicant does not have a history of committing financial fraud.
- o Evaluate potential mortality implications, especially for violent crimes and DUI/DWI offenses.
- o As a lifestyle indicator, which may suggest reckless or high-risk behaviors such as illegal gun activity or escalation of crime severity for repeat offenders.

Companies may handle the underwriting differently, depending on their target market population, products, and risk tolerance. Data that is used in the risk selection process is compliant with Fair Credit Reporting Act (FCRA) requirements, ensuring only final action criminal history is taken into consideration. We recommend that specific statements related to the confidentiality of materials provided be added to the survey in order to ensure protection of the provided information.

Survey Specific Comments:

Question 5.c. How many applications for individuals with a felony criminal conviction did your company receive in 2023?
i. How many applications were approved?
1. Of those approved, how many were rated due to the criminal conviction?
ii. How many of those applications were denied or postponed based on the criminal conviction alone?

This question may show a small number of applications. We recommend taking this into consideration when drawing any conclusions from the results of this survey.

Question 6. For your company's life insurance underwriting guidelines, is criminal history or drug use treated differently if the applicant admitted to the criminal history or drug use versus if the information was found through underwriting discovery?

- a. If yes, explain when and how the consumer is advised that criminal history or drug use was found and used to rate or decline the applicant.