

FAQ on Predictive Analytics (PA) & Random Selection (RS) in Underwriting

1. What is PA (predictive analytics)?

PA, also referred to as propensity modeling, is a data-driven review of an insurance application to help predict the likelihood that an applicant will have certain expected mortality outcomes. PA is becoming more common in the life insurance industry today.

2. Why are insurers using PA in underwriting?

PA systems rely on real industry data to improve underwriting decisions. They allow insurers to assess objective underwriting outcomes more accurately and consistently resulting in reduced underwriting risk.

With more accurate outcomes, we can also expand our non-medical underwriting limits. This means we do not need to order medical requirements on every applicant.

Random sampling (random selection) is also used as a spot-check in addition to predictive analytics.

3. Why did Equitable Life introduce PA and RS?

We are always looking for innovative ways to make our processes smoother, faster, and easier for both the client and advisor. In April 2022, Equitable Life increased its non-medical underwriting limits to allow applications that met certain age and amount criteria to be underwritten without the need for medical requirements.

Equitable Life's current non-medical underwriting limits are as follows:

Life

Amounts up to \$100,000, up to age 60
Amounts up to \$500,000, up to age 55
Amounts up to \$3,000,000, up to age 50

Critical Illness

Amounts up to \$100,000, up to age 50
Amounts up to \$250,000 up to age 45

4. What information is Equitable Life's PA system looking for in an application?

PA is a review of an application based on historical experience and actuarial science. Our PA system is not looking for specific answers or data – but for expected *patterns* in an application.

Our system compares the application to thousands of previously reviewed applications. We examine hundreds of data points, to see how closely the application aligns with certain expected patterns. PA is just one tool that we use in our underwriting process.

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5. How is the PA system used in Underwriting at Equitable Life?

We use these systems to identify application patterns based on a comparison of applications against historical data. Our system suggests an increased level of due diligence may be needed for cases that don't follow an expected pattern so we can identify the possibility of increased mortality risk.

This means that some combination of answers and disclosures in the application does not align with the patterns in our PA database. In such cases, we may request a blood profile, a urinalysis, and a paramedical exam - to allow us to assess the underwriting risk accurately.

We then input the results into our predictive models. This improves our future analytic accuracy. It also helps us refine how we select applications for additional requirements in the future.

6. Does using PA increase the time to policy issue at Equitable Life?

No. PA allows us to process most applications very efficiently, without medical tests, thereby enhancing the overall customer and advisor experience.

Only a small percentage of applicants are selected for further requirements. This means that most applications are processed very quickly.

7. Does Equitable Life's PA system decide whether a client is approved or declined?

No. PA is only one tool used in the underwriting process to mitigate risk and enhance underwriting efficiency.

8. What is random sampling (RS or random selection)?

RS is a random spot-check step that helps us improve the accuracy of our underwriting decisions. Our system randomly selects a small number of applications for random review or requirements. In such cases, we may request additional tests – a blood profile, a urinalysis, and a paramedical exam.

RS contributes to our underwriting experience and results in faster policy issue for most applicants.

9. Why are some clients selected for testing if they didn't list any medical issues or concerns on their application?

We have many ways to assess each application. PA systems review the entire application, not just the listed medical details. Hundreds of data points are compared against our system's data bank to detect specific patterns. The applicant could be selected for further testing if an expected pattern does not appear.

Sometimes, our system selects an applicant for testing based on random selection. RS is simply a spot-check process that we use to further help reduce risk.

10. How can advisors explain to clients that additional requirements will need to be ordered?

We cannot predict who will be selected for additional requirements. Nor can we predict what combination of answers on an application could trigger other requirements. Therefore, advisors must explain to clients that Equitable Life's PA underwriting system reviews the entire application. This review could result in further requirements being ordered due to various factors.

Advisors should also inform clients that we may select any application for further requirements due to random sampling (random selection).

11. Does using PA or RS result in clients' personal information being shared with other insurers?

No. The data Equitable Life collects during any part of the new business process cannot be shared with other insurers unless a client authorizes it. For example, if a client applies for insurance with another provider, they may ask us to share their underwriting evidence with the other provider. However, this has nothing to do with our PA process.

12. Could using PA result in higher insurance premiums?

No. PA has no impact on the client's premium. Our systems do not recommend premium extras that should be charged. Overall, using PA systems helps us improve our underwriting efficiency and contributes to lower costs and pricing.

Do you have additional questions? Don't hesitate to get in touch with your Equitable Life wholesaler.