

## **New York Regulator Seeks Details From Life Insurers Using Algorithms to Issue Policies**

Wall Street Journal

New York's top financial regulator is investigating life insurers' use of big data, complicating the industry's efforts to boost sales by forgoing medical examinations in favor of algorithms for sizing up risk. New York's top financial regulator is investigating life insurers' use of big data, complicating the industry's efforts to boost sales by forgoing medical examinations in favor of algorithms for sizing up risk. In the past few years, more life insurers have been waiving requirements for blood and urine samples when selling life insurance. Instead, these firms are relying on outside data such as credit activity, property deeds, college-attendee records, liens, evictions and other public information to give them a sense of an applicant's well-being, The Wall Street Journal reported in January. These data sources are used in conjunction with health-related answers provided by consumers and longstanding industry tools such as prescription-drug databases. On Thursday, New York Department of Financial Services Superintendent Maria T. Vullo sent a letter to about 160 life insurers, asking for details about their use of new data sources, aiming to ensure practices are in line with state laws and regulations. The Journal has reviewed the letter. In a statement, Ms. Vullo said her department "supports innovations that reduce the overall time and expense of obtaining life insurance coverage." Her concern is whether practices are based on sound actuarial principles, or will result in higher rates for certain consumers. The department is acting as venture-capital funding has poured into insurance technology. Last year, investment firms spent \$1.7 billion across 179 "insure tech" deals, according to CB Insights, a firm with a venture-capital database. The industry is seen as ripe for innovation because of its heavy reliance on traditional ways of doing business even as consumers increasingly favor online financial transactions. The state's action shows the power that regulators hold over how—and if—data scientists, software engineers and other quantitative professionals get their way. Specifically, the New York letter asks if insurers use algorithmic underwriting, and, if so, what data sources they rely on. It also asks how the information is weighted within an algorithm. The letter asks about disclosures to applicants about the data's use, and what happens with the data after underwriting is completed. Insurers are trying to reverse decades of

declining sales of individual life-insurance policies. They say that details about lifestyle—such as years of residence at a single address and steady credit activity—can be markers of a stable lifestyle indicating a good risk for a life insurer. Insurers said the information is used to speed up the application process, and that they divert online applicants back to the conventional application process if issues surface with the nontraditional data. They say they obtain permission from consumers to obtain personal information. Under the federal Fair Credit Reporting Act, databases used in underwriting must provide consumers opportunity to correct errors. Write to Leslie Scism at [leslie.scism@wsj.com](mailto:leslie.scism@wsj.com)