

"I Don't Feel Seen": Outdated Insurance Practices Exclude Minorities from Securing Life Insurance

LOUISVILLE, KENTUCKY, UNITED STATES, December 12, 2023 /EINPresswire.com/ -- Distrust is on the rise among Black Americans who have historically been overlooked and taken advantage of by life insurance carriers. It's a problem as old as the industry itself, as a combination of inherent bias built into current underwriting models and a lack of understanding about how to leverage modern data science tools like Generative Artificial Intelligence continue to exclude minorities from access to essential life insurance coverage.

In 1964, the federal government banned discriminatory race-based insurance premiums. Yet, nearly 60 years later, Black Americans are still facing higher insurance premiums and inadequate coverage.

BIAS IN THE UNDERWRITING PROCESS

While federal law explicitly prevents insurers from applying discriminatory premiums based on race, the application and underwriting process still contain discriminatory practices that can result in higher premiums for Black Americans. Actuarial science, which insurers use to assess risk during the underwriting process, still broadly relies on just five major data points: age, gender, zip code, smoker/non-smoker, and marital status.

Zip Code has been one of the most prevalent disqualifiers. When people who live in historically Black neighborhoods apply for life insurance, they can be seen as a higher risk. The reason: people living in these zip codes may statistically face higher instances of health risks like diabetes or high blood pressure. Even if Black Americans are completely healthy, zip code alone can lead to application denials or an increase in premiums due to the perceived risk presented by the applicant.

With more consumer data available than ever before, insurers are beginning to use AI and machine learning to assist in underwriting. However, inherent bias continues to creep into the process due to overly exclusive data points that don't take unique racial, cultural, behavioral, and socio-economic indicators into account.

LET DOWN AND HARD TO IDENTIFY WITH

For most Black Americans, their first exposure to the benefits of life insurance occurs when a family member passes away. Minorities in the US are disproportionately underinsured compared to white Americans, which often results in death benefits that fail to cover end-of-life expenses or outstanding debts. When family members of the deceased receive insufficient benefits payouts, it makes it more difficult to trust insurance companies and life insurance products.

Another major factor deterring Black Americans from securing life insurance has to do with the dearth of Black life insurance agents and Black-owned life insurance companies. According to the US Bureau of Labor Statistics, in 2022, only 14.9% of Americans employed by insurance carriers were Black or African American. This pales in comparison to 75% of the insurance workforce that is made up by white Americans.⁽¹⁾ Black consumers want to do business with companies that they can identify with and who can identify with them. This builds trust and makes for a better insurance buying experience.

FINDING SOLUTIONS AND BUILDING TRUST

In the early 20th Century, Black Americans began to pool their resources to self-insure after being marginalized and rejected by mainstream insurance markets. One such company, named Mammoth Life and Accident Insurance Company, launched in Kentucky in 1915 to help take care of a community that was in dire need of access to financial services products.

Building on that legacy, [Mammoth Life & Reinsurance Company](#) (MLRC), the only Minority Business Enterprise (MBE) certified Life and Reinsurance company in the US, launched in Kentucky in 2021 to help empower and educate Black Americans about the importance and value of investing in life insurance, as well as to design and distribute modern, accessible, and affordable life insurance products.

“When the members of a community are insured, the community’s resilience improves. This can lead to much broader economic benefits,” says Bryan Simms, Co-Founder and President of Mammoth Life and Reinsurance Company. “In the history of the minority-owned insurance company, the Black-owned insurance company has been one of the most significant investors in banks, real estate, and education in underserved communities.”

MLRC is leveraging technology to make the underwriting process more inclusive by changing the way that data is processed and understood by AI and machine learning models. “There exist opportunities to use greatly expanded and publicly available data sets in combination with modern data science tools like Machine Learning, to better understand mortality/morbidity risk in previously excluded populations. We are taking advantage of those opportunities.”, says Simms.

Additionally, MLRC is actively recruiting Black insurance agents, who have a better understanding of the needs of individuals in their communities. They are also partnering with religious and community organizations nationwide to provide outreach and education about the many

benefits of life insurance including securing a family's immediate future, building generational wealth, and providing a safety net when a job is lost or difficult medical expenses stack up.

"On a tactical level, we are working to put more information in the hands of consumers and better tools in the hands of both agents and consumers to make more educated decisions," says Simms. "Our Corporate mission is to put approximately \$30 billion back into underserved communities nationwide by insuring Americans who have had restricted access to life insurance products. We are committed to using our general account to reinvest premiums into the communities that house our clients."

Mammoth Life & Reinsurance Company was founded in 2021 as an inspired brand, reviving the legacy established by Mammoth Life and Accident Insurance Company, which was established in 1915 in Louisville, Kentucky by former slaves who pooled resources to self-insure after being marginalized and rejected by mainstream insurance markets. Mammoth Life's mission is to deliver accessible and inclusive insurance products and solutions to the market aimed at the uninsured and underinsured life insurance demographics. MLRC is an agile, data-driven distribution company that achieves its mission by leveraging its unique and proprietary product engineering expertise, consumer engagement technology, and use of modern data science tools.

Sources:

1. <https://www.bls.gov/cps/cpsaat18.htm>

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