

## The benefits of risk-based underwriting

With risk-based underwriting, applicants are quoted premiums and cover that reflect the risks they bring. Those with similar factors are treated the same. This is called differentiation, and is not the same as discrimination, which is illegal.

If the price of insurance were decoupled from risk:

- Some consumers would pay too much relative to the risk they bring to the insurer, while others would underpay
- Insurers would have to increase premiums significantly to compensate for uncertainty about what claims to expect
- Insurance would become less attractive to the consumer, or even unaffordable, ultimately leading to insurers offering fewer products

