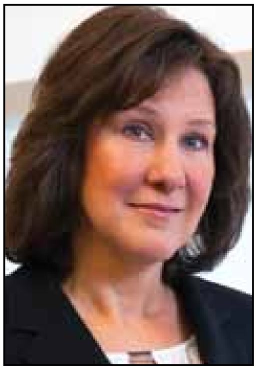
BEST'S REVIEW
www.bestreview.com December 2017

Risk Adviser

Insight

Taking Credit

The predictive power of credit behavior data can accelerate the underwriting process for life insurers.



By
Dianne Schuetz

The use of credit data allows for a less invasive underwriting process and faster policy issue.

Results from Limra's *2017 Insurance Barometer Study* found that 70% of Americans who would consider purchasing life insurance are interested in doing so without taking a physical exam. So the question remains: How can insurers meet consumer demand for convenience and accurately assess applicant risk? The answer: Use big data and do so responsibly.

The evolution of life insurance underwriting consists of a series of breakthroughs in applying emerging data resources to mortality risk assessment—from driving records to prescription histories. Considered long ago to be avant-garde, such data is now seen as foundational and used as standard evidence across the industry, allowing insurers to offer consumers more efficient access to coverage, expanded benefits, preferred rates and lower premiums.

So now the question is: What will be the next piece of evidence to move the industry forward?

Credit scoring has long been used to streamline the process of buying a car, insuring a house or applying for a credit card.

In 2014, RGA began working with TransUnion, a global risk and information solutions provider and one of the largest credit bureaus in the United States, to study the predictive power of credit behavior data as it relates to life insurance risk. Using the accumulated credit histories of millions of people over a 10-year period, data scientists identified a subset of credit data in which patterns could be observed and correlations made regarding the value of credit data in life insurance.

TransUnion used these findings to create a credit-based insurance score designed specifically for the life insurance industry that uses select, predictive attributes of a consumer's credit report—a score distinctly different from other credit scores.

RGA validated the results from TransUnion, demonstrating the legitimacy of its predictive mortality and lapse power. It is complementary to medical sources of data as it reflects the long-term financial behavior corresponding to how an individual may behave and what health, social, or recreational risks they may take. The score can be used to provide a more holistic, nuanced picture of each applicant's risk profile in combination with other sources of data.

As a result, this credit-based insurance score can accelerate the underwriting process and help insurers make more (and more competitive) offers to qualified applicants across risk classes. In addition, consumers and insurers alike benefit by using a transparent source of data that does not inconvenience the consumer. The combination of information helps carriers build products and tools better tailored to consumers' needs.

Simply put, the use of credit data allows for a less invasive underwriting process and faster policy issue. The next step in the evolution of risk assessment has arrived. BR

Best's Review contributor **Dianne Schuetz** is vice president, business initiatives, at RGA. She can be reached at *cmsteam@rgare.com.*