

DEVELOPING A SUCCESSFUL ACCELERATION ROAD MAP



Dianne Schuetz
VP, Business Initiatives
RGA
US Mortality Markets Division

You may have heard the popular Yogi Berra quote, “If you don’t know where you are going, you’ll end up someplace else.” Known for his “Yogi-isms,” the Hall of Fame baseball player and manager appeared in an unmatched 22 World Series, 13 of which he was on the winning team. He certainly must have had an idea of where he wanted to go.

Yogi’s bit of wisdom can also apply to insurance carriers as they look to implement an accelerated underwriting program. Having a plan or a roadmap in place for developing such a program is key to its ultimate success. At RGA, we have worked with many insurers in launching accelerated solutions and have identified best practices to keep in mind and key questions to answer in laying the groundwork for an accelerated underwriting program within an organization.

Build on the Basics

Although your path to an accelerated underwriting program can and should be customized and adjusted along the way to meet your unique goals, we have identified basic steps to getting started.

Identify program objectives

At the outset, it is key to identify your high-level objectives – what you want to accomplish, how you want to achieve the objectives, and your desired timeline for implementation. Examine the motivators behind your objectives such as potential competitive concerns, a desire to increase efficiency, reduce cost, etc. The bottom line is that you need to understand all of the relevant factors because they will impact the design of your program and the decisions you make. Additionally, you will quickly realize that having a project manager dedicated to your program to establish a project plan with milestones and deadlines can be very beneficial to ensure the development stays on track. Ideally, a project management team should include representation from actuarial, underwriting, IT, legal, marketing and any other impacted parties.

Executive Summary *RGA provides guidance to companies beginning the journey into accelerated underwriting, helping them focus on the important considerations to keep in mind and the key questions to address as they build out their program. Although the path to an accelerated underwriting program can and should be customized and adjusted along the way to meet a company’s unique goals, the following article identifies the basic steps to getting started.*

Key questions to ask:

- What do you want to accomplish and why?
- How do you want to achieve the objectives?
- What is your desired timeline for implementation?
- Will you have dedicated resources to be successful?

Once you establish high-level objectives, drill down a bit more. Identify program parameters that are aligned with your goals. Consider factors such as the percent of applications accelerated, acceptable mortality slippage, retail premium rates and overall financial goals. Don’t focus on artificially set acceleration rates. When considering this, it is important to keep in mind that the definition and calculation of the acceleration rate can vary widely from company to company. The rates can be impacted due to varying degrees of pre-filtering, risk classes included, the target market and type of distribution, making true comparisons between companies very challenging.

Next, consider the impact to your mortality results and identify how much mortality slippage is acceptable. Slippage can impact both the policies with an accelerated decision and policies with a fully underwritten decision. Ensure that your perspective is broad enough to account for the overall financial impact that is ultimately influenced by program design.

Key questions to ask:

- How much mortality slippage is acceptable and will this be offset and to what degree?
- What is your goal for retail premiums?
- Are there other financial considerations (technology cost, projected sales impact, cost of alternative requirements)?

Define program eligibility

After you have identified your goals, the next step is to define program eligibility. For this, it is important to determine how eligible applicants will go through the accelerated process. In other words, will all applicants who meet your company's age and amount criteria be included, or only those who can additionally pass through a set of pre-filtering criteria? Agents can play a key role in this phase, and the questions they ask clients may identify candidates for the program. Keep in mind, too, that it is also important to inform and train agents so that they can adequately explain the program and set appropriate client expectations.

Key questions to ask:

- What products will be eligible?
- How will the acceleration-eligible products be perceived by your distribution in comparison to other products?
- What is the minimum/maximum issue age?
- What risk classes will be included?
 - Will tobacco classes be included?
- How will individuals be put through the accelerated process?
 - What questions will agents ask and what will be the extent of the information they gather?
 - What material/information will be provided to agents to help them set client expectations?

Choose Your Own Adventure

When I was young, I loved to read the Choose Your Own Adventure books, in which the reader takes on the role of the protagonist and is presented with choices that determine the story's path and ultimate outcome. In much the same way, following a basic framework can launch your company toward accelerated underwriting, but developing and fine-tuning the program can be a "Choose Your Own Adventure" of its own.

Determine underwriting rules

The next turn on your route to an accelerated underwriting program is to develop the underwriting rules that will support the program. Two key elements are application question design and rule sets for evidence

and disclosures. Another important consideration is to decide what tradeoffs you are willing to make from a requirements standpoint, since you are not going to have the same detailed information you would get from a traditional underwriting process, such as lab work and exams. Alternative data sources, including motor vehicle records, credit information or prescription drug scores, can be very effective aids in risk assessment and can offset mortality slippage in an accelerated underwriting program. Often, access to these alternative data sources can be automated, which will improve efficiency and enable electronic data collection and monitoring for the future.

Key questions to ask:

- What is the impact to application questions in light of the potential elimination of an exam and lab results?
- How is applicant information collected and should that change?
- How will your underwriting guidelines change?
- How will the preferred criteria be adjusted to reflect accelerated underwriting?
- If you change your application and/or drill-down questions, what impact may that have in regard to state filings?

Collaborate across your organization

Once you've established your underwriting rules, there are other important elements to keep in mind to ensure your path to launch is as smooth as possible.

Long before implementing your program, it is important to address workflow for building out new business processes. This includes system impacts that result from changes to workflow and underwriting guidelines. Both should be outlined and addressed.

Effective marketing and communications are other aspects that cannot be overlooked. Arming both your internal team and sales associates with the appropriate information and materials to talk about your program is crucial to the program launch, promotion and longevity.

Key questions to ask:

- What changes will be made to the current new business and underwriting workflow?
- What will you need to build an effective training program for internal staff and agents?
- How will you address applicant or agent concerns, and is your process transparent and easily explained?

Continue to adapt and evolve

Review results on a regular basis to determine if your program needs to be recalibrated in any way to accomplish the objectives. A mix of pre- and post-issue monitoring provides data needed to assess the impact of your program. Track, measure, analyze and quantify the results to understand potential unintended consequences and assess if you are meeting your objectives.

Take, for example, assessing your expectations on straight-through processing rate. Establishing systems that allow you to store and track structured data so that you can easily monitor and identify the reasons why individuals are not qualifying for your program is key to the adaptability and long-term success of your program. Reviewing the results allows you to revisit your underwriting rules, address why applicants are being excluded, and help you make adjustments moving forward if appropriate.

Key questions to ask:

- Do you have a process in place for capturing the data necessary for the auditing and monitoring of your program?
- How are you going to report on this to monitor your success?
- How will you be able to effectively provide information to interested stakeholders?
- Will this process be manual or can you do this more from an automated perspective?

Do not underestimate the value of an outside perspective. Reinsurance providers can help support your acceleration program by lending expertise and a long-term view. While no one knows your business better than you, a reinsurer has a unique perspective on what is going on in the industry and can help make your accelerated underwriting program as effective as possible. However, regardless of whom you engage, it is critical that you gather reliable data and information and establish systems to monitor and analyze results.

Establishing an accelerated underwriting program is not a one-and-done task. It is a process of continuous learning. After you establish a program, you can adjust and refine it as needed to meet your goals now and into the future.

Coming in September

How does acceleration fit into the bigger picture? Does the evolution in underwriting go beyond acceleration? In the next two articles in this series, we will tackle some fundamental questions about how carriers can stop being fast followers and start designing for the future.

About the Author

Dianne Schuetz is Vice President, Business Initiatives for US Markets at RGA Reinsurance Company. Dianne leads a team focused on developing and commercializing a portfolio of innovative risk-selection products and solutions for the US insurance market. Prior to her current role, Dianne had 2 decades of experience developing and bringing new products, services and technology to market in the health care and insurance verticals. Dianne received her BS degree in Science and Nursing and her Family Nurse Practitioner Certificate from Purdue University Calumet, Hammond, IN, and her MBA from Loyola University in Chicago.



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