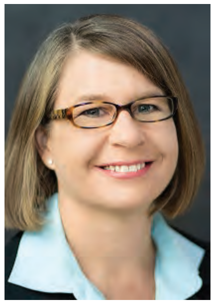
# BUSTED: TOP FIVE MYTHS ABOUT ACCELERATED UNDERWRITING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*Have You Missed the Boat on Acceleration? Small Steps Can Make a Big Difference.*

It is a transformative time for the life insurance industry as accelerated underwriting promises to reshape the way companies do business. The goal: to improve underwriting speed and efficiency while also preserving the reliability of the risk assessment process. Amid this dynamic environment, it's easy for carriers to feel overwhelmed and at risk of being left behind. Fortunately, there is ample opportunity to catch up – and getting started is not as difficult as they might think.

Experts from RGA recently weighed in on the top questions and concerns they field from carriers regarding accelerated underwriting, and they bust some common myths on the topic.

**Executive Summary** *As accelerated underwriting programs grow more prevalent in the industry, some carriers may feel they are falling behind. But this may be more perception than reality. The following article addresses common misconceptions around accelerated underwriting and dispels many of the myths about implementing an accelerated underwriting program. With accelerated underwriting solutions now hitting the market, a range of resources is available to companies at all phases of the journey, whether just starting out or expanding their accelerated underwriting processes.*

**Myth 1: Simplified issue and acceleration are the same thing.**

This is an important clarification to make at the outset. While both simplified issue and accelerated underwriting seek to more efficiently assess applicants and streamline the underwriting process, there are key distinctions between the two.

Simplified issue is an underwriting process that makes use of instantly available evidence along with a short application to determine if an underwriting offer can be made. Through automated underwriting, simplified issue can "accept" or "reject" an applicant with very few, if any, applications requiring human underwriting intervention. Accept rates are typically high, in the 70-90% range, and the preferred classes, if any, are typically limited to just one preferred non-tobacco class.

Accelerated underwriting, on the other hand, is a fully underwritten process that makes use of new data, tools and modeling techniques to triage applicants and determine if an underwriting offer can be made, without gathering all of the traditional underwriting evidence, such as paramedical exams and laboratory testing. Accelerated underwriting is meant to preserve the risk selection and underwriting class determination of a traditional fully underwritten process, but accomplishes this through the use of these new data and methods in combination with continuous monitoring and program refinement. As such, accelerated underwriting makes use of a fully underwritten product issued at or close to fully underwritten retail rates with preferred classes. In addition, accelerated underwriting sets maximum issue ages and other eligibility requirements to control risk selection, and targets acceleration rates typically less than 50%, although it is important to note that this rate is heavily influenced by how the numerator and denominator is defined.

The accelerated process may be implemented with full automation, manually or some combination of the two. Ultimately this choice is up to the individual carrier and is oftentimes approached in an evolutionary manner. With the support of a trusted reinsurance partner, you can identify which program will best address your needs.

**Myth 2: You have to go big or go home.**

We often hear from clients considering an accelerated underwriting program that they presume it is a massive end-to-end project. In fact, it doesn't have to be all or nothing. It is possible to implement one tool to address a specific cohort of your business and build from there. Deploying accelerated underwriting programs doesn't have to be a huge IT project either. Tools can be added through a portal and do not always require major technological infrastructure.

Take, for example, TrueRisk Life, a credit-based insurance score that is highly predictive of mortality and lapse risk. This tool allows for risk segmentation without invasive measures. It can be used to dynamically push applications down different paths, providing a more accurate classification, reducing underwriting costs and enabling faster policy issues – ultimately leading to a better customer journey. The tool can be integrated into a company's underwriting protocols at different phases based on the company's needs.

It may look monumental now, but like any journey, the path to accelerated underwriting can be accomplished by taking one step at a time.

**Myth 3: There will no longer be a need for underwriting staff.**

Effective medical and financial underwriting of complex cases is a process requiring the application of underwriting skills honed over many years of experience. A "one size fits all" approach may not be appropriate.

While technology and access to new data sources will improve the speed of underwriting for a portion of the life insurance market, nothing in the market today can replace the value of expert human insight, particularly for difficult cases. Advances in data analytics, underwriting technology and predictive models should be viewed as a means to augment human capabilities. Underwriters will remain a vital part of the industry – and with accelerated underwriting they will be able to apply their professional skills to the appropriate cases.

In addition, while some may feel that predictive models are the Holy Grail or an ultimate solution to improve the new business process, it's important to understand that a model is an evolving tool, and it is only as effective as the assumptions and data upon which it's built. A team of experts to support assumption setting, rules development and data compilation can help ensure the success of all accelerated underwriting programs.

**Myth 4: Over time I can get to a 100% acceleration rate.**

Accelerated underwriting programs can certainly enable underwriters to more efficiently determine applicant risk class for a subset of their business; however, setting appropriate expectations is key. Your measure of success ultimately depends on how you define success with respect to both acceleration rates and mortality slippage. The development of an accelerated underwriting program is essentially a balancing act between how many applicants a carrier wants to accelerate and a tolerable level of mortality slippage.

Additionally, not all acceleration rates are the same. It is important to realize when comparing acceleration rates among companies that pre-filtering can lead to inaccurate comparisons and artificially high acceleration rates.

When developing an accelerated underwriting program, it is important to establish realistic goals, set appropriate expectations and maintain enough flexibility to allow for refinements over time. Reinsurers can help carriers understand the trade-offs between acceleration rate and mortality slippage to enable the development of a sustainable program that meets their needs.

**Myth 5: I've already missed the boat on accelerated underwriting.**

Hardly. A spectrum of resources is available to companies at all phases of the journey to accelerate their underwriting processes. While accelerated underwriting has certainly seen a boom with companies building out programs, there remains an opportunity to implement solutions that will help businesses run more efficiently and improve the customer journey.

With more information available from both traditional and non-traditional sources – motor vehicle records, prescription histories, credit data, etc. – underwriters can now access lengthy histories and view a more dynamic, complete picture of applicants. Equipping underwriters with tools to access and analyze this additional information is enabling the development of accelerated solutions in which applicants can be underwritten dynamically, based on their behaviors over time, via a more frictionless, consumer-friendly process.

RGA's *2017 Global Life and Health Underwriting Survey*, which surveyed 25 leading life and health insurers from large global, regional, and single market life and health insurance companies, revealed 96% of survey participants indicate a significant or moderate need to improve performance overall, and 68% expect their organizations to make significant or very significant investment in improving efficiency and effectiveness of current processes over the next 3 to 5 years. In addition, the survey results show that there is a widespread belief that to compete, insurers will have to rely less on fully underwritten approaches and, increasingly, on more customer-friendly and efficient underwriting options to win business in the future. Within the next 5 years, 71% of participating insurers reported that they expect the percentage of new business premium that is fully underwritten to decrease or significantly decrease.

As the industry continues to evolve to meet the needs of today's customer, accelerated underwriting will be a key part of delivering products and tools to customers through a faster, more simplified process. You haven't missed the boat, but now is definitely the right time to climb aboard.

Companies are working to implement accelerated underwriting solutions, but there are definitely speed bumps to keep an eye out for. In the next article in this series on acceleration, we will present a roadmap of steps you can take to push acceleration forward in your organization.


## About the Authors

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