Accelerated Underwriting

The ALU Survey Group completed its seventh survey in 2019: *Accelerated Underwriting*. As we reported at the time of the *Underwriting Automation* survey in 2016, the insurance industry is in the middle of transformative change. This transformation has been going on for the last three to six years and shows no signs of slowing down.

Accelerated underwriting started in the US six years ago. In the last two to three years, more than 26 companies have implemented or piloted accelerated underwriting programs. With the relatively quick adoption rate by the insurance industry, new data sources available to enhance these programs are being quickly developed by hopeful entrants into this growing market. The research and development process can take years. The creation of a program that works in a specific organization's market can be complicated, entailing historical data analysis and extensive testing of currently offered data sources.

Accelerated Underwriting with an Underwriting Refresh provides timely and pertinent information about the components of different programs, the experience that companies have had with implementation and the launch of their programs as well as potential changes they see in the future. Accelerated underwriting and underwriting automation are used together by many companies currently, and several companies indicate their goal is to get to a more automated process. We re-asked a few questions on the topic of underwriting automation and provide a comparison from the 2016 survey in the number of companies currently using this technology.

Past important survey topics have included underwriting audits, underwriter training and education, and we completed underwriter censuses in 2014 and 2017. The underwriter census provided valuable insight into the composition of underwriters working in the US and Canada. We plan on conducting another underwriter census in 2020 and will compare the information from previous censuses to identify changes that our profession is experiencing. We encourage you to log into the ALU website to review past surveys.

The survey questions appear **in bold**. All other comments were gleaned through either open-ended comment fields or survey response analysis.

ALU Survey on Accelerated Underwriting

The ALU survey had three goals:

- Determine if and how companies are using accelerated underwriting
- Identify the components of accelerated underwriting programs
- Provide an update on underwriting automation from the 2016 survey

The ALU Survey Group created and conducted the survey with input from the ALU executive team. Survey group members are:

- Suzanne Grover, Mass Mutual Life
- Donna Melfi, Mass Mutual Life
- Kristin Ringland, SCOR Global Life Americas
- Roberta Scott, Woodmen Life

Survey Participants

We used the ALU Marketing and Survey Groups' chief underwriter contact list to select survey participants. The survey was sent to more than 200 companies in the US and Canada and included direct carriers, reinsurers and retrocessionaires. We received responses from 64 of the companies contacted, resulting in a 32% response rate.

Responses by company type:

- Direct Carrier   84%
- Reinsurer   12%
- Retrocessionaire   3%

Number of life underwriters in the underwriting departments of companies who responded:

- < 10   38%
- 11 to 25   27%
- 26-50   20%
- 51-100   6%
- 101-150   2%
- >150   6%

Does your company currently have or are you anticipating developing an accelerated underwriting program? If different aspects of your program are in different stages of implementation, please use comment box to explain.

- Yes, we currently have a program implemented
  (fluidless, triage, automatic decision making)   41% (26)
- We anticipate implementing a program within the next 18 months   17% (17)
- No current program and no plans to implement a program   22% (14)
- Other   11% (7)

Other comments: One company has an SI program, but it is not fully automated. Two companies are looking into possibility of a program, and one company has an underwriting rules engine that approves 1/3 of fully underwritten applications - they are implementing predictive models to determine which clients can be accepted without labs within the next six months.

	Fluidless	Triage	Automated Decision Process
If yes, Implemented	57%	50%	41%
If yes, Piloted	4%	0%	4%
If yes, Plan to pilot in the next 18 months	33%	37%	37%
If yes, No plans to implement	7%	13%	17%

Does your accelerated program utilize any of the following tools? (Select all that apply.)

- Electronic Health Records   5%
- Credit Scoring Model   43%
- Medical Billing Model   5%
- Lab Scoring Model   23%
- Criminal History Score   14%
- Identity Verification   32%
- Other   55%

Other tools identified: MIB, IAI, Pharmacy Records, Telephone Interview, Risk Score Model, Review of several options from an Artificial Intelligence company, Internal data captured from app, interview, etc. Most of these models are not available in Canada.

Which application formats are included in your accelerated underwriting program? (Select all that apply.)

- Teleapp   41%
- Online app   48%
- Paper app   23%
- Mix   11%
- Comments   23%

Mix answer: paper and teleapp, teleapp and online/electronic app, electronic and paper.

Comments indicated a few companies are developing electronic app and teleapp.

How are the risks for policies approved through your accelerated underwriting program?

- Fully retained   30%
- Quota share pool   52%
- Mix   2%
- Comments   16%

Mix answer: Majority fully retained and small portion shopped facultative, mix based on reinsurance pools, excess retention and quota share pools, retained up to retention and quota share above retention.

Comments indicated one company hasn't determined how the policies will be approved, and one company indicated no reinsurance.

Have you made any changes to your distribution model or targeted customer base for your accelerated program?

- Yes   16%
- No   84%

Please explain the changes you've made in reference to your distribution.

Majority of the responses indicated "no" or "none".
One company indicated they added a point-of-sale decision process in banks and broker/dealers. Another company indicated they are pursuing "Direct to Consumer" (DTC), and a few companies indicated "new distribution is under review".

What is the minimum age eligible for your accelerated underwriting program?

- 16   2
- 17   2
- 18   20
- 19   2
- 20   2
- 21   1
- 40   2

What is the maximum age eligible for your accelerated underwriting program?

- 49   1
- 50   8
- 54   2
- 55   3
- 59   1
- 60   8
- 65   6
- 80   1
- 85   2
- 99   1

What is the maximum face amount eligible for your accelerated underwriting program?

- $250K   5
- $300K NAR   2
- $500K   9
- $750K   1
- $1 million   15
- $2 million   1

What is the maximum age eligible for the maximum face amount for your accelerated underwriting program?

- 40   3
- 45   3
- 49   1
- 50   9
- 54   2
- 55   3
- 59   2
- 60   6
- 65   3
- 99   1

What products does your company have available in your accelerated underwriting program? (Select all that apply.)

- Perm   77%
- Term   86%
- Other   11%

One company indicated they underwrite Critical Illness through their accelerated underwriting program.

What riders are included in your accelerated underwriting program? (Select all that apply.)

- Waiver   78%
- GIO   15%
- LTC   15%
- Other   26%

Other responses: ADB, Child Rider, Living Benefits Rider, Return of Premium Rider, and two responses of none.

What rate classes are available in your accelerated underwriting program? (Select all that apply.)

- Best NonTobacco Class   78%
- Best Tobacco Class   45%
- Better than Standard NonTobacco   59%
- Better than Standard Tobacco   26%
- Standard NonTobacco   81%
- Standard Tobacco   78%
- Rated (enter max table available)   22%
- Other   22%

Max rating available: T3, T4 and "substandard offers may be made, depending on the reason (build, avocation, non-medical impairment related)." Only 4 of the 6 companies that answered ratings are available provided the maximum rating.

What is the withdraw/incomplete rate of your ineligible accelerated underwriting applications?

- <10%   48%
- 11-20%   33%
- 21-40%   15%
- 41-60%   4%
- 61% or higher   0

What is the placement rate of policies approved through your accelerated underwriting program?

- <40%   11%
- 41-50%   7%
- 51-60%   7%
- 61-70%   22%
- 71% or higher   52%

Does your company have a tobacco propensity model?

- Yes – homegrown   4%
- Yes – purchased   0
- No   81%
- Not at this time - plans
  to implement in the future   15%

What issues have you encountered in the development and implementation of your accelerated underwriting program? Please provide details.

There were 27 responses with varying answers:

- The majority of respondents indicated issues around agent/field acceptance, training and agent frustration around clients being kicked out of the accelerated underwriting program.
- Project and IT resource restraints
- Complications of random holdouts
- Mixed signals from senior management
- Not meeting production expectation
- Cost of implementation
- Underwriters understanding the models
- Not meeting approval rate
- Higher mortality

In the next 18 months, please advise what next steps you are considering for your accelerated underwriting program? (Select all that apply.)

- Expansion of current program   63%
- Development of algorithm for triage processing   26%
- Development of algorithm for decision making   22%
- Further development of monitoring process   63%
- Expansion of client experience (client portal,
  online application premium payment options, etc.)   19%
- No plans at this time   4%
- Other   19%

Other responses included addition of other data sources for use in decision making, regulation impacts, how to improve decision explanations and notices, automated decision on preferred cases and point-of-sale automated decisions.

How do you monitor your accelerated underwriting program? (Select all that apply.)

- Post issue APS   52%
- Post issue RX check   22%
- Random Holdout   56%
- Other   30%

Other responses: Plan F, Post issue Quest Check, monitoring of premium class distribution and claims experience, monitoring non-disclosure by leveraging existing 3rd party data sources. One respondent indicated "We don't. No resources." and a few indicated not implemented yet.

Does your company have credible mortality data from your accelerated underwriting program?

- Yes, more favorable than expected   8%
- Yes, as expected   8%
- Yes, less favorable than expected   4% (1 response)
- No, we do not have credible mortality
  experience at this time   82%

Does your company have an automated underwriting system?

- Yes   48%
- No   52%

How did you develop or acquire your automated underwriting system? (Select all that apply.)

- Developed within your company   32%
- Purchased from a third party   12%
- Partnered with a reinsurer   36%
- Partnered with a vendor   12%
- Other   20%
  (Responses 25)

Other responses indicated they did not have an automated underwriting system.

The 2016 automation survey: More companies at that time were developing their own system or purchased from a third party. Note: The number of responses for this question in the previous survey was higher, which could impact percentages.

Does your company use automated underwriting for Simplified Issue/Guaranteed Issue?

- Yes   44%
- No   56%

The 2016 automation survey: The number of companies using automation for SI remains the same.

What options are available after a case is disqualified from automated underwriting? (Select all that apply.)

- Full underwriting   56%
- Limited underwriting   20%
- Guaranteed Issue   0
- None   28%
- Other   16%

Other responses indicate there are none disqualified or does not apply.

What is the straight-through processing rate of your automated underwriting program?

- <10%   40%
- 11-20%   8%
- 21-40%   20%
- 41-60%   12%
- 61% or higher   20%

In relationship to your targeted straight-through processing expectation, your current straight-through processing rate is…?

- Higher than target   0
- At target   60%
- Below target   40%

As a result of implementing an automated underwriting system, has your company experienced any of the following? (Select all that apply.)

- Cost savings   11
- Cost increases   0
- Improvement in time service   16
- Delay in time service   0
- Improved policy placement rates   6
- Diminished policy placement rates   0
- Decreased mortality costs   1
- Increased mortality costs   0
- Increased complex case reviews   2
- Decreased complex case reviews   1
- Increased underwriting time availability   8
- Decreased underwriting time availability   1
- None of the above   5
- Other   7

Other responses: too soon to tell, in combination with accelerated underwriting-some impact on tobacco classes, hope to achieve improvements in cycle time.

The top four responses were: improvement in time service, cost savings, increased underwriting time availability and improved policy placement rates.

In the 2016 automation survey, the top four responses were improvement in time service, cost savings, fewer simple case reviews and increased underwriter time availability. Note: The number of responses for this question in the previous survey was higher.

Conclusion

The goal of this survey was to determine the composition of accelerated underwriting programs and to show how companies are using their programs. Based on survey results, the programs are being used for multiple plans of insurance, with multiple riders available. The age ranges at which applicants can be underwritten through these programs spans from age 16 to 99 at varying face amounts. The trend in underwriting classes available has been Standard to Top Preferred; however, some companies are offering low substandard ratings.

The survey indicates the results experienced with accelerated underwriting can be very positive: cost savings, increased placement rates, increase in straight through processing and improved time service. A few issues companies noted are agent/field acceptance of the program, IT constraints, resources to monitor the program, cost of implementation and a mortality impact mentioned by one company. It is important to remember when reviewing results that the accelerated underwriting programs vary greatly by company, the metrics used to measure the results may be based on different inputs and not necessarily directly comparable.

The perfect complement to accelerated underwriting is automated underwriting. According to the survey, more people are using automated underwriting than they were at the time of our survey in 2016. The impacts of automated underwriting were similar in both surveys, even though this survey had fewer respondents.

If you are part of an organization that currently has an accelerated underwriting program or are thinking of developing one, we hope the insights from this survey provide detail on the direction the industry is headed. If a company is willing to test and learn from mistakes and implement change effectively, there is the potential to see significant improvement in efficiency and customer satisfaction.

In 2020 the Survey Committee will conduct another underwriter census. Look for information on the ALU website this fall. The census will be distributed early next year. For the underwriter census it is important to have the participation of all the underwriters in the industry: case underwriters, auditors, management, data or research underwriters, anyone with an underwriting background. The goal is to discover how many underwriters are working in the industry, the type of work they are doing and put together a profile of the underwriting industry in the US and Canada. As always, we appreciate your support.