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MDRT Minute

The Evolution of Underwriting

The underwriting process has come a long way, especially in the past 10 to 15 years. Thanks to technology and the change in the general business climate, what was once a very paper- and time-intensive effort has moved to enable the passing of information within minutes. We also now have the abilities to design products with more bells and whistles than ever imagined. This capacity to access information at a moment's notice has also shifted consumer's expectations. People no longer like to wait; they expect a near-immediate response for everything. As we embrace this new, current world of instant information and more sophisticated risk assessment, what does the future of underwriting hold?

Automated underwriting

As companies look to drive efficiency, lower cost, take advantage of new technology and drive consistency, straight-through processing and variations thereof will likely continue to be the focus over the next few years. With straight-through processing, data is put through an automated rules engine that checks the application, takes in data from various data inputs, and determines, through an algorithm, the decision or serves as a prescreen and presents any outliers to the underwriter for review.

Changes in underwriting requirements

As we continue to learn more, analyze more and have more information, we will continue to adjust our requirements. This also comes with new medical research and enhanced treatment programs for diseases and health issues. According to the Society of Actuaries 2011 New Business Process Survey, most carriers (75 percent of those surveyed) have changed requirements in the past two years, with a vast majority (80 percent) becoming more liberal and less invasive.

Medical record retrieval

Online medical record storage will improve speed and allow insurers to access medical information directly from the medical provider. Those who review the Attending Physician's Statements (APS) to better understand a client's particular medical situation and also work to position it with the carrier (along with more privacy regulation) this will further restrict the underwriter's ability to share this information with you.

Pharmacy database checks

The prescription database check now provides the names of medications the applicant is using, how often the medications are filled and the prescribing physician. It helps underwriters verify medications, determine the degree of compliance, root out misrepresentation and uncover omissions. It's a great tool that can help expedite the process by providing enough information for the underwriter to avoid the APS; it also can uncover situations that may be less favorable for the client.

Predictive modeling

The use of predictive modeling has gained attention and will be a factor in underwriting assessment. The premise is that by analyzing data systematically and tracking historical outcomes, you can create predictive models and apply the information to current applicants and classify risks accordingly. These models have the potential to be faster, better and cheaper than traditional underwriting methods, and thus offer a better client experience.

How can you prepare?

Underwriting is fast becoming more science and less art. It is expected that the next decade will introduce new approaches to risk evaluation, including less traditional data elements, statistically rooted analytics and less invasive techniques. So, stay current and informed about the macroenvironment; get "techy" and make your business model fluid to change with the times; think about how your clients are changing the way they work, communicate and build relationships. While it's widely stated that insurance is sold, not bought, *how* it's sold must change with the times.

Karen M. Phelan, FLMI, has more than 20 years of experience in the insurance industry. She began her career as an underwriter and subsequently moved into leadership roles in producer marketing, customer service and brokerage underwriting. Before departing as corporate vice president of life underwriting in 2012, she received the President's Leadership Award and was named the Agents' Advisory Committee's MVP. Phelan's entire presentation is available for purchase in the MDRT store at www.mdrt.org.